

Comprehensive Annual Financial Report

For the Fiscal Year
Ended June 30, 2019



**San Francisco
County Transportation
Authority**

a component unit of the City and County of San Francisco, California

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For the Fiscal Year Ended June 30, 2019

Prepared by the Finance and Administration Division



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County Transportation
Authority**

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SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

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Introductory Section

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December 3, 2019

To the Members of the Governing Board of the San Francisco County Transportation Authority:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the San Francisco County Transportation Authority (Transportation Authority) for the fiscal year ended June 30, 2019. The financial statements are presented in conformity with generally accepted accounting principles and were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe the controls and procedures are in place to ensure the accuracy of reported data, in all material respects, and the Transportation Authority's financial position is presented fairly.

Eide Bailly LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on the Transportation Authority's financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the Financial Section of this report.

The Transportation Authority is also required to undergo an annual federal compliance audit in conformity with the provision of the Single Audit Act of 1984, and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The results of this audit can be found in the Federal Compliance Section.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

San Francisco is the cultural, commercial, and financial center of Northern California. The consolidated city-county covers an area of about 47.9 square miles at the north end of the San Francisco Peninsula in the San Francisco Bay Area. The Transportation Authority, established in 1989 pursuant to the provisions of the Bay Area County Traffic and Transportation Funding Act (the "Act") and by voter approval of Proposition B, is a sub-regional transportation planning and programming agency for the City and County of San Francisco (the "City"). Originally created to administer the proceeds of the retail transactions and use tax also approved by Proposition B, the City's first local sales tax for transportation, the Transportation Authority has since been asked to take on several additional roles and responsibilities mandated by State law. On November 4, 2003, County voters approved Proposition K, adopting a new transportation expenditure plan referred to herein as the Expenditure Plan, which superseded Proposition B, and extended the existing one-half of one percent (½%) County-wide sales tax through April 1, 2034.

Pursuant to the Act, the Transportation Authority is a separate legal entity from the City, with its own staff, budget, operating rules, policies, board, and committee structure. The Transportation Authority's borrowing capacity is separate and distinct from that of the City. The Transportation Authority does not own or operate any transit systems, but it coordinates with and provides funding to certain other agencies that do operate transit systems. The Transportation Authority's mission is to make travel safer, healthier, and easier for all. We plan, fund, and deliver local and regional projects to improve travel choices for residents, commuters, and visitors throughout the city.

Since 1990, the Transportation Authority has been the designated Congestion Management Agency (CMA) for San Francisco. In this role, the Transportation Authority is responsible for developing and administering the Congestion Management Program. Through its CMA activities, the Transportation Authority leverages State and federal transportation dollars to complement Proposition K (Prop K) sales tax revenues, and performs project delivery oversight to assist with project implementation. The Transportation Authority also tracks transportation system performance to ensure that the City gets good value for its transportation investments, and it prepares the long-range San Francisco Transportation Plan to guide future investment decisions.

The Transportation Authority has also served as the San Francisco Program Manager for grants from the Bay Area Air Quality Management District's Transportation Fund for Clean Air (TFCA) since 1990. In such role, the Transportation Authority approves funding for transportation projects that directly benefit air quality, through reduced motor vehicle emissions.

The Transportation Authority also serves as the administrator of Proposition AA, a \$10 annual vehicle registration fee on motor vehicles registered in the City, which was passed by City voters in November 2010. In such role, the Transportation Authority oversees the Proposition AA program and allocates funds to street repair and reconstruction, pedestrian safety, and transit reliability and mobility improvement projects. This fee is separate and apart from, and does not form any part of, the Sales Tax Revenues.

The Transportation Authority was also designated as the Treasure Island Mobility Management Agency (TIMMA) in 2014, and although TIMMA and the Transportation Authority share staff and a common board of commissioners, TIMMA's functions (and its budget) are separate and apart from those of the Transportation Authority. TIMMA is charged with planning for sustainable mobility on Treasure Island, sponsoring the provisions of new ferry and regional bus service, on-island shuttle, bike share, and car share opportunities. In 2008, State legislation enabled TIMMA to implement congestion pricing to manage vehicle traffic as the island develops, and to fund the new transit and other mobility services.

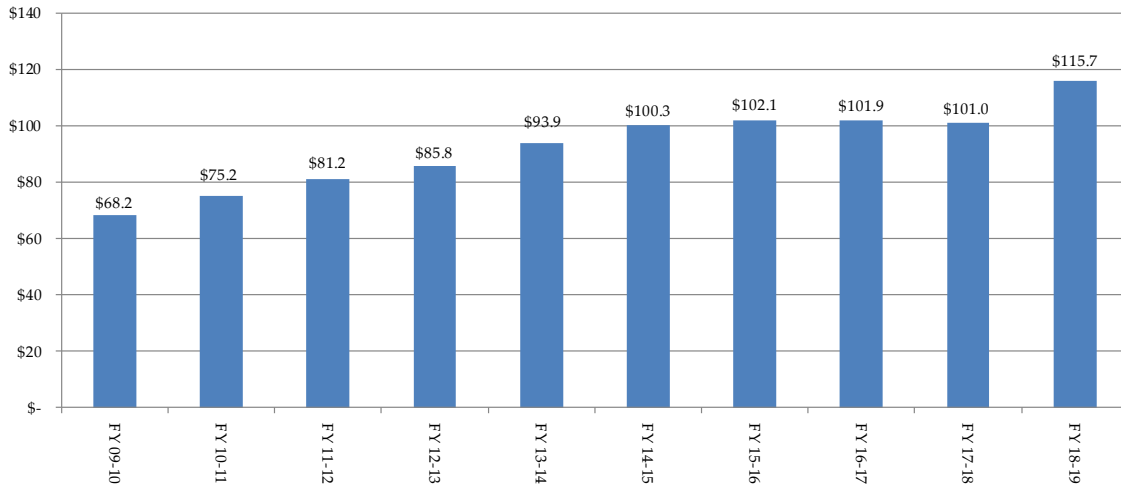
The Transportation Authority governing board consists of the eleven members of the San Francisco Board of Supervisors, who act as Transportation Authority Commissioners (Board). Board members elect a chair every January. The chair appoints the members and chairs of the committees and serves as an ex-officio member on the committees. The Board is required to adopt an initial budget for the fiscal year no later than June 30th preceding the beginning of the fiscal year on July 1.

Major Revenue – Sales Tax

The Act, among other things, authorizes the board of supervisors of any county within the nine-county Bay Area to develop a countywide consensus on a proposed transportation expenditure plan to be submitted to the voters, following various local governmental approvals, as part of an ordinance imposing a retail transactions and use tax of either one-half of 1 percent or 1 percent in accordance with the provisions of the California Transactions and Use Tax Law (Revenue and Taxation Code Sections 7251, et seq.) In accordance with the Act, on November 7, 1989, more than two-thirds of the voters of the City approved Proposition B, which authorized the formation of the Transportation Authority and imposed the Original Sales Tax, for a minimum period of twenty (20) years commencing April 1, 1990, for the purpose of funding the Transportation Authority's Original Expenditure Plan (herein defined). The Original Sales Tax was extended on November 4, 2003 by 74.79% of the voters of the City voting on the measure (known as "Proposition K") providing for the imposition of a retail transactions and use tax of one-half of one percent (½%) and the funding of the Transportation Authority's Expenditure Plan. The Sales Tax will continue to be imposed and collected without interruption during the implementation of the Expenditure Plan for an initial period of thirty (30) years, beginning on April 1, 2004 and continuing through April 1, 2034.

On April 25, 2019, Governor Newsom signed Assembly Bill 147 (Burke), which establishes a set of tax collection rules consistent with the South Dakota v. Wayfair decision, whereby the U.S. Supreme Court established that states may charge taxes on purchases made from out-of-state sellers, even if the seller does not have a physical presence in the taxing state. This bill also provides a marketplace facilitator relief from liability for the tax on a retail sale in specified circumstances. The Transportation Authority will work with the Office of the Treasurer & Tax Collector to determine the impact of the bill on the local Prop K transportation sales tax revenues. Statewide, the California Department of Tax and Fee Administration (CDTFA) estimate that this bill will result in net state and local revenue gains of \$297 million in FY2019-20 and \$462 million in FY2020-21.

PROP K SALES TAX REVENUES (in millions)



Principal Sales Tax Payers by Segments
Last Ten Fiscal Years (In Thousand)

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009*
Building Material & Garden Equipment & Supplies Dealer	\$ 660,316	\$ 586,018	\$ 590,523	\$ 567,502	\$ 514,998	\$ 498,134	\$ 438,152	\$ 383,916	\$ 333,772	\$ 158,430
Clothing and Clothing Accessories Stores	2,081,039	2,099,019	2,129,867	2,200,024	2,096,465	1,979,096	1,791,408	1,579,271	1,455,969	626,857
Food and Beverage Stores	862,682	851,556	845,680	805,017	758,809	718,909	677,070	628,015	604,678	287,770
Food Services and Drinking Places	4,806,903	4,680,694	4,573,912	4,293,647	3,937,397	3,579,986	3,291,907	2,958,953	2,697,645	1,265,084
Gasoline Stations	548,415	445,369	442,063	520,987	652,121	662,270	640,620	586,364	488,951	209,823
General Merchandise Stores	812,795	822,175	857,385	864,504	891,592	852,932	777,872	734,974	670,231	290,556
Home Furnishings Stores and Appliance Stores	970,745	917,409	989,560	982,826	929,378	847,462	775,343	699,344	656,548	325,741
Motor Vehicle and Parts Dealers	613,264	613,651	552,476	575,056	581,188	524,700	469,375	438,541	406,391	171,922
Other Retail Group	2,469,161	2,292,527	2,171,479	2,131,146	1,927,610	1,710,783	1,513,423	1,419,865	1,365,257	649,124
Total Retail and Food Services	13,825,320	13,308,418	13,152,945	12,940,709	12,289,558	11,374,272	10,375,170	9,429,243	8,679,442	3,985,307
All Other Outlets	5,999,001	6,026,085	6,226,000	5,721,175	5,589,371	5,025,762	5,167,013	4,694,026	4,176,151	1,998,715
Total All Outlets	\$ 19,824,321	\$ 19,334,503	\$ 19,378,945	\$ 18,661,884	\$ 17,878,929	\$ 16,400,034	\$ 15,542,183	\$ 14,123,269	\$ 12,855,593	\$ 5,984,022

* 2009 data only included Jan to Jun 2009

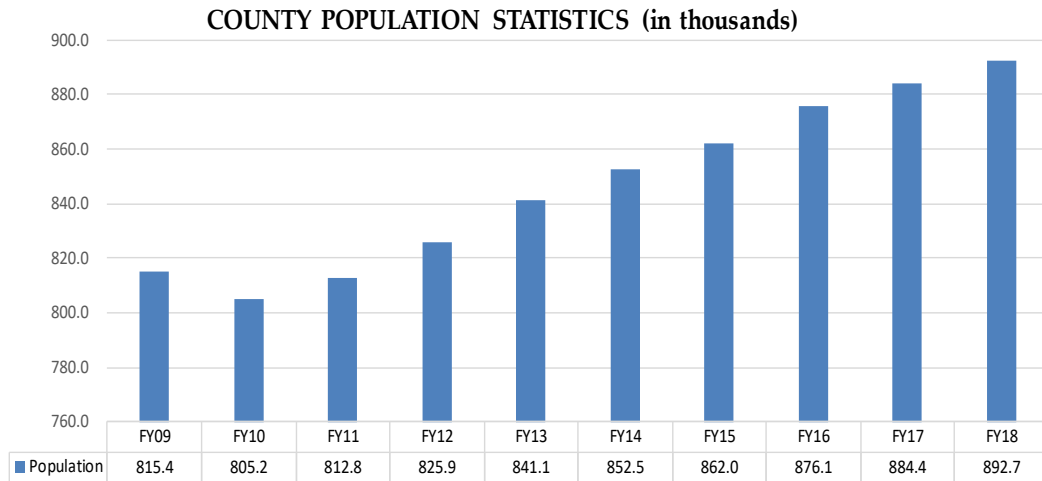
Source: California Department of Tax and Fee Administration, formerly known as the California Board of Equalization. Taxable Sales - Large Cities for FY2009 to FY2015. Taxable Sales - Counties by Type of Business (Taxable Table 3) for FY2015 to FY2018.

Although sales tax growth flattened over the past four fiscal years, overall growth since the Great Recession has been robust, with sales tax revenue 69.6% higher in FY2018-19 than FY2009-10. The increase in FY2018-19 of 14.6% from prior year is related to the revenue drivers discussed below and also due to the implementation of a new system by the CDTFA of which changed its allocation method for the distribution of sales tax revenues and appears to be more effectively collecting outstanding taxes due from business taxpayers, contributing to the increased revenue for this fiscal year.

Local Economy (revenue drivers)

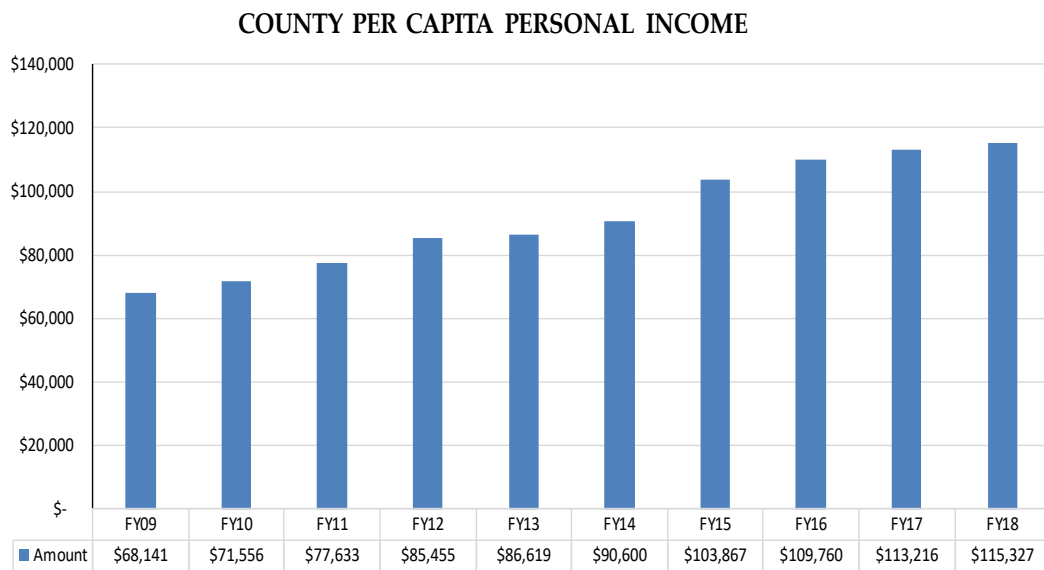
San Francisco’s economy is driven by various types of industries including financial services, tourism, and high technology and major factors affecting sales tax revenues including population, personal income, and unemployment rate.

San Francisco is a major employment center for the broader region, with a large financial services industry and a growing information technology industry offering high-paying jobs and rivaling neighboring Silicon Valley. Housing costs continue to rise and remain amongst the highest in the nation, pressuring many lower income families to move further out to other parts of the Bay Area or elsewhere. The estimated population of the City and County of San Francisco increased from 884,363 in FY2016-17 to 892,701 in FY2017-18 with an average annual growth rate of 1.0%.



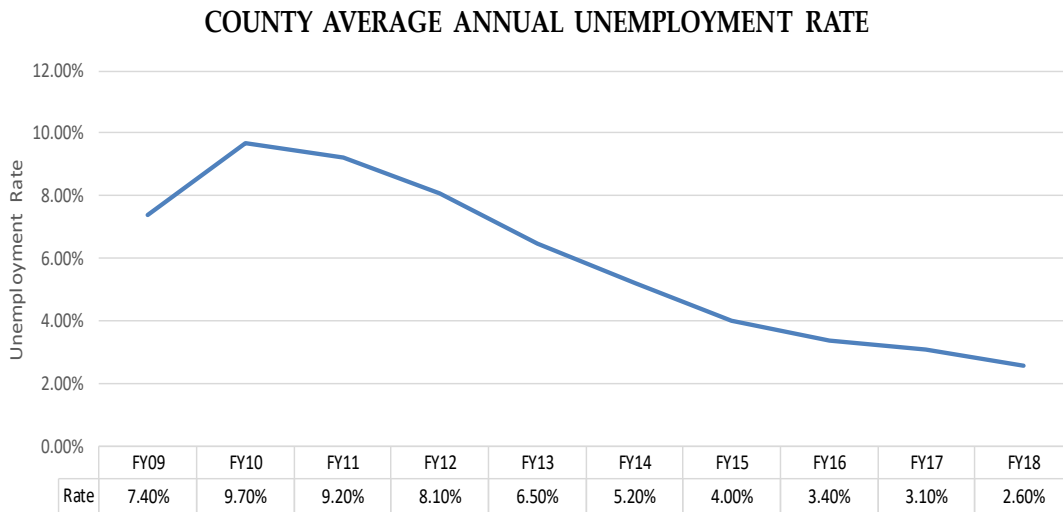
Source: City and County of San Francisco Comprehensive Annual Financial Report for the year ended June 30, 2018; Statistical Section - Demographic and Economic Statistics table.

The estimated per capita personal income for the City and County of San Francisco continuously increased by \$47.2 thousand from \$68,141 in FY2008-09 to \$115,327 in FY2017-18.



Source: City and County of San Francisco Comprehensive Annual Financial Report for the year ended June 30, 2018; Statistical Section –Demographic and Economic Statistics table.

In addition, the unemployment rate fell from 7.4% in FY2008-09 to 2.6% in FY2017-18.



Source: City and County of San Francisco Comprehensive Annual Financial Report for the year ended June 30, 2018; Statistical Section - Demographic and Economic Statistics table.

The combined effects indicated more household income generated and more overall spending by the local economy, in general, for past years. Looking ahead, the strong fundamentals in San Francisco’s economy are expected to support long term taxable sales and subsequent sales tax revenues for the Transportation Authority for the foreseeable future. San Francisco is a sought-after destination with a strong labor market and future population, and job growth is expected to sustain the spending base in the city.

Major Capital Project Expenditures

In FY2018-19, the Transportation Authority continued to allocate Prop K sales tax, Prop AA vehicle registration fees, Transportation Fund for Clean Air (TFCA) funds and grants from federal, state, and regional sources to provide project delivery and support to partially or fully fund a wide variety of programs and projects that improve the safety and efficiency of the multi-modal transportation network in San Francisco.

In FY2018-19, San Franciscans continue to experience the next generation of Muni light rail vehicles with 56 new vehicles now accepted for revenue service. This next generation of trains brings more comfortable, safer, and reliable service. Prop K is helping to pay for replacement of the 151 light rail vehicles as well as helping to fund 24 of the expansion light rail vehicles. The accelerated procurement would allow the public to enjoy more reliable service sooner, which is becoming increasingly attractive as the aging Breda vehicles are breaking down with greater frequency. To support this effort, in November 2018 the Transportation Authority Board programmed an additional \$35 million in Prop K sales tax funds and made the funds available sooner as part of the 2019 5-Year Prioritization Program updates. As of June 2019, the Transportation Authority has allocated \$131 million of a total \$211 million committed to San Francisco Municipal Transportation Agency (SFMTA)’s \$1.2 billion contract with Siemens USA for purchase of new light rail vehicles. We expect to allocate the remaining funds in Spring 2020.

The SFMTA has an ongoing Central Control and Communications (C3) Program to expand and modernize its transportation central control capabilities and facilities. Phase 1 of the C3 program has three main components: 1) Near-term improvements to the existing Operations Control Center (OCC), 2) A new Transportation Management Center, 3) Integrated Systems Development project, which will provide communications, monitoring, and control platform in the Muni Metro subway. In 2018, the SFMTA finished build-out of the new Transportation Management Center, which is the central hub for greatly expanded communications, monitoring, and control capabilities, allowing all bus and train monitoring and control functions to be seamlessly migrated from their previous locations. It also has built-in capacity that will allow the Central Subway communications systems to plug in as part of a single integrated communications platform. Prop K local half-cent sales tax funds have provided approximately \$15.5 million of the \$53.2 million Phase 1 cost.

In 2009, the SFMTA embarked on a long-term effort to replace and modernize its Radio Communications System, some elements of which date back to the 1970s. The Muni Radio Replacement Project does much more than its name implies. The new communications system is an Intelligent Transportation System and incorporates up-to-date technological features such as expanded data transmission and simulcasting in addition to providing voice communication. It integrates multiple vehicle information systems, including: the Vehicle Logic Unit, Automated Vehicle Location, Wireless Local Network, Digital Vehicle Announcement System, Automated Passenger Counting, Fare Collection, Vehicle Health Monitoring, Computer-Aided Dispatch, Mobile Dispatch, Reporting System, and Traveler Information. The Radio Communication systems are incorporated into the other elements of the C3 Communications Program, creating an integrated monitoring and control network for SFMTA's entire transit system, improving reliability across all modes of service. In 2018 the Radio Communications System project completed installation of new communications equipment in SFMTA's historic streetcar fleet. All Muni buses, historic streetcars and the new light rail vehicles are now successfully operating on the new radio system. The remaining 148 Breda light rail vehicles are in the process of being converted to the new radio system. The project cost is currently estimated at \$135 million, to which the Transportation Authority has contributed \$61.8 million in Prop K half-cent local transportation sales tax funds. SFMTA expects final cut-over from the old system to occur in early 2020.

Funding the Projects

Since 2004, the Transportation Authority has administered the Prop K program primarily on a pay-as-you-go basis, with the use of short-term debt instruments to meet cash flow needs. Issuing debt facilitates delivery of projects and benefits to the public sooner than would be possible using pay-as-you-go funding. In order to meet the multi-year funding needs of large projects and expansion program, the Series 2017 Bonds were issued by the Transportation Authority under and pursuant to the authority granted under the Act, the Ordinance and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53580-53589.5) of the Government Code of the State of California, and other applicable law. The total face amount is \$248.3 millions and matures April 1, 2034. The Series 2017 Bonds will be repaid through sales tax collection in subsequent years. The Transportation Authority uses the proceeds of the Series 2017 Bonds to (i) finance a portion of the costs of and costs incidental to, or connected with, the construction, acquisition and improvement of certain transit, street and traffic facilities and other transportation projects, including, without limitation, engineering, inspection, legal, fiscal agents, financial consultant and other fees and working capital, all as described in the Expenditure Plan adopted pursuant to the Act, (ii) repay a portion of the outstanding amount of a revolving credit agreement and a promissory note evidencing the Transportation Authority's payment obligation thereunder, (iii) pay capitalized interest on a portion of the Series 2017 Bonds and (iv) pay costs of issuance of the Series 2017 Bonds.

In 2019, the Transportation Authority continues to hold credit ratings with Fitch Ratings and S&P Global Ratings. Fitch issued a rating of AAA, its highest and Standard & Poor's issued a rating of AA+. The high ratings reflect the strength and diversity of the economic base that generates San Francisco's half-cent sales tax for transportation, the primary revenue source overseen by the Transportation Authority. The ratings also reflect the Transportation Authority's strong financial position.

Relevant Financial Policies

The Transportation Authority has adopted a comprehensive set of financial policies.

Fiscal Policy is designed to guide decisions pertaining to internal fiscal management, including day-to-day operations, annual budget development and sales tax revenue allocation requirements of the Transportation Authority.

Investment Policy is created to organize and formalize investment-related activities, and to set out policies and procedures that enhance opportunities for prudent and systematic investment of Transportation Authority assets.

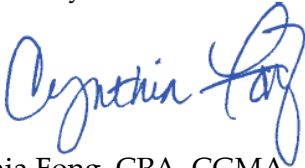
Debt Policy is to organize and formalize debt issuance-related policies and procedures for the Transportation Authority and to establish a systematic debt policy.

Awards and Acknowledgements

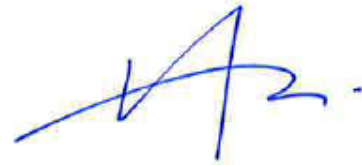
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Transportation Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This will be the third year that the Transportation Authority will apply for this prestigious award. In order to be awarded a Certificate of Achievement, the local government agency had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current CAFR will meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements. The preparation of this report would not have been possible without the skill, effort, and dedication of the finance staff, Henry Pan, Krista Gan, Lily Yu, Lina Plotnikoff, and Steve Stamos. We wish to thank all the divisions for their assistance in providing the data necessary to prepare this report. Credit also is due to the Board of Commissioners and Tilly Chang, Executive Director, for their unfailing support for maintaining the highest standards of professionalism in the management of the Transportation Authority's finances.

Respectfully submitted,



Cynthia Fong, CPA, CGMA
Deputy Director for Finance and Administration



Kalman Hui, CPA
Controller



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**San Francisco County
Transportation Authority, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

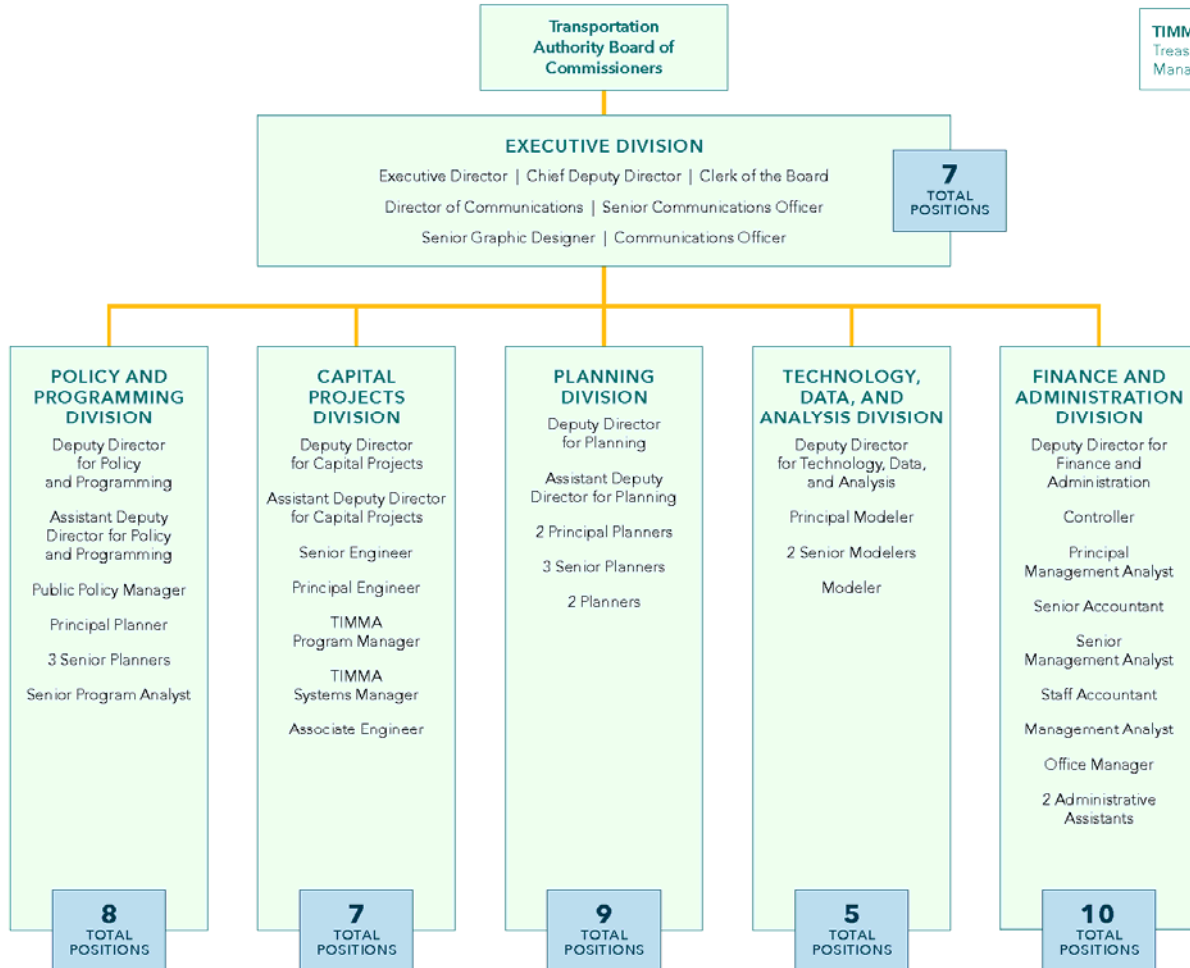
Christopher P. Morill

Executive Director/CEO

Agency Structure 46 STAFF POSITIONS



TIMMA:
Treasure Island Mobility
Management Agency



Commissioners and Officials

As of June 30, 2019

Commissioners:

Aaron Peskin – Board Chair
Rafael Mandelman – Vice Chair
Vallie Brown
Sandra Lee Fewer
Matt Haney
Gordon Mar
Hillary Ronen
Ahsha Safai
Catherine Stefani
Shamann Walton
Norman Yee

Executive Director:

Tilly Chang

Chief Deputy Director:

Maria Lombardo

Deputy Directors:

Cynthia Fong – Finance and Administration
Anna LaForte – Policy and Programming
Eric Cordoba – Capital Projects
Joe Castiglione – Technology, Data, and Analysis



Financial Section

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
San Francisco County Transportation Authority
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Francisco County Transportation Authority (Transportation Authority), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Transportation Authority'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Transportation Authority, as of June 30, 2019, and the respective changes in financial position for the year 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, budgetary comparison schedules, schedule of changes in net other postemployment benefits (OPEB) liability and related ratios, schedule of OPEB contributions, schedule of the proportionate share of the net pension liability and schedule of pension contributions on pages 4 through 16 and pages 64 through 72 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Transportation Authority's basic financial statements. The introductory section, the statistical section, the supplementary information such as the agency fund statement of changes in assets and liabilities, agency-wide budgetary comparison schedule, and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards, the agency fund statement of changes in assets and liabilities, and the agency-wide budgetary comparison schedule are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, agency fund statement of changes in assets and liabilities, and the agency-wide budgetary comparison schedule are fairly stated in all material respects, in relation to the financial statements taken as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019, on our consideration of the Transportation Authority'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 Transportation Authority'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 Transportation Authority's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Palo Alto, California
December 3, 2019

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2019

The annual financial report of the San Francisco County Transportation Authority (Transportation Authority) presents a discussion and analysis of the Transportation Authority's financial performance during the year ended June 30, 2019. The Transportation Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. We encourage readers to consider the information presented here in conjunction with the Transmittal Letter and accompanying Basic Financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statement Highlights

Net Position – The liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at fiscal year (FY) ended June 30, 2019, by \$152.7 million, down 7.9% from prior year.

Changes in Net Position – Total net position decreased by \$11.2 million in FY 2018-19, which is due in large part to a decrease in cash, deposits, and investments and long-term liabilities.

Short-term and Long-term Debt – Total debt obligations, Note 7, decreased by \$25.8 million during FY 2018-19, largely due to the final \$24.7 million repayment of the Revolving Credit Agreement outstanding balance.

Cash, Deposits, and Investments – Total cash, deposits, and investments decreased by \$33.0 million in FY 2018-19, which is mainly due to continuous spending of proceeds from the Sales Tax Revenue bonds in the trustee account.

Other Non-Cash Assets – Total other non-cash assets (assets other than cash, deposits, and investments) increased by \$13.8 million in FY 2018-19, which is primarily due to an increase in sales tax receivables and program receivables.

Sales Tax Revenues – Total sales tax revenues increased by \$14.7 million in FY 2018-19, which is due in large part to the implementation of a new system by the California Department of Tax and Fee Administration (CDTFA) of which changed its allocation method for the distribution of sales tax revenues and appears to be more effectively collecting outstanding taxes due from business taxpayers, contributing to the increased revenue for this fiscal year.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Fund Financial Statement Highlights

The total combined balance for governmental funds is classified into three categories of fund balance (non-spendable, restricted, and unassigned) to provide the reader of these financial statements with a better understanding of the Transportation Authority's available resources and plans to ensure fiscal stability in the near term. Of the total, \$140 thousand is categorized as "non-spendable" for prepaid costs and deposits, \$23.6 million is "restricted" for debt service and transportation projects, and the remaining \$90.8 million is "unassigned." Detailed discussion of the individual funds is found further in the Management's Discussion and Analysis (MD&A) report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Transportation Authority's basic financial statements which comprise of three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Additional supplementary information is included, in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Transportation Authority's finances, in a manner similar to a private-sector business.

The *statement of net position* is designed to provide information about the financial position of the Transportation Authority as a whole, including all of its capital assets, deferred outflows/inflows of resources, and long-term liabilities, on a full accrual basis of accounting similar to the accounting model used by private sector firms.

The *statement of activities* presents information showing how the Transportation Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to accrued, but uncollected taxes, and to expenses pertaining to earned, but unused compensated absences.

Both of these government-wide financial statements distinguish functions of the Transportation Authority that are principally supported by receipt of sales taxes, vehicle registration fees, and other sources of government grants. The only governmental activity of the Transportation Authority is transportation improvement. The Transportation Authority does not have any business-type activities.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Transportation Authority, like other state and local governments, uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All of the Transportation Authority's basic services are reported in governmental funds. These statements, however, focus on: (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end, which are available for spending. Such information is useful in determining what financial resources are available in the near future to finance the Transportation Authority's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances include a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Transportation Authority maintains five governmental funds organized according to their source of funding. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the: (1) General Fund, referred to as Sales Tax Program, (2) Congestion Management Agency Programs, (3) Transportation Fund for Clean Air Program, (4) Vehicle Registration Fee for Transportation Improvements Program, and (5) Treasure Island Mobility Management Agency. Each of these funds is considered a major fund.

General Fund – The General Fund, also referred to as the Sales Tax Program, accounts for the one-half of one percent sales tax revenues required by the November 2003 Proposition K. These revenues are for restricted expenditures in support of the Expenditure Plan, which includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety; 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives. This fund also accounts for the general administration of the Transportation Authority functions in support of the Proposition K Expenditure Plan. The major source of revenue for this fund is the sales tax.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Special Revenue Funds – Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts, capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund:

Congestion Management Agency Programs – The Congestion Management Agency Fund accounts for resources accumulated and payments made for developing a congestion management program and construction of major capital improvements. Major sources of revenue are federal, state, and regional grants.

Transportation Fund for Clean Air Program – San Francisco has a \$4 per vehicle registration fee to support projects of the Bay Area Air Quality Management District (BAAQMD). Of the total collections, BAAQMD passes 40% of the proceeds to the Transportation Authority. Through this program, the Transportation Authority recommends projects that benefit air quality by reducing motor vehicle emissions. The Transportation Fund for Clean Air accounts for this activity. The major source of revenue for this fund is \$4 vehicle registration fees on automobiles registered in the Bay Area.

Vehicle Registration Fee for Transportation Improvements Program Fund – This fund accounts for the November 2010 Proposition AA Vehicle Registration Fee (VRF) for Transportation Improvements Program. Collections of the \$10 per year, per vehicle registration. The Fee started in the first week of May 2011. The VRF proceeds are used to fund transportation projects identified in the Proposition AA Expenditure Plan. The major source of revenue for this fund is vehicle registration fees.

Treasure Island Mobility Management Agency Fund – The Treasure Island Transportation Management Act of 2008 (AB 981) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the TIMMA to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141, establishing TIMMA as a legal entity distinct from the Transportation Authority to help firewall the Transportation Authority's other functions. The major sources of revenue are federal, state, and regional grants.

Fiduciary fund is used to account for resources held for the benefit of parties outside the Transportation Authority. The Transportation Authority is acting solely as a fiduciary administrator for the San Francisco Municipal Transportation Agency's (MUNI) Third Street Light Rail Project's Owner-Controlled Insurance Program (OCIP) escrow account, and has no responsibility for managing the OCIP claims management or settlement.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information, essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

The other information is presented concerning the Transportation Authority's OCIP Fund Statement of Changes in Assets and Liabilities, Agency-Wide Budgetary Schedule, and the Schedule of Expenditures of Federal Awards (SEFA). The OCIP Fund Statement of Changes in Assets and Liabilities present changes in the Transportation Authority's sole fiduciary account. The SEFA presents expenditures of all federally funded programs during the year ended June 30, 2019. In addition, as required by generally accepted accounting principles, the required supplementary information section presents information about the Transportation Authority's net pension and net other postemployment benefits liabilities and related contributions, as well as comparison of budget plans to actual activities for the Sales Tax Program and each major special revenue fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Transportation Authority's statement of net position shows liabilities and deferred inflows exceeded its assets and deferred outflows by \$152.7 million at year ended June 30, 2019. Cash, deposits, and investments decreased by \$33.0 million. Other assets increased by \$13.8 million, as compared to the prior year. Other assets mainly include \$28.3 million in sales tax receivables, \$9.8 million in outstanding program and all other receivables (including amounts due from the City and County of San Francisco). Further explanations are provided in the Governmental Funds analysis section of the MD&A.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Table 1
Condensed Statement of Net Position (in thousands)

	For the Year Ended		\$ Change	% Change
	June 30, 2019	June 30, 2018		
Assets:				
Cash, deposits, and investments	\$ 141,309	\$ 174,273	\$ (32,964)	-18.9%
Other assets	38,312	24,537	13,775	56.1%
Capital assets	1,449	1,713	(264)	-15.4%
Total assets	<u>181,070</u>	<u>200,523</u>	<u>(19,453)</u>	-9.7%
Deferred outflows of resources	<u>1,229</u>	<u>1,434</u>	<u>(205)</u>	-14.3%
Liabilities:				
Other liabilities	62,653	45,074	17,579	39.0%
Long-term liabilities	272,235	298,293	(26,058)	-8.7%
Total liabilities	<u>334,888</u>	<u>343,367</u>	<u>(8,479)</u>	-2.5%
Deferred inflows of resources	<u>142</u>	<u>163</u>	<u>(21)</u>	-12.9%
Net Position:				
Investment in capital assets	1,449	1,713	(264)	-15.4%
Restricted	25,986	30,145	(4,159)	-13.8%
Unrestricted deficit	<u>(180,166)</u>	<u>(173,431)</u>	<u>(6,735)</u>	-3.9%
Total net position (deficit)	<u>\$ (152,731)</u>	<u>\$ (141,573)</u>	<u>\$ (11,158)</u>	-7.9%

The Transportation Authority's unrestricted deficit of \$180.2 million is mainly due to issuance of Sales Tax Revenue bonds in FY 2017-18 with face amount of \$248.3 million, of which a portion was used to pay down the outstanding amount of the revolving credit agreement and the remaining to finance transit, street and traffic facilities and other transportation projects. These transportation facilities are owned and maintained by the project sponsors; however, the related debt issued to finance these projects remains as a liability of the Transportation Authority. As a result, the Transportation Authority records long-term liabilities without corresponding assets thus causing an unrestricted deficit. The Transportation Authority's outstanding commitments are described in Note 14 of the basic financial statements. The increase in other liabilities is primarily due to the increase in accounts payable to the City and County of San Francisco. Expenditures for these capital project costs from project sponsors have been incurred as of June 30, 2019, but invoices have not yet been received. The decrease in long-term liabilities is mainly related to the \$24.7 million final repayment of the outstanding balance under the current Revolving Credit Agreement and the \$1.2 million amortization on the Bond Premium. The \$1.4 million in investment in capital assets (net of accumulated depreciation) is comprised mostly of Board-approved investments in the Transportation Authority's workspace, such as leasehold improvements, furniture, and equipment. The Transportation Authority currently uses these capital assets to provide services; consequently, these assets are not available for future spending.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Table 2
Condensed Statement of Activities (in thousands)

	For the Year Ended		\$ Change	% Change
	June 30, 2019	June 30, 2018		
Revenues:				
General				
Sales tax	\$ 115,671	\$ 100,970	\$ 14,701	14.6%
Vehicle registration fee	4,945	4,908	37	0.8%
Investment income	2,844	1,704	1,140	66.9%
Other	244	182	62	34.1%
Program operating grants and contributions	10,021	9,330	691	7.4%
Total revenues	133,725	117,094	16,631	14.2%
Expenses:				
Transportation improvement	137,196	148,567	(11,371)	-7.7%
Interest	7,687	7,934	(247)	-3.1%
Total expenses	144,883	156,501	(11,618)	-7.4%
Change in net position	(11,158)	(39,407)	28,249	-71.7%
Cumulative effect of restatement	-	(139)	139	N/A
Net position, beginning of year, restated	(141,573)	(102,027)	(39,546)	-38.8%
Net position, end of year	\$ (152,731)	\$ (141,573)	\$ (11,158)	-7.9%

The Transportation Authority's net position decreased \$11.2 million for the year ended June 30, 2019. During the period, sales tax revenues increased by \$14.7 or 14.6% as compared to the prior year. This is due to the implementation of a new system by the CDTFA of which changed its allocation method for the distribution of sales tax revenues. A portion of FY 2017-18 sales tax revenues normally received are now appropriated by the State for as part of FY 2018-19 revenues. Also, the new system appears to effectively collect outstanding taxes due from business taxpayers, which contributed to the increased revenue for this fiscal year. Investment income increased by \$1.1 million. Program operating grants and contributions increased by \$691 thousand and transportation improvement expenses decreased by \$11.4 million, due to decreased project activities as explained in the Governmental Funds analysis on the next page.

FINANCIAL ANALYSIS OF THE TRANSPORTATION AUTHORITY'S FUNDS

As noted earlier, the Transportation Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Governmental Funds

The focus of the Transportation Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Transportation Authority's financing requirements.

Table 3
Condensed Balance Sheet (in thousands)

	June 30, 2019					Total	June 30, 2018	\$ Change	% Change
	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund For Clean Air Program	Vehicle Registration Fee For Transportation Improvements Program	Treasure Island Mobility Management Agency				
Assets:									
Cash, deposits, & investments	\$ 122,811	\$ -	\$ 1,615	\$ 16,882	\$ -	\$ 141,308	\$ 174,273	\$ (32,965)	-18.9%
Other assets	30,342	6,677	439	858	1,487	39,803	25,034	14,769	59.0%
Total assets	\$ 153,153	\$ 6,677	\$ 2,054	\$ 17,740	\$ 1,487	\$ 181,111	\$ 199,307	\$ (18,196)	-9.1%
Liabilities:									
Current and other liabilities	\$ 54,233	\$ 2,587	\$ 525	\$ 3,120	\$ 173	\$ 60,638	\$ 42,067	\$ 18,571	44.1%
Deferred inflows of resources:									
Unavailable revenues	-	4,090	439	-	1,314	5,843	4,869	974	20.0%
Fund balances:									
Nonspendable	140	-	-	-	-	140	82	58	70.7%
Restricted	7,938	-	1,090	14,620	-	23,648	28,786	(5,138)	-17.8%
Unassigned	90,842	-	-	-	-	90,842	123,503	(32,661)	-26.4%
Total fund balances	98,920	-	1,090	14,620	-	114,630	152,371	(37,741)	-24.8%
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 153,153	\$ 6,677	\$ 2,054	\$ 17,740	\$ 1,487	\$ 181,111	\$ 199,307	\$ (18,196)	-9.1%

General Fund activities decreased the overall total fund balance by \$40.8 million. Key factors contributing to this change are discussed below.

Cash, deposits, and investments from General Fund activities decreased by \$37.8 million, as compared to the prior year, mainly due to continued spending of proceeds from the Sales Tax Revenue bonds in the trustee account. Other assets increased by \$12.5 million, largely due to the increase in sales tax receivables related to timing of sales tax payment received.

Current and other liabilities from General Fund activities increased by \$15.5 million. This is primarily due to a longer than anticipated lag between when program sponsors incurred costs and when the Transportation Authority receives a reimbursement request.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2019

The Transportation Authority's General Fund reported ending fund balance of \$98.9 million, a decrease of \$40.8 million as compared to the prior year. The total fund balance is composed of a balance of \$140 thousand nonspendable for prepaid costs and deposits and a balance of \$7.9 million restricted for debt service, with the remaining amounts reported as unassigned fund balance. This decrease in fund balance was primarily due to lower restricted and unassigned fund balances as a result from the continuous spending on bond proceeds, decreased spending on the repayment of the Revolving Credit Loan Agreement and no debt issuance in FY 2018-19.

The Congestion Management Agency Program reported an increase in other assets of \$1.8 million as compared to FY 2017-18. This is primarily due to increase in program receivables for the I-80/Yerba Buena Island Interchange Improvement Project and Yerba Buena Island Bridge Structures (collectively known as YBI Project) and the federal Surface Transportation Program grant that supports many of our Congestion Management Agency Program activities, including the San Francisco Transportation Plan Update. The majority of the increase in program receivables is related to the timing of invoices submitted to funding agencies that were not collected as of June 30, 2019 but then collected within our revenue recognition period.

The Transportation Fund for Clean Air Program reported ending fund balance of \$1.1 million, an increase of \$541 thousand due to lower expenditures compared to prior year. The \$1.1 million fund balance is restricted for transportation projects. Total assets increased by \$429 thousand as compared to the prior year. Current and other liabilities decreased by \$149 thousand.

The Vehicle Registration Fee for Transportation Improvements Program reported ending fund balance of \$14.6 million, an increase of \$2.5 million due to lower expenditures compared to prior year. Cash, deposits, & investments increased by \$4.4 million as compared to FY 2017-18. Current and other liabilities increased by \$1.9 million.

The Treasure Island Mobility Management Agency (TIMMA) reported an increase in other assets of \$503 thousand as compared to FY 2017-18, which solely consists of program receivables from the Treasure Island Development Authority.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Table 4
Condensed Statement of Revenues, Expenditures, and Changes in Fund Balances (in thousands)

	For the Year Ended June 30, 2019									
	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund For Clean Air Program	Vehicle Registration Fee For Transportation Improvements Program	Treasure Island Mobility Management Agency	Total	Year Ended June 30, 2018	\$ Change	% Change	
Revenues:										
Sales tax	\$ 115,671	\$ -	\$ -	\$ -	\$ -	\$ 115,671	\$ 103,263	\$ 12,408	12.0%	
Vehicle registration fee	-	-	-	4,945	-	4,945	4,908	37	0.8%	
Investment income	2,831	-	2	11	-	2,844	1,704	1,140	66.9%	
Program revenues	4	7,439	748	-	857	9,048	12,466	(3,418)	-27.4%	
Other	53	-	-	-	-	53	46	7	15.2%	
Total revenues	118,559	7,439	750	4,956	857	132,561	122,387	10,174	8.3%	
Expenditures:										
Transportation improvement	123,890	8,921	209	2,422	1,294	136,736	148,036	(11,300)	-7.6%	
Debt service	33,566	-	-	-	-	33,566	120,644	(87,078)	-72.2%	
Total expenditures	157,456	8,921	209	2,422	1,294	170,302	268,680	(98,378)	-36.6%	
Excess (deficiency) of revenues over (under) expenditures	(38,897)	(1,482)	541	2,534	(437)	(37,741)	(146,293)	108,552	-74.2%	
Other financing sources (uses):										
Transfers in	-	1,482	-	-	437	1,919	1,237	682	55.1%	
Transfers out	(1,919)	-	-	-	-	(1,919)	(1,237)	(682)	55.1%	
Proceeds from debt	-	-	-	-	-	-	270,133	(270,133)	-100.0%	
Total other financing sources (uses)	(1,919)	1,482	-	-	437	-	270,133	(270,133)	-100.0%	
Net change in fund balances	(40,816)	-	541	2,534	-	(37,741)	123,840	(161,581)	-130.5%	
Fund balances, beginning of year	139,736	-	549	12,086	-	152,371	28,531	123,840	434.1%	
Fund balances, end of year	<u>\$ 98,920</u>	<u>\$ -</u>	<u>\$ 1,090</u>	<u>\$ 14,620</u>	<u>\$ -</u>	<u>\$ 114,630</u>	<u>\$ 152,371</u>	<u>\$ (37,741)</u>	<u>-24.8%</u>	

For the year ended June 30, 2019, revenues from General Fund activities totaled \$118.6 million in FY 2018-19, an increase of \$12.2 million from FY 2017-18. As compared to the prior year, sales tax revenues increased by \$12.4 million. Investment income increased by \$1.1 million, mainly due to interest earned on increased Sales Tax Revenue, increase in interest rates, and interest earned from a full year of bond proceeds as compared to a partial year of interest earned in the prior fiscal year. Program revenues decreased by \$1.3 million, due to the collection of deferred revenues for the Presidio Parkway Phase 1 construction costs in FY 2017-18 in which all work related to the project has already been completed in prior fiscal years.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Expenditures from General Fund activities exceeded revenues by \$38.9 million. Expenditures totaled \$157.5 million, a decrease of \$98.9 million from FY 2017-18. Transportation improvement expenses decreased by \$11.8 million, mainly due to the slower than anticipated reimbursement request for the SFMTA vehicle procurements of motor coaches and trolley coaches. According to SFMTA, this is caused, in part, by the SFMTA billing other non-Prop K sources first. There is also lower than anticipated reimbursements for the Van Ness Bus Rapid Transit project, which is behind schedule and is receiving funding from sources other than Prop K revenues. Debt services decreased by \$87.1 million, mainly due to decreased spending on the repayment of the Revolving Credit Loan agreement and no debt issuance in FY 2018-19. Other financing sources from general fund activities decreased by \$272.6 million from FY 2017-18 mainly because of the bond issuance that occurred in the prior year.

The Congestion Management Agency Program reported a decrease in program revenues of \$2.6 million, which is primarily due to the decrease of federal spending and correspondingly in reimbursements for the completion of the YBI Project Phase 1 activities.

The Transportation Fund for Clean Air Program reported expenditures totaling \$209 thousand, a decrease of \$426 thousand from FY 2017-18. The variance is due to sponsors billing other non-TFCA sources first.

The Vehicle Registration Fund for Transportation Improvements Program reported expenditures totaling \$2.4 million, an increase of \$500 thousand from FY 2017-18. The variance is due to increased expenditures for the Chinatown Broadway project in FY 2018-19.

The Treasure Island Mobility Management Agency reported program revenues totaling \$857 thousand, an increase of \$557 thousand due to regional revenue contributions from the Treasure Island Development Authority. Expenditures totaled \$1.3 million, an increase of \$324 thousand mainly due to the performance of additional toll policy alternatives at the request of the TIMMA Board.

BUDGETARY ANALYSIS AND HIGHLIGHTS AND ECONOMIC FACTORS

In addition, Total Revenues and Transfers In were less than the final budgetary estimates by \$4.0 million, mainly due to lower program revenues from the YBI Southgate Road Realignment Improvements Project. The grant award for the right-of-way phase of the project was approved by Caltrans in September 2019; therefore, program revenues and related transportation improvement activities budgeted in FY 2018-19 have been deferred to FY 2019-20. Actual expenditures and transfers out were less than budgetary estimates by \$47.2 million. This amount includes a positive favorable variance of \$44.5 million in capital project costs. This lower capital spending is principally from sponsors, funded by the Sales Tax Program, whose major capital project costs were less than anticipated for FY 2018-19, due to their practice of billing other sources (e.g., bonds, federal funds) first and to project delays. Additional information on the Transportation Authority's budgetary comparison schedules for all programs can be found on pages 64 through 68 of this report.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Table 5
Budgetary Comparison Schedule (in thousands)

	Budget Amounts		Actual	Positive (Negative) Variance Final to Actual
	Original	Final		
Revenues and Transfers In				
Sales tax	\$ 106,462	\$ 109,655	\$ 115,671	\$ 6,016
Vehicle registration fee	4,930	4,930	4,945	15
Investment income	545	2,522	2,844	322
Program revenues				
Federal	6,276	11,588	5,077	(6,511)
State	-	499	754	255
Regional and other	4,959	6,619	3,217	(3,402)
Other revenues	45	52	53	1
Transfers in from other funds	2,349	2,622	1,919	(703)
Total Revenues and Transfers In	125,566	138,487	134,480	(4,007)
Expenditures and Transfers Out				
Administrative operating costs	10,751	10,751	8,851	1,900
Transportation improvement	218,897	172,416	127,885	44,531
Debt service				
Principal	25,000	24,663	24,664	(1)
Interest	8,412	8,960	8,902	58
Transfers out to other funds	2,349	2,622	1,919	703
Total Expenditures and Transfers Out	265,409	219,412	172,221	47,191
Other Financing Sources (Uses)				
Proceeds from debt	121,000	-	-	-
Change in Fund Balance	(18,843)	(80,925)	(37,741)	43,184
Fund Balance - Beginning	152,371	152,371	152,371	-
Fund Balance - Ending	\$ 133,528	\$ 71,446	\$ 114,630	\$ 43,184

CAPITAL ASSETS

The Transportation Authority's investment in capital assets as of June 30, 2019, amounted to \$1.4 million (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, furniture, and equipment. Additional information on the Transportation Authority's capital assets can be found in Note 5 on page 43 of this report.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2019

LONG-TERM OBLIGATIONS

In November 2017, the Transportation Authority issued Senior Sales Tax Revenue Bonds, Series 2017, with net proceeds of \$270.1 million. The bonds were issued with a par value of \$248.3 million and a \$21.9 million bond premium. The bonds bear interest at rates ranging from 3.0% to 4.0% and have a final maturity date of February 1, 2034.

The outstanding debt balance at year ended June 30, 2019, is \$248.3 million with \$19.5 million of remaining unamortized long term bond premiums.

In June 2018, The Transportation Authority entered into a Revolving Credit Agreement for a total amount of \$140 million, which expires on June 7, 2021. As of year ended June 30, 2019, the Transportation Authority has no outstanding balance in the Revolving Credit Agreement. This agreement replaced a prior revolving credit agreement.

Additional information on the Transportation Authority's Revolving Credit Agreement and Senior Sales Tax Revenue Bonds can be found in Note 7 on page 46 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Transportation Authority's finances for all those with an interest in the agency's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

San Francisco County Transportation Authority
Attention: Deputy Director for Finance and Administration
1455 Market Street, Floor 22
San Francisco, California, 94103

BASIC FINANCIAL STATEMENTS

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Statement of Net Position

Governmental Activities

June 30, 2019

ASSETS

Cash in bank	\$ 101,087,240
Deposits and investments with City Treasurer	40,221,694
Sales tax receivable	28,323,940
Vehicle registration fee receivable	858,145
Interest receivable from City and County of San Francisco	122,826
Program receivables	6,238,168
Receivable from the City and County of San Francisco	2,198,132
Other receivables	430,563
Prepaid costs and deposits	139,716
Capital assets, net of accumulated depreciation	1,449,408

Total Assets

181,069,832

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to OPEB	137,900
Deferred outflows related to pension	1,091,185

Total Deferred Outflows of Resources

1,229,085

LIABILITIES

Accounts payable	4,634,645
Interest payable	3,505,104
Accounts payable to the City and County of San Francisco	54,313,424
Accrued salaries and taxes	199,517
Noncurrent liabilities	
Compensated absences due in one year	467,952
Compensated absences due in more than one year	214,240
Unearned leasehold incentive and abatement	1,553,119
Revenue bonds due in one year	12,920,000
Revenue bonds due in more than one year	254,781,559
Net OPEB liability due in more than one year	229,300
Net pension liability due in more than one year	2,068,676

Total Liabilities

334,887,536

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to OPEB	33,562
Deferred inflows related to pension	108,647

Total Deferred Inflows of Resources

142,209

NET POSITION

Investment in capital assets	1,449,408
Restricted for transportation improvement	21,553,559
Restricted for debt service	4,431,964
Unrestricted deficit	(180,165,759)

Total Net Position (Deficit)

\$ (152,730,828)

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Statement of Activities

Governmental Activities

For the Year Ended June 30, 2019

	Total	Transportation Improvement	Interest
	<u> </u>	<u> </u>	<u> </u>
EXPENSES	\$ 144,882,607	\$ 137,196,233	\$ 7,686,374
PROGRAM REVENUES			
Operating grants and contributions	10,020,517	10,020,517	-
Net program revenue (expense)	<u>(134,862,090)</u>	<u>\$ (127,175,716)</u>	<u>\$ (7,686,374)</u>
GENERAL REVENUES			
Sales tax	115,670,918		
Vehicle registration fees	4,945,470		
Investment income	2,844,187		
Other	243,764		
Total general revenues	<u>123,704,339</u>		
CHANGE IN NET POSITION	(11,157,751)		
Net position, beginning of year	(141,573,077)		
Net position (deficit), end of year	<u>\$ (152,730,828)</u>		

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Governmental Funds

Balance Sheet

June 30, 2019

	<u>Special Revenue Funds</u>		
	<u>Sales Tax Program</u>	<u>Congestion Management Agency Programs</u>	<u>Transportation Fund for Clean Air Program</u>
ASSETS			
Cash in bank	\$ 82,589,626	\$ -	\$ 1,615,263
Deposits and investments with the City			
Treasurer	40,221,694	-	-
Sales tax receivable	28,323,940	-	-
Vehicle registration fee receivable	-	-	-
Interest receivable from the City and County of San Francisco	122,826	-	-
Program receivables			
Federal	-	4,456,075	-
State	-	260,317	-
Regional and other	-	1,080,296	438,666
Receivables from the City and County of San Francisco	-	880,111	-
Other receivables	430,563	-	-
Due from other funds	1,325,101	-	-
Prepaid costs and deposits	139,716	-	-
Total Assets	\$ 153,153,466	\$ 6,676,799	\$ 2,053,929
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 2,581,602	\$ 1,594,177	\$ 47,494
Accounts payable to the City and County of San Francisco	51,453,068	-	61,774
Accrued salaries and taxes	199,517	-	-
Due to other funds	-	992,244	415,821
Total liabilities	54,234,187	2,586,421	525,089
Deferred Inflows of Resources			
Unavailable revenues	-	4,090,378	438,666
Total deferred inflows of resources	-	4,090,378	438,666
Fund Balances			
Nonspendable	139,716	-	-
Restricted	7,937,068	-	1,090,174
Unassigned	90,842,495	-	-
Total Fund Balances	98,919,279	-	1,090,174
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 153,153,466	\$ 6,676,799	\$ 2,053,929

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

Special Revenue Funds

Vehicle Registration Fee for Transportation Improvements Program	Treasure Island Mobility Management Agency	Total Governmental Funds
\$ 16,882,351	\$ -	\$ 101,087,240
-	-	40,221,694
-	-	28,323,940
858,145	-	858,145
-	-	122,826
-	-	4,456,075
-	-	260,317
-	2,814	1,521,776
-	1,318,021	2,198,132
-	-	430,563
-	165,823	1,490,924
-	-	139,716
\$ 17,740,496	\$ 1,486,658	\$ 181,111,348
\$ 238,478	\$ 172,894	\$ 4,634,645
2,798,582	-	54,313,424
-	-	199,517
82,859	-	1,490,924
3,119,919	172,894	60,638,510
-	1,313,764	5,842,808
-	1,313,764	5,842,808
-	-	139,716
14,620,577	-	23,647,819
-	-	90,842,495
14,620,577	-	114,630,030
\$ 17,740,496	\$ 1,486,658	\$ 181,111,348

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Governmental Funds
Balance Sheet to the
Statement of Net Position
June 30, 2019

Amounts reported for governmental activities in the statement of net position are different because of the following items:

Total fund balances on the governmental funds balance sheet:	\$ 114,630,030
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	1,449,408
Long-term receivables are not available to pay for current period expenditures and therefore are deferred in the governmental funds:	5,842,808
Unmatured interest on long-term debt is recognized in the period when it is due in the governmental funds:	(3,505,104)
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Revenue bonds and related premium	(267,701,559)
Unearned leasehold incentive and abatement	(1,553,119)
Accrued compensated absences	(682,192)
Net OPEB liability and related deferrals	(124,962)
Net pension liability and related deferrals	(1,086,138)
Net position of governmental activities	\$ (152,730,828)

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

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SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Governmental Funds

Statement of Revenues, Expenditures, and

Changes in Fund Balances

For the Year Ended June 30, 2019

	Special Revenue Funds		
	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund for Clean Air Program
REVENUES			
Sales tax	\$ 115,670,918	\$ -	\$ -
Vehicle registration fee	-	-	-
Investment income	2,831,156	-	1,969
Program revenues			
Federal	3,409	5,073,112	-
State	-	754,186	-
Regional and other	-	1,611,396	747,780
Other revenues	53,328	-	-
Total Revenues	118,558,811	7,438,694	749,749
EXPENDITURES			
Current - transportation improvement			
Personnel expenditures	2,596,080	2,850,042	47,499
Non-personnel expenditures	2,474,833	93,600	-
Capital project costs	118,786,062	5,977,032	160,691
Capital outlay	33,338	-	-
Debt service			
Principal	24,664,165	-	-
Interest and fiscal charges	8,902,097	-	-
Total Expenditures	157,456,575	8,920,674	208,190
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,897,764)	(1,481,980)	541,559
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,481,980	-
Transfers out	(1,918,798)	-	-
Total Other Financing Sources (Uses)	(1,918,798)	1,481,980	-
NET CHANGE IN FUND BALANCES	(40,816,562)	-	541,559
Fund Balances - Beginning	139,735,841	-	548,615
Fund Balances - Ending	\$ 98,919,279	\$ -	\$ 1,090,174

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

Special Revenue Funds

Special Revenue Funds		
Vehicle Registration Fee for Transportation Improvements Program	Treasure Island Mobility Management Agency	Total Governmental Funds
\$ -	\$ -	\$ 115,670,918
4,945,470	-	4,945,470
11,062	-	2,844,187
-	-	5,076,521
-	-	754,186
-	857,460	3,216,636
-	-	53,328
4,956,532	857,460	132,561,246
230,309	523,973	6,247,903
60	34,769	2,603,262
2,192,042	735,536	127,851,363
-	-	33,338
-	-	24,664,165
-	-	8,902,097
2,422,411	1,294,278	170,302,128
2,534,121	(436,818)	(37,740,882)
-	436,818	1,918,798
-	-	(1,918,798)
-	436,818	-
2,534,121	-	(37,740,882)
12,086,456	-	152,370,912
\$ 14,620,577	\$ -	\$ 114,630,030

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
 Reconciliation of the Governmental Funds Statement of
 Revenues, Expenditures, and Change in Fund Balances
 to the Statement of Activities
 For the Year Ended June 30, 2019

Amounts reported for governmental activities in the statement of activities are different because of the following items:

Net change in fund balances on the governmental funds statement of revenues, expenditures and changes in fund balances:	\$ (37,740,882)
In the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, net position increases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year:	
Capital asset additions	33,338
Depreciation expense	(296,979)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds statements:	
Amortization in leasehold incentive	190,436
Change in deferred inflows related to unavailable project revenues	973,174
Payment of debt principal is an expenditure in the governmental funds, but reduces the long-term liabilities in the statement of net position and does not affect the statement of activities:	
	24,664,165
Amortization of bond premiums is recorded on the statement of activities, but does not impact the governmental funds statement of revenues, expenditures, and changes in fund balance:	
	1,215,723
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Change in net OPEB liability and related deferrals	7,011
Change in net pension liability and related deferrals	(102,755)
Compensated absences	(100,982)
Change in net position of governmental activities	\$ (11,157,751)

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Owner-Controlled Insurance Program Fiduciary Fund
Statement of Assets and Liabilities
June 30, 2019

ASSETS

Deposits with escrow agent	\$ 75,353
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LIABILITIES

Due to City and County of San Francisco	\$ 75,353
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The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 1 - REPORTING ENTITY AND BACKGROUND

The San Francisco County Transportation Authority (Transportation Authority) was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax were set forth in the San Francisco County Transportation Expenditure Plan, which was approved as part of Proposition B. The Transportation Authority was organized pursuant to Sections 131000 et seq. of the California Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990.

The Transportation Authority has its own governing board, consisting of the eleven members of the Board of Supervisors of the City and County of San Francisco (City), acting as the Board of Commissioners of the Transportation Authority (the Board). Pursuant to Governmental Accounting Standards Board (GASB) standards, the financial statements of the Transportation Authority are included in the City's basic financial statements. Nonetheless, the Transportation Authority is governed by an administrative code separate from that of the City's, and the agency operates as a special-purpose government agency under State law, separate and distinct from the City. The City's Mayor does not have oversight control over the Transportation Authority. The ordinance that created the Transportation Authority empowers it to independently issue debt in order to finance transportation projects in the San Francisco County Transportation Expenditure Plan. The Transportation Authority's borrowing capacity is separate and distinct from that of the City.

Component units are legally separate organizations for which the Transportation Authority is financially accountable. Component units may include organizations that are fiscally dependent on the Transportation Authority in that the Transportation Authority approves their budget, the issuance of their debt, or the levying of their taxes. In addition, component units also describe other legally separate organizations for which the Transportation Authority is not financially accountable, but the nature and significance of the organization's relationship with the Transportation Authority is such that exclusion would cause the Transportation Authority's financial statements to be misleading or incomplete. For financial reporting purposes, the Treasure Island Mobility Management Authority (TIMMA) has a financial and operational relationship, which meets the criteria set forth in accounting principles generally accepted in the United States of America for inclusion in the financial statements, as a component unit, using the blended presentation method, as if it were part of the Transportation Authority's operations, because the governing board of the component unit is the same as the governing board of the Transportation Authority, and management has operational responsibility for the entity.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

Sales Tax Program

The Transportation Authority was originally formed by voter approval of Proposition B on November 7, 1989, which allowed the Transportation Authority to levy a countywide one-half of one percent sales tax (the Sales Tax) that would sunset in 2010, for transportation projects and programs geared toward improving the City's transportation system. On November 4, 2003, San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the countywide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts).

Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and MUNI Metro Network; B) construction of the MUNI Central Subway (Third Street Light Rail Project-Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the Transportation Authority Board may adopt an updated Expenditure Plan any time after 20 years from the effective date of adoption of the Proposition K Expenditure Plan but no later than the last general election in which the Proposition K Expenditure Plan is in effect. The Sales Tax would continue as long as a new or modified plan is in effect. Under Proposition K legislation, the Transportation Authority directs the use of the Sales Tax and may spend up to \$485.2 million per year and may issue up to \$1.88 billion in bonds secured by the Sales Tax.

Congestion Management Agency Programs

On November 6, 1990, the Transportation Authority was designated under State law as the Congestion Management Agency (CMA) for the City. Responsibilities resulting from this designation include developing a Congestion Management Program, which provides evidence of the integration of land use, transportation programming, and air quality goals; preparing a long-range countywide transportation plan to guide the City's future transportation investment decisions; monitoring and measuring traffic congestion levels in the City; measuring the performance of all modes of transportation; and developing a computerized travel demand forecasting model and supporting databases. As the CMA, the Transportation Authority is responsible for establishing the City's priorities for state and federal transportation funds, and works with the Metropolitan Transportation Commission (MTC) to program those funds to San Francisco projects.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

One of the Transportation Authority's responsibilities as the CMA is to develop a long-range countywide transportation plan (the San Francisco Transportation Plan, formerly known as the Countywide Transportation Plan) to guide transportation system development and investment over the next 30 years. The plan is consistent with the broader policy framework of the City's General Plan and particularly its Transportation Element. The San Francisco Transportation Plan further develops and implements the City's General Plan principles by identifying needed transportation system improvements, based on technical review of system performance; extensive public and agency input on key issues and needs; and analysis of policies, financial opportunities, and constraints. The Transportation Authority Board adopted the first update to the plan in December 2013 and another update in September 2017.

ConnectSF is a multi-agency collaborative process to build an effective, equitable, and sustainable transportation system for San Francisco's future. Phase 1 of ConnectSF defined a 50-year Vision of San Francisco's future that represents San Francisco's goals and aspirations as a city within the larger Bay Area. The goals and objectives that define the Vision will be used as a framework for future studies related to transportation and land use planning in San Francisco. Phase 2 of ConnectSF, now underway, includes: the Statement of Needs, Transportation Corridors for the San Francisco Transportation Plan, the Transit Corridors Study, and Streets and Freeways Study. Both the Streets and Freeways Study and the Transit Corridors Study will identify a series of operational and/or physical project concepts that will help San Francisco overcome the issues stated in the Statement of Needs and progress in the direction of the Vision. Phase 2 is expected to be completed by June 2021.

Other Major Programs and Projects Under the CMA Include:

Interstate-80/Yerba Buena Island Interchange Improvement Project and Yerba Buena Bridge Structures (collectively known as the YBI Project): The Treasure Island Development Authority (TIDA) has requested that the Transportation Authority, in its capacity as the CMA, be the lead agency for the YBI Project. Since 2009, the Transportation Authority has been working jointly with TIDA, the Mayor's Office of Economic and Workforce Development (OEWD), and the California Department of Transportation (Caltrans). The scope of the YBI Project includes two major components: 1) the YBI Ramps Improvement Project - Phase 1, which includes constructing new westbound on- and off-ramps (on the east side of YBI) to the new Eastern Span of the San Francisco-Oakland Bay Bridge (SFOBB) and the Southgate Road Realignment Improvements - Phase 2; and 2) the YBI West Side Bridges Project on the west side of the island which includes seismic retrofit and replacing bridges on Treasure Island Road, a critical component of island traffic circulation leading to and from the SFOBB.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

YBI Ramps Project: For Phase 1, Caltrans issued the Federal Record of Decision in November 2011. The Final Environmental Impact Report/Environmental Impact Statement (EIR/EIS) was certified by the Transportation Authority Board in December 2011. The Transportation Authority completed preparation of the Final Plans, Specifications, and Estimate documents for the project in March 2013 and awarded a construction contract to Golden State Bridge, Inc. in December 2013. Construction activities started in January 2014. The Phase 1 project is substantially complete and the new ramps were opened to the public on October 22, 2016. The Phase 1 work is wrapping up and project closeout is expected to be completed by February 28, 2020. For Phase 2, the environmental revalidation was completed in May 2019. Work is progressing on final design, which is expected to be completed in the third quarter of 2019. Phase 2 construction is expected to start in early 2020 and be completed by February 2022.

YBI West-Side Bridges Project: The YBI West-Side Bridges project encompasses eight existing bridge structures on the west side of YBI. These structures generally comprise a viaduct along Treasure Island Road, just north of the SFOBB. These bridge structures are a vital component of the YBI traffic circulation system and also serve as an important part of the on- and off-ramp system to the SFOBB. The project limits, along Treasure Island Road, are from the SFOBB to approximately 2000-feet northward. This stretch of Treasure Island Road includes the bridge structures and portions of "at-grade" roadway. The Project is funded through the Caltrans Local Highway Bridge Program and the Project purpose is to bring the bridge structures up to current seismic safety standards. To accomplish this, five structures will be seismically retrofitted, and three structures will be demolished and replaced with realigned roadway, an overcrossing structure, and new retaining walls.

As part of continued preliminary engineering and design efforts and as required by federal funding, a Value Engineering Analysis (VA) Report was prepared in February 2014 in consultation with TIDA, San Francisco Public Works, Caltrans, and independent construction experts. The VA team made various recommendations for Transportation Authority and TIDA consideration to reduce overall project risk and cost. As a result of the VA, new geometrics have been prepared, which realigns Treasure Island Road into the hillside and replaces two of the structures with retaining walls. The introduction of the revised geometrics required additional engineering and environmental analysis to be performed. In addition, per the VA recommendation, due to the numerous complex structural and geotechnical challenges, this project will be delivered using an innovative project delivery approach, Construction Manager/General Contractor (CMGC).

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

In order to reduce costs and construction duration, the current plan calls for closing the Treasure Island/Hillcrest Road from Macalla Road to Forest Road. Construction of this Project will follow the completion of two projects: 1) YBI Southgate Road Realignment Improvements; and 2) Macalla Road reconstruction (being completed by Treasure Island Community Development). The National Environmental Policy Act and California Environmental Quality Act Categorical Exemption environmental documents were approved in November 2017. Preliminary design is underway. The CMGC Project Oversight Agreement among the Federal Highway Administration (FHWA), Caltrans, and the Transportation Authority has been executed. The Transportation Authority's CMGC procedures have been approved by FHWA. The CMGC contract was awarded in October 2018. Design is expected to be completed in late spring/early summer 2020 and construction is anticipated to be completed by summer 2024.

US 101/I-280 Managed Lanes Project: The Transportation Authority, in partnership with Caltrans, the San Mateo County Transportation Authority and the City/County Association of Governments of San Mateo County, is in the process of completing the Project Initiation Document (PID) phase of the US 101/I-280 Managed Lanes Project to provide a managed facility in each direction of US 101 and I-280 from the northern terminus of the San Mateo US 101 Express Lane Project at I-380 to the I-280 terminus at 5th and King Streets in San Francisco. The Project Study Report – Project Development Support (PSR-PDS), the PID document, is expected to be approved by Caltrans in September 2019. The PSR-PDS authorizes the project to proceed to the environmental planning phase which is expected to start in December 2019/January 2020 timeframe for the San Francisco portion. Six alternatives are under consideration and the estimated cost of improvements in San Francisco ranges from \$284 million to \$817 million. Planning, design and construction of the project would take approximately seven years to complete, contingent on funding availability.

Transportation Fund for Clean Air (TFCA) Program

On June 15, 2002, the Transportation Authority was designated to act as the overall program manager for the local guarantee (40%) share of transportation funds available through the Transportation Fund for Clean Air (TFCA) program. Funds from this program, administered by the Bay Area Air Quality Management District, come from a \$4 vehicle registration fee on automobiles registered in the Bay Area. Through this program, the Transportation Authority recommends projects that benefit air quality by reducing motor vehicle emissions.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

Vehicle Registration Fee for Transportation Improvements Program

On November 2, 2010, San Francisco voters approved Proposition AA with a 59.6% affirmative vote, authorizing the Transportation Authority to collect an additional \$10 annual vehicle registration fee on motor vehicles registered in San Francisco, and to use the proceeds to fund transportation projects identified in the 30-year Expenditure Plan. Revenue collection began in May 2011.

Proposition AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues, designated for each category over the 30-year Expenditure Plan period, is shown in parenthesis following the category name.

Street Repair and Reconstruction (50%): giving priority to streets with bicycle and transit networks, and to projects that include complete streets elements such as curb ramps, bicycle infrastructure, pedestrian improvements, and other measures to slow or reduce traffic.

Pedestrian Safety (25%): including crosswalk improvements, sidewalk repair or upgrade, and pedestrian countdown signals and lighting.

Transit Reliability and Mobility Improvements (25%): including transit stop improvements, consolidation and relocation, transit signal priority, traffic signal upgrades, travel information improvements, and parking management projects.

In 2012, the Transportation Authority Board approved the first Proposition AA Strategic Plan, including the specific projects that could be funded within the first five years (i.e., fiscal years 2012/13 to 2016/17). In May 2017, the Transportation Authority Board approved the 2017 Proposition AA Strategic Plan and programmed revenues for projects over the five-year period, covering fiscal years 2017/18 to 2021/22. The Proposition AA program is a pay-as-you-go program.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

Treasure Island Mobility Management Agency (TIMMA) Component Unit

The Treasure Island Transportation Management Act of 2008 (Assembly Bill 981) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the Treasure Island Mobility Management Agency (TIMMA) to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141, establishing TIMMA as a legal entity, distinct from the Transportation Authority, to help firewall the Transportation Authority's other functions. The eleven members of the Transportation Authority Board act as the Board of Commissioners for TIMMA. The Transportation Authority financial statements include TIMMA as a blended special revenue fund component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Government-wide Financial Statements – The statement of net position and statement of activities display information about the Transportation Authority. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are normally supported by taxes, grants, and other revenues.

The statement of activities presents a comparison between direct expenses and program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Fund Financial Statements – The fund financial statements provide information about the Transportation Authority's funds. The Transportation Authority reports activities of each of its five funds: *General Fund*; *Congestion Management Agency Programs*; *Transportation Fund for Clean Air Program*; *Vehicle Registration Fee for Transportation Improvements Program*; and *Treasure Island Mobility Management Agency* as major funds.

The Transportation Authority uses the following funds:

General Fund – The General Fund, also referred to as the Sales Tax Program, accounts for the one-half of one percent sales tax revenues required by the November 2003 Proposition K. These revenues are for restricted expenditures in support of the Expenditure Plan, which includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety; 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives. This fund also accounts for the general administration of the Transportation Authority functions in support of the Proposition K Expenditure Plan. The major source of revenue for this fund is the sales tax.

Special Revenue Funds – Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts, capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund:

Congestion Management Agency Programs – The Congestion Management Agency Fund accounts for resources accumulated and payments made for developing a congestion management program and construction of major capital improvements. Major sources of revenue are federal, state, and regional grants.

Transportation Fund for Clean Air Program – San Francisco has a \$4 per vehicle registration fee to support projects of the BAAQMD. Of the total collections, BAAQMD passes 40% of the proceeds to the Transportation Authority. Through this program, the Transportation Authority recommends projects that benefit air quality by reducing motor vehicle emissions. The Transportation Fund for Clean Air accounts for this activity. The major source of revenue for this fund is \$4 vehicle registration fees on automobiles registered in the Bay Area.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Vehicle Registration Fee for Transportation Improvements Program Fund – This fund accounts for the November 2010 Proposition AA Vehicle Registration Fee (VRF) for Transportation Improvements Program. Collections of the \$10 per year, per vehicle registration. The Fee started in the first week of May 2011. The VRF proceeds are used to fund transportation projects identified in the Proposition AA Expenditure Plan. The major source of revenue for this fund is vehicle registration fees.

Treasure Island Mobility Management Agency Fund – The Treasure Island Transportation Management Act of 2008 (AB 981) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City’s Board of Supervisors approved a resolution designating the Transportation Authority as the TIMMA to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141, establishing TIMMA as a legal entity distinct from the Transportation Authority to help firewall the Transportation Authority’s other functions. The major sources of revenue are federal, state, and regional grants.

Fiduciary Fund – Fiduciary or agency funds are trust funds used to account for the assets held by the Transportation Authority, under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Transportation Authority’s programs. The Transportation Authority’s fiduciary fund is an agency fund which accounts for assets held as an agent for the San Francisco Municipal Railway’s (MUNI) Owner-Controlled Insurance Program (OCIP) for the Third Street Light Rail Project.

The Transportation Authority does not retain ownership of the assets produced in relation to capital improvements to which it provides funding. Capital improvements are recorded on the financial statements of the managing agency during construction and upon completion. Thus, the fiduciary fund is omitted from government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The government-wide 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 related cash flows. Sales tax amounts are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible, within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Sales taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual, and so, have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency fund has no measurement focus, but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Net Position

Under the terms of grant agreements, the Transportation Authority funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the Transportation Authority's policy to first exhaust the most restricted cost-reimbursement grant resources to such programs.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Investment Valuations

The Transportation Authority recognizes the fair value measurement of its investments on a recurring basis, based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Transportation Authority's investments in the City and County of San Francisco Investment Pool are uncategorized because deposits to and from the pool are made on the basis of \$1 and not at fair value.

Sales Tax Revenue

The Transportation Authority recognizes taxpayer-assessed revenues, net of estimated refunds, in the accounting period in which they become susceptible to accrual, which means when the revenues become both measurable and available to finance expenditures of the current fiscal period on the fund level financial statements.

Unavailable sales tax revenue on the fund level financial statements represent sales tax receipts in the 60 days subsequent to the Transportation Authority's fiscal year-end, relating to the prior year's sales activity. The Transportation Authority has contracted with the California Department of Tax and Fee Administration (CDTFA) for collection and distribution of the sales tax. The CDTFA receives an administrative fee for providing this service. The Transportation Authority records sales tax revenues net of such fees.

Vehicle Registration Fees and Receivables

The Transportation Authority recognizes vehicle registration fees in the accounting period in which they become susceptible to accrual, which means when the revenues become both measurable and available to finance expenditures of the current fiscal period.

Vehicle registration fees receivables represent vehicle registration fee receipts in the 60 days subsequent to the Transportation Authority's fiscal year-end relating to the prior year's registration activity. The Transportation Authority has contracted with the California Department of Motor Vehicles for collection and distribution of the vehicle registration fees. The Department of Motor Vehicles receives an administrative fee for providing this service. The Transportation Authority records vehicle registration fee revenues net of such fees.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Capital Assets

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. The Transportation Authority capitalizes assets with a purchase price of \$5,000 and above. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide financial statements.

The estimated useful lives are as follows:

Leasehold improvements	13 years
Furniture	5 years
Computer equipment	3 years

The cost of normal maintenance and repairs that do not add to the value of the asset nor materially extend its life, is not capitalized. For the government-wide statements, improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Pensions

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

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Transportation Authority's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 2 - SUMMARY OF SIGIFICANT ACCOUNTING POLICIES, (Continued)

Compensated Absences

The Transportation Authority reports compensated absences for accrued vacation, compensatory time-off, and floating holidays. Transportation Authority employees have a vested interest in accrued compensated absences and the time will eventually either be used or paid by the Transportation Authority. Generally, employees earn and use their current compensated absence hours with a small portion being accrued or unused each year. As this occurs, the Transportation Authority incurs an obligation to pay for these unused hours. This liability is recorded in the government-wide statement of net position to reflect the Transportation Authority's obligation to fund such costs from future operations. A liability is recorded in the governmental funds balance sheet when it is due and payable. Sick leave benefits do not vest and no liability is recorded.

Fund Balances/Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

Investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Transportation Authority currently does not have any outstanding notes or other borrowings that are attributable to capital assets.

Restricted net position – consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – all other net position that does not meet the definition of "restricted" or "investment in capital assets."

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 2 - SUMMARY OF SIGIFICANT ACCOUNTING POLICIES, (Continued)

Governmental funds report fund balance in classifications, based primarily on the extent to which the Transportation Authority is bound, to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2019, fund balances for governmental funds are classified as follow:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.

Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Unassigned Fund Balance – is the residual classification for the Sales Tax Program and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Use of Estimates

The preparation of basic financial statements, in conformity with generally accepted accounting principles (GAAP), requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Transportation Authority’s deposits may not be returned to it. The Transportation Authority does not have a policy for custodial credit risk on deposits. As of June 30, 2019, the carrying amount of the Transportation Authority’s deposits was \$101,087,240 and the bank balance was \$101,744,276. The difference between the bank balance and the carrying amount represents outstanding checks and deposits. Of the bank balance, \$750,000 was covered by federal depository insurance and \$100,994,276 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 3 - CASH AND INVESTMENTS, (Continued)

Under the California Government Code, a financial institution is required to secure deposits in excess of Federal Deposit Insurance Corporation limits made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent.

Investments – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Transportation Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Transportation Authority does not have a policy regarding custodial credit risk on investments. As of June 30, 2019, the Transportation Authority's investments are not exposed to custodial credit risk. The notes to the basic financial statements of the City provide more detailed information concerning deposit and investment risks associated with the City's pool of cash and investments at June 30, 2019.

Investments Authorized by the Transportation Authority's Investment Policy

The table on the next page identifies the investment types that are authorized for the Transportation Authority by the California Government Code 53601 or the Transportation Authority's Investment Policy, where the policy is more restrictive in the area of reverse repurchase agreements, which are not allowed, and certificates of deposits, which must be in financial institutions located in California and may not exceed 10% of the Transportation Authority's portfolio.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 3 - CASH AND INVESTMENTS, (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Notes, Bonds, or Bills	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
Federal Agency or U.S. Government Sponsored Enterprise Obligations	5 Years	None	None
Repurchase Agreements	1 Year	None	None
State of California Obligations or any Local Agency within the State	5 Years	None	None
Notes or Bonds of other U.S. States	5 Years	None	None
Bankers' Acceptances	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Medium-Term Notes	5 Years	30%	None
FDIC Insured and Fully Collateralized Certificates of Deposit**	1 Year	10%	None
Negotiable Certificates of Deposits	5 Years	30%	None
State of California Local Agency Investment Fund (LAIF)	N/A	None	\$65M
California Asset Management Program	N/A	None	None
Insured Savings and Money Market Accounts	N/A	None	None
City and County of San Francisco Treasury Pool	N/A	None	None
Shares of Beneficial Interest (Money Market Funds)	N/A	20%	10%

** More restrictive than California Government Code.

The Transportation Authority maintains deposits and investments with the City and County of San Francisco Treasury Pool (Pool). The Pool is not registered with the U.S. Securities and Exchange (SEC) therefore, is unrated. As of June 30, 2019, the Transportation Authority's deposits and investments in the Pool are approximately \$40.2 million, and the total amount invested by all public agencies in the Pool is approximately \$11.6 billion. The City's Treasurer Oversight Committee (Committee) has oversight responsibility for the Pool. The value of the Transportation Authority's shares in the Pool, which may be withdrawn, is based on the book value of the Transportation Authority's percentage participation, which is different than the fair value of the Transportation Authority's percentage participation in the Pool.

The Transportation Authority's investments on June 30, 2019, consisted of pooled cash with the City and County of San Francisco, having a weighted average maturity of 1.28 years. At June 30, 2019, the Pool consists of U.S. government and agency securities, state and local government agency obligations, negotiable certificates of deposit, medium term notes, and public time deposits as authorized by State statutes and the City's investment policy. Additional information regarding deposit, investment risks (such as interest rate, credit, and concentration of credit risks) may be obtained by contacting the City's Controller's Office, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 4 - INTERFUND TRANSACTIONS

Due to/Due from: The composition of interfund balances as of June 30, 2019, is as follows:

	Receivable from:			Total
	Congestion Management Agency Programs	Transportation Fund for Clean Air Program	Vehicle Registration VRF for Transportation Improvements Program	
Payable to:				
Sales Tax Program	\$ 992,244	\$ 249,998	\$ 82,859	\$ 1,325,101
Treasure Island Mobility Management Agency	-	165,823	-	165,823
Total	<u>\$ 992,244</u>	<u>\$ 415,821</u>	<u>\$ 82,859</u>	<u>\$ 1,490,924</u>

The outstanding receivables from the Sales Tax Program result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers: During the fiscal year, the Sales Tax Program paid \$1,481,980 to the CMA Programs Fund for reimbursement of capital subsidies and the TIMMA Fund received a transfer of \$436,818 from the Sales Tax Program Fund as subsidies related to expenditures incurred in FY 2018-19.

NOTE 5 - CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2019, is as follows:

	Balance July 1, 2018	Additions	Retirement	Balance June 30, 2019
Capital assets, being depreciated:				
Leasehold improvements	\$ 3,023,624	\$ -	\$ -	\$ 3,023,624
Furniture and equipment	856,146	33,338	(39,349)	850,135
Total capital assets, being depreciated	<u>3,879,770</u>	<u>33,338</u>	<u>(39,349)</u>	<u>3,873,759</u>
Less accumulated depreciation for:				
Leasehold improvements	1,393,325	232,900	-	1,626,225
Furniture and equipment	773,396	64,079	(39,349)	798,126
Total accumulated depreciation	<u>2,166,721</u>	<u>296,979</u>	<u>(39,349)</u>	<u>2,424,351</u>
Total capital assets, net	<u>\$ 1,713,049</u>	<u>\$ (263,641)</u>	<u>\$ -</u>	<u>\$ 1,449,408</u>

Depreciation expense for the current year amounted to \$296,979, and was allocated to the transportation improvement expense on the statement of activities.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 6 - TRANSACTIONS WITH THE CITY AND COUNTY OF SAN FRANCISCO

Receivables from the City and County of San Francisco consist of the following at June 30, 2019:

Receivables from the following City Department/Agency	Purpose	Total
Department of Public Works	19th Avenue Combined City Project and Lombard Street Vision Zero Project	\$ 105,656
Municipal Transportation Agency	Implementing Advanced Transportation Congestion and Mitigation Technologies Deployment Initiatives on Treasure Island	11,434
	Lombard Crooked Street Reservations and Pricing Study	192,358
	SF-CHAMP Travel Demand Forecasting Model	90,149
Office of Economic and Workforce Development	Transit Plan Development for the District 9 Area Plan	29,173
Planning Department	ConnectSF Outreach	1,784
	SF-CHAMP Travel Demand Forecasting Model	42,500
Treasure Island Development Authority	Treasure Island Transportation Implementation Plan	1,306,587
	Yerba Buena Island Ramps Improvement Project	418,491
Total receivables from the City and County of San Francisco		<u><u>\$ 2,198,132</u></u>

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 6 - TRANSACTIONS WITH THE CITY AND COUNTY OF SAN FRANCISCO, (Continued)

Payables to the City and County of San Francisco consist of the following at June 30, 2019:

Payables to the following City Department / Agency	Purpose	Total
Department of Environment	Clean Air Programs	\$ 3,201
Department of Public Works	Street Resurfacing	8,755,118
Municipal Transportation Agency	Advanced Technology and Information Systems	\$ 802,361
	Balboa Park BART/MUNI Station Access Improvements	773,214
	Bicycle Circulation/Safety	407,213
	Central Subway	964,968
	Clean Air Programs	58,573
	Guideways	16,523,934
	New Signals and Signs	1,969,930
	Other Transit Enhancements	12,220
	Paratransit Services	2,849,223
	Pedestrian and Bicycle Facility Maintenance	54,242
	Pedestrian Circulation/Safety	187,754
	Pedestrian Safety	89,104
	Rapid Bus Network including Real Time Transit Information	556,634
	Rehabilitation, Upgrade and Replacement of Existing Facilities	2,002,062
	Signals and Signs	4,583,989
	Traffic Calming	1,187,860
	Transit Reliability and Mobility Improvements	20,981
	Transit Vehicle Replacement and Renovation	11,850,868
	Transportation Demand Management/Parking Management	9,887
	Transportation/Land Use Coordination	56,794
	Upgrades to Major Arterials	39,896
	Visitation Valley Watershed Area projects	548,340
	Total Municipal Transportation Agency	45,550,047
Office of City Attorney	Legal Services	5,058
Total payable to the City and County of San Francisco		\$ 54,313,424

The Transportation Authority reimbursed the City and County of San Francisco for the following transportation and capital program costs made on its behalf during the year ended June 30, 2019:

Expenditures incurred by the following City Department/Agency	Total
Department of Environment	\$ 42,607
Department of Public Health	7,090
Department of Public Works	7,983,140
Municipal Transportation Agency	77,736,500
Port of San Francisco	440,000
	\$ 86,209,337

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 6 - TRANSACTIONS WITH THE CITY AND COUNTY OF SAN FRANCISCO, (Continued)

During fiscal year 2018-19, the Transportation Authority incurred capital expenditures of \$86.2 million, which were paid to departments within the City, of which \$77.7 million was expended on SFMTA projects. SFMTA projects include \$72.0 million on Transit Vehicle Replacement and Renovation, Paratransit, Rapid Bus Network, Guideways, Rehabilitation, Upgrade and Replacement of Existing Facilities Projects, and \$5.7 million on various Signals and Signs, Pedestrian, and Corridor Improvement projects.

NOTE 7 - LONG TERM OBLIGATIONS OR DEBT

The changes in the Transportation Authority's long-term obligations during the year consist of the following items:

	Balance at July 1, 2018	Additions	Deductions	Balance at June 30, 2019	Current Portion
Revenue bonds	\$ 248,250,000	\$ -	\$ -	\$ 248,250,000	\$ 12,920,000
Bond premium	20,667,282	-	(1,215,723)	19,451,559	-
Revolving credit agreement	24,664,165	-	(24,664,165)	-	-
Compensated absences	581,210	542,917	(441,935)	682,192	467,952
Total	<u>\$ 294,162,657</u>	<u>\$ 542,917</u>	<u>\$ (26,321,823)</u>	<u>\$ 268,383,751</u>	<u>\$ 13,387,952</u>

Compensated absences

The Transportation Authority's compensated absences in current and prior years are paid from the sales tax fund.

Revenue Bonds and Revolving Credit Agreement

On November 2, 2017, the Transportation Authority issued Senior Sales Tax Revenue Bonds, Series 2017 (the Series 2017 Bonds) with total proceeds of \$270,133,005. The Series 2017 bonds were issued with a par value of \$248,250,000 and \$21,883,005 of bond premium to (i) finance a portion of the costs of and costs incidental to, or connected with, the construction, acquisition and improvement of certain transit, street and traffic facilities and other transportation projects, including, without limitation, engineering, inspection, legal, fiscal agents, financial consultant and other fees and working capital, (ii) repay a portion of the then-outstanding amount under a revolving credit agreement, (iii) pay capitalized interest on a portion of the Series 2017 Bonds and (iv) pay costs of issuance of the Series 2017 Bonds.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 7 - LONG TERM OBLIGATIONS OR DEBT, (Continued)

The Series 2017 Bonds bear interest at rates ranging from 3.0% to 4.0% and have a final maturity date of February 1, 2034. Outstanding principal at June 30, 2019 is \$248,250,000 with \$19,451,559 of remaining unamortized bond premium.

The Transportation Authority's Series 2017 Bonds are payable from, and secured by a pledge of, the Transportation Authority's sales tax revenues. Debt service payments of \$8,412,250 as a ratio of pledged sales tax revenues of \$115,670,918 for the year ended June 30, 2019, resulted in debt service coverage of 13.75x or 1,375%.

Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants. The Series 2017 Bonds are not subject to acceleration.

Debt Service Requirements to maturity for the Transportation Authority's Series 2017 Bonds are as follows:

Fiscal Year	Principal	Interest	Annual Debt Service
2020	\$ 12,920,000	\$ 8,412,250	\$ 21,332,250
2021	13,310,000	8,024,650	21,334,650
2022	13,710,000	7,625,350	21,335,350
2023	14,125,000	7,214,050	21,339,050
2024	14,545,000	6,790,300	21,335,300
2025-2029	81,930,000	24,744,900	106,674,900
2030-2034	97,710,000	8,967,150	106,677,150
Total	<u>\$ 248,250,000</u>	<u>\$ 71,778,650</u>	<u>\$ 320,028,650</u>

In June 2018, the Transportation Authority entered into a Revolving Credit (loan) Agreement with State Street Public Lending Corporation and US Bank National Association for a total amount of \$140,000,000 with a rate of interest equal to the sum of 80% of 1-month LIBOR plus a fixed credit spread (subject to adjustment if the Transportation Authority's credit rating changes). This agreement replaced a prior revolving credit agreement. In Fiscal Year 2019, the rate of interest paid by the Transportation Authority under the Revolving Credit Agreement ranged from 2.07% to 2.28%. The Revolving Credit Agreement expires on June 7, 2021 and is secured by a lien on the Transportation Authority's sales tax revenues subordinate to the lien on the sales tax revenues securing the Transportation Authority's Series 2017 Bonds. If specified conditions are met, the repayment period for loans under the Revolving Credit Agreement may extend five years after June 7, 2021. As of June 30, 2019, the Transportation Authority has no outstanding balance under the Revolving Credit Agreement, but can borrow up to \$140,000,000 under the agreement at any time. The Transportation Authority paid \$452,284 for interest and commitment fees in fiscal year 2018-19.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 7 - LONG TERM OBLIGATIONS OR DEBT, (Continued)

Events of Default under the Revolving Credit Agreement include nonpayment events, noncompliance with covenants, default on other specified debt, bankruptcy events, specified litigation events, or a ratings downgrade below Baa2 by Fitch, BBB by Moody's or BBB by S&P. Remedies include acceleration (subject in some, but not all, circumstances to a 270 day notice period) and the termination of the right of the Transportation Authority to borrow under the Revolving Credit Agreement.

NOTE 8 - PENSION PLANS

General Information about the Pension Plan

Plan Description

All qualified permanent employees are eligible to participate in the Transportation Authority's Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Transportation Authority resolution. CalPERS acts as a common investment and administrative agent for its participating member employers. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, 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 or 52, depending on the hire date, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. Benefit provisions and all other requirements are established by State statute and may be amended by the Transportation Authority's contract with the employees.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 8 - PENSION PLANS, (Continued)

The Plan provisions and benefits in effect on June 30, 2019, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit vesting formula	2% at 55	2% at 62
Minimum years of services	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Earliest retirement age	50	52
Annual vesting, as a percent of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	9.41%	6.84%
Required employer prepayment for unfunded liability	\$117,819	\$5,725

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 both Plans are 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 Transportation Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2019, the employer contributions were \$478,668.

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

As of June 30, 2019, the Transportation Authority's reported net pension liability for its proportionate share of the collective net pension liability is \$2,068,676.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 8 - PENSION PLANS, (Continued)

The Transportation Authority's net pension liability is measured as the proportionate share of the collective Plan's net pension liability. The net pension liability is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. The Transportation Authority's proportion of the net pension liability was based on the Transportation Authority's share of contributions to the pension plan, relative to the projected contributions of all participating employers, actuarially determined. The Transportation Authority's proportionate share of the net pension liability as of June 30, 2018, and 2019 was as follows:

Proportion - June 30, 2018	0.02161%
Proportion - June 30, 2019	0.02147%
Change	-0.00014%

For the year ended June 30, 2019, the Transportation Authority recognized pension expense of \$581,423.

On June 30, 2019, the Transportation Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 478,668	\$ -
Contributions in excess of proportionate share	32,276	(11,357)
Changes in assumptions	235,836	(57,799)
Difference in expected and actual experience	79,371	(27,009)
Adjustment due to differences in proportions	254,807	(12,482)
Net differences between projected and actual earnings on plan investments	10,227	-
Total	\$ 1,091,185	\$ (108,647)

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 8 - PENSION PLANS, (Continued)

Reported as deferred outflows of resources related to contributions subsequent to the measurement date is \$478,668, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 315,087
2021	226,250
2022	(18,860)
2023	(18,607)
	\$ 503,870

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry-Age and Service
Investment Rate of Return	7.15%
Mortality (2)	(1)

- (1) Derived using CalPERS' Membership Data for all Funds.
- (2) The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 8 - PENSION PLANS, (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 PERF 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 8 - PENSION PLANS, (Continued)

The table below reflects 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:

Asset Class	Current Target Allocation	(1) Real Return Years 1 - 10	(2) Real Return Years 11+
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	<u>100.0%</u>		

(1) An expected inflation of 2.00% used for this period.

(2) An expected inflation of 2.92% used for this period.

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

The following presents the Transportation Authority's proportionate share of the net pension liability, as well as what the Transportation Authority's proportionate share of the net pension 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:

	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability	\$ 3,634,737	\$ 2,068,676	\$ 775,919

Pension Plan Fiduciary Net Position

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The Transportation Authority's defined benefit postemployment healthcare plan provides healthcare benefits to eligible employees and their surviving spouses. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 and meeting program vesting requirements, or being converted to disability status and retiring directly from the Transportation Authority. Dental and vision benefits are not available to retirees.

The Transportation Authority is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for the provision of healthcare insurance programs for both active and retired employees. The Transportation Authority participates in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer postemployment health plan, to prefund other postemployment benefits through CalPERS. CalPERS and CERBT issue publicly available financial reports that can be found on CalPERS website.

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the healthcare plan:

Active plan members	37
Inactive employees or beneficiaries currently receiving benefit payments	9
Inactive employees entitled to but not yet receiving benefit payments	-
Total	<u>46</u>

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS, (Continued)

Contributions

The contribution requirements of plan members and the Transportation Authority are established and may be amended by the Board. The Transportation Authority makes contributions on an actuarial basis, funding the full Actuarially Determined Contributions (ADC). Employees of the Transportation Authority are not required to contribute to the plan. As of June 30, 2019, the Transportation Authority contributed \$137,900 to the CERBT plan. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Significant Assumptions

The Transportation Authority's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

<u>Actuarial Assumption</u>	<u>June 30, 2018 Measurement Date</u>
Valuation Date	June 30, 2017
Contribution Policy	Level percent of pay method over 20 years
Discount Rate	7.28%
General Inflation	3.00% per annum
Salary Increases	3.25% per annum, in aggregate
Investment Rate of Return	7.28%
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2015
Healthcare Cost Trend Rate	Initial 7% for medicare eligibles, 9% for spouse of medicare eligibles and 4.5% non-medicare eligibles, all grading down to 4%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.28 percent. The projection of cash flows used to determine the discount rate assumed that Transportation Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS, (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.00%	4.82%
Fixed Income	27.00%	1.47%
Treasury Inflation Protection Securities	5.00%	1.29%
Real Estate Investment Trusts	8.00%	0.84%
Commodities	3.00%	3.76%
Total	<u>100.00%</u>	

Changes in the OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2018	\$ 1,747,800	\$ 1,502,900	\$ 244,900
Changes for the year:			
Service Cost	122,500	-	122,500
Interest	129,500	-	129,500
Difference between expected and actual experience	(5,400)	-	(5,400)
Contributions:			
Trust deposits	-	84,948	(84,948)
Employer - explicit subsidy	-	46,700	(46,700)
Employer - implicit subsidy	-	11,700	(11,700)
Benefit payments	(58,400)	(58,400)	-
Administrative expenses	-	(782)	782
Expected Investment Return	-	112,475	(112,475)
Investment Experience (Loss)/Gain	-	7,159	(7,159)
Net changes	<u>188,200</u>	<u>203,800</u>	<u>(15,600)</u>
Balance at June 30, 2019	<u>\$ 1,936,000</u>	<u>\$ 1,706,700</u>	<u>\$ 229,300</u>

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS, (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Transportation Authority as of the measurement date, calculated using the discount rate of 7.28 percent, as well as what the Transportation Authority's 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 discount rate:

	1% Decrease 6.28%	Current Discount Rate 7.28%	1% Increase 8.28%
Net OPEB Liability	\$ 523,900	\$ 229,300	\$ (10,800)

The following presents the net OPEB liability of the Transportation Authority, as well as what the Transportation Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease 6% Medicare, 8% Spouse and 3.5% Non-Medicare grading to 3%	Current Healthcare Trend Cost Rate 7% Medicare, 9% Spouse and 4.5% Non-Medicare grading to 4%	1% Increase 8% Medicare, 10% Spouse and 5.5% Non- Medicare grading to 5%
Net OPEB Liability	\$ (41,400)	\$ 229,300	\$ 572,000

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the Transportation Authority recognized OPEB credit of \$7,011. As of fiscal year ended June 30, 2019, the Transportation Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 137,900	\$ -
Difference between expected and actual experience	-	5,055
Net differences between projected and actual earnings on plan investments	-	28,507
Total	\$ 137,900	\$ 33,562

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS, (Continued)

Reported as deferred outflows of resources related to contributions subsequent to the measurement date is \$137,900, which will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ended June 30:	Deferred Inflows of Resources
2020	\$ 9,370
2021	9,370
2022	9,371
2023	1,776
2024	345
Thereafter	3,330
Total	<u>\$ 33,562</u>

NOTE 10 - OPERATING LEASES

The Transportation Authority leases its office space under an operating lease agreement. In December 2011, the Transportation Authority executed a 13-year workspace lease for its office, located at 1455 Market Street, with a 5-year extension option. The term of the lease commenced on July 1, 2012, and expires on June 30, 2025. Under the lease agreement, the landlord granted the Transportation Authority a rent abatement, totaling \$522,112 for the period July 1, 2012, through November 30, 2012, and from July 1, 2013, through October 31, 2013, and provided a leasehold allowance credit in the amount of \$1,763,180. During the year ended June 30, 2019, the Transportation Authority expended \$834,156 towards its office lease and recorded an office lease expense of \$792,642 and an amortization expense of \$41,514 on the statement of activities.

The Transportation Authority also leases two copier machines under an operating lease agreement. The Transportation Authority entered into a 3-year lease agreement with monthly payments of \$1,970, plus applicable taxes, commencing on May 11, 2017. During the year ended June 30, 2019, total copier expenses were \$25,650.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 10 - OPERATING LEASES, (Continued)

The following is a schedule of future minimum lease obligations as of June 30, 2019:

Year Ending June 30,	Office Lease	Copier Leases	Total
2020	\$ 858,629	\$ 19,700	\$ 878,329
2021	883,104	-	883,104
2022	907,578	-	907,578
2023	932,052	-	932,052
2024	956,525	-	956,525
2025	897,380	-	897,380
Total future minimum lease obligations	<u>\$ 5,435,268</u>	<u>\$ 19,700</u>	<u>\$ 5,454,968</u>

NOTE 11 - ADMINISTRATIVE EXPENSE LIMITATIONS

In accordance with California Public Utilities Code, Section 131107, not more than one percent of the Transportation Authority’s annual net amount of revenues, raised by the sales tax, may be used to fund the salaries and benefits of the staff of the Transportation Authority in administering the Proposition K Expenditure Plan. For the year ended June 30, 2019, revenues, staff salaries, and fringe benefits for administering the Proposition K Expenditure Plan for the Sales Tax Program were as follows:

Revenues	\$ 115,670,918
Expenditures:	
Salaries	697,011
Fringe benefits	40,395
Total	<u>\$ 737,406</u>
Percentage of revenue	0.64%

Personnel expenditures of \$2,596,080 were reported in the Sales Tax Program, of which \$737,406 was related to general administration of the Proposition K Expenditure Plan, and \$1,858,674 was related to planning and programming, which includes monitoring and oversight of Proposition K funded projects.

NOTE 12 - RISK MANAGEMENT

The Transportation Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Transportation Authority manages and finances these risks by purchasing commercial insurance. There have been no significant reductions in insurance coverage from the previous year, nor have settled claims exceeded the Transportation Authority’s commercial insurance coverage in any of the past three years.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 13 - OWNER-CONTROLLED INSURANCE PROGRAM

In February 2002, the Transportation Authority entered into a trust agreement with Chartis Insurance (formerly American Insurance Group) and J.P. Morgan Chase Bank, N.A. on behalf of MUNI to act as the fiduciary administrator for the aggregate deductible loss pool supporting MUNI's Third Street Light Rail Project's Owner-Controlled Insurance Program (OCIP). The Third Street Light Rail Project OCIP is an umbrella insurance program that provides commercial general liability, excess liability, workers' compensation, pollution liability, and railroad liability coverage for those Third Street Light Rail Project construction contracts included in the program. The escrow account for the aggregate deductible loss pool was established for \$4,621,400 at the inception of the OCIP, and is used to pay claims as determined by the City's Office of the City Attorney, MUNI, and Chartis Insurance. The Transportation Authority is acting solely as a fiduciary administrator for the escrow account, and has no responsibility for managing the OCIP claims, management, or settlement. As of June 30, 2019, the Transportation Authority has \$75,353 in escrow accounts to fund claims related to MUNI's Third Street Light Rail Project.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Commitments

The Transportation Authority's outstanding commitments totaled \$650,940,050 at June 30, 2019. This amount is comprised of \$617,729,115 in remaining capital project appropriations. Sponsors receive appropriations for the entire project (awards) but cannot be reimbursed faster than the amount allocated annually. At June 30, 2019, the Transportation Authority has \$16,629,449, \$14,988,545, and \$1,592,941 encumbered in the Sales Tax Program, the Congestion Management Agency Programs and the Treasure Island Mobility Management Agency Program, respectively, on various Transportation Authority contracts held with private consulting and construction companies and cooperative agreements with governmental entities.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 83 – In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (ARO). GASB Statement No. 83 addresses accounting and financial reporting for asset retirement obligations. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires disclosures of methods and assumptions used. The new standard is effective for periods beginning after June 15, 2018. This Statement did not have an impact on the Transportation Authority's financial statements.

GASB Statement No. 84 – In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The new standard is effective for periods beginning after December 15, 2018. Application of this statement is effective for the Transportation Authority's year ending June 30, 2020.

GASB Statement No. 87 – In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease assets, liabilities, and deferred inflows that currently are not reported. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the Transportation Authority's year ending June 30, 2021.

GASB Statement No. 88 – In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 establishes a definition of debt for purposes of disclosure, requires that information provided for direct borrowings and direct placements of debt be reported separately from other debt, and requires more extensive disclosures about unused lines of credit, assets pledged as collateral, and terms related to default, termination, and acceleration. The Transportation Authority's implemented the provisions of this Statements in the current year.

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 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 and no longer included in the historical cost of capital assets. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the Transportation Authority's year ending June 30, 2021.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2019

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS, (Continued)

GASB Statement No. 90 – In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. GASB Statement No. 90 establishes standards for reporting a government’s majority equity interest in a legally separate organization. The new standard is effective for periods beginning after December 15, 2018. Application of this statement is effective for the Transportation Authority’s year ending June 30, 2020. The new standard is effective for periods beginning after December 15, 2018. Application of this statement is effective for the Transportation Authority’s year ending June 30, 2020.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The new standard is effective for periods beginning after December 15, 2020. Application of this statement is effective for the Transportation Authority’s year ending June 30, 2022.

NOTE 16 – SUBSEQUENT EVENT

Based on preliminary election results, it appears that on November 5, 2019, San Francisco voters approved (67.65% as of November 12, 2019, with 2/3 voter approval required) Prop D, enabling the City to impose a 1.5% business tax on shared rides and 3.25% business tax on private rides for fares charged by commercial ride-share and driverless-vehicle companies until November 5, 2045. The city estimates that the Traffic Congestion Mitigation Tax will raise an estimated \$30-\$35 million annually to fund improvements in Muni service and bicycle and pedestrian safety. The early years of the tax also include a discount for electric vehicles which will be phased out over time. The SFMTA will receive 50% of the revenues for Muni capital and operating improvements and the Transportation Authority will receive 50% of the revenues for capital projects that promote users’ safety in the public right-of-way in support of the City’s Vision Zero policy. Following certification of the elections results, staff will develop policies for administration of this new fund program, to be brought to the Transportation Authority Board for approval in 2020.

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REQUIRED SUPPLEMENTARY INFORMATION

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and
Actual – Sales Tax Program
For the Year Ended June 30, 2019

	Budget Amounts		Actual	Positive (Negative) Variance
	Original	Final		Final to Actual
Revenues and Transfers In				
Sales tax	\$ 106,461,636	\$ 109,655,485	\$ 115,670,918	\$ 6,015,433
Investment income	540,902	2,510,000	2,831,156	321,156
Program revenues				
Federal	-	3,409	3,409	-
Other revenues	44,720	51,635	53,328	1,693
Total Revenues and Transfers In	107,047,258	112,220,529	118,558,811	6,338,282
Expenditures and Transfers Out				
Administrative operating costs	5,676,873	5,447,016	5,070,913	376,103
Transportation improvement	203,019,900	153,889,618	118,819,400	35,070,218
Debt service				
Principal	25,000,000	24,663,184	24,664,165	(981)
Interest and fiscal charges	8,412,250	8,959,444	8,902,097	57,347
Transfers out to other funds	2,349,021	2,621,988	1,918,798	703,190
Total Expenditures and Transfers Out	244,458,044	195,581,250	159,375,373	36,205,877
Other Financing Sources (Uses)				
Proceeds from debt	121,000,000	-	-	-
Change in Fund Balance	(16,410,786)	(83,360,721)	(40,816,562)	42,544,159
Fund Balance - Beginning	139,735,841	139,735,841	139,735,841	-
Fund Balance - Ending	\$ 123,325,055	\$ 56,375,120	\$ 98,919,279	\$ 42,544,159

See notes to required supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and
Actual – Congestion Management Agency Programs Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Revenues and Transfers In				
Program revenues				
Federal	\$ 4,978,148	\$ 11,538,027	\$ 5,073,112	\$ (6,464,915)
State	-	499,455	754,186	254,731
Regional and other	2,336,848	3,693,863	1,611,396	(2,082,467)
Transfers in from other funds	2,008,931	2,621,988	1,481,980	(1,140,008)
Total Revenues and Transfers In	<u>9,323,927</u>	<u>18,353,333</u>	<u>8,920,674</u>	<u>(9,432,659)</u>
Expenditures and Transfers Out				
Administrative operating costs	3,894,928	4,257,232	2,943,642	1,313,590
Transportation improvement	5,428,999	14,096,101	5,977,032	8,119,069
Total Expenditures and Transfers Out	<u>9,323,927</u>	<u>18,353,333</u>	<u>8,920,674</u>	<u>9,432,659</u>
Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to required supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and
Actual – Transportation Fund for Clean Air Program
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		Final to Actual
Revenues and Transfers In				
Investment income	\$ 1,363	\$ 1,500	\$ 1,969	\$ 469
Program revenues				
Regional and other	759,899	759,899	747,780	(12,119)
Total Revenues and Transfers In	761,262	761,399	749,749	(11,650)
Expenditures and Transfers Out				
Administrative operating costs	47,494	47,494	47,499	(5)
Transportation improvement	877,154	647,906	160,691	487,215
Total Expenditures and Transfers Out	924,648	695,400	208,190	487,210
Change in Fund Balance	(163,386)	65,999	541,559	475,560
Fund Balance - Beginning	548,615	548,615	548,615	-
Fund Balance - Ending	\$ 385,229	\$ 614,614	\$ 1,090,174	\$ 475,560

See notes to required supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and
Actual – Vehicle Registration Fee for Transportation Improvements Program Fund
For the Year Ended June 30, 2019

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Revenues and Transfers In				
Vehicle registration fee	\$ 4,930,000	\$ 4,930,000	\$ 4,945,470	\$ 15,470
Investment income	3,013	10,000	11,062	1,062
Total Revenues and Transfers In	<u>4,933,013</u>	<u>4,940,000</u>	<u>4,956,532</u>	<u>16,532</u>
Expenditures and Transfers Out				
Administrative operating costs	207,676	238,025	230,369	7,656
Transportation improvement	6,993,420	2,331,817	2,192,042	139,775
Total Expenditures and Transfers Out	<u>7,201,096</u>	<u>2,569,842</u>	<u>2,422,411</u>	<u>147,431</u>
Change in Fund Balance	(2,268,083)	2,370,158	2,534,121	163,963
Fund Balance - Beginning	12,086,456	12,086,456	12,086,456	-
Fund Balance - Ending	<u>\$ 9,818,373</u>	<u>\$ 14,456,614</u>	<u>\$ 14,620,577</u>	<u>\$ 163,963</u>

See notes to required supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and
Actual – Treasure Island Mobility Management Agency Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		Final to Actual
Revenues and Transfers In				
Program revenues				
Federal	\$ 1,297,860	\$ 46,264	\$ -	\$ (46,264)
Regional and other	1,862,700	2,165,341	857,460	(1,307,881)
Transfers in from other funds	340,090	-	436,818	436,818
Total Revenues and Transfers In	3,500,650	2,211,605	1,294,278	(917,327)
Expenditures and Transfers Out				
Administrative operating costs	923,529	760,733	558,742	201,991
Transportation improvement	2,577,121	1,450,872	735,536	715,336
Total Expenditures and Transfers Out	3,500,650	2,211,605	1,294,278	917,327
Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

See notes to required supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Schedule of Changes in the Net Other Postemployment Benefits Liability and Related Ratios Last Ten Years*

	2019	2018
Changes in total OPEB liability		
Service cost	\$ 122,500	\$ 122,500
Interest	129,500	116,600
Benefit payments, including refunds of employee contributions	(58,400)	(64,300)
Changes of benefit terms	(5,400)	-
Net changes	188,200	174,800
Total OPEB liability, beginning	1,747,800	1,573,000
Total OPEB liability, ending	1,936,000	1,747,800
Changes in plan fiduciary net position		
Employer contributions	143,348	165,487
Benefit payments, including refunds of employee contributions	(58,400)	(64,300)
Administrative expenses	(782)	(652)
Expected investment return	112,475	95,999
Investment experience (loss)/gain	7,159	37,966
Net changes	203,800	234,500
Plan fiduciary net position, beginning	1,502,900	1,268,400
Plan fiduciary net position, ending	1,706,700	1,502,900
Net OPEB liability	\$ 229,300	\$ 244,900
Plan fiduciary net position as a percentage of the total OPEB liability	88.16%	85.99%
Covered payroll	4,045,342	3,945,800
Net OPEB Liability as a percentage of covered payroll	5.67%	6.21%
Measurement Date	June 30, 2018	June 30, 2017

* Ten year historical information is available only for measurement periods for which the OPEB standards were applicable.

See notes to required supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of Other Postemployment Benefits Contributions
Last Ten Years*

	2019	2018	2017
Actuarially Determined Contribution (ADC)	\$ 143,300	\$ 143,300	\$ 165,487
Contributions in relation to the actuarially determined contribution	(143,348)	(143,300)	(165,487)
Contribution deficiency/(excess)	\$ (48)	\$ -	\$ -
Covered payroll	4,038,800	4,045,342	3,945,800
Contributions as a percentage of covered payroll	3.5%	3.5%	4.2%

* Ten year historical information is available only for measurement periods for which the OPEB standards were applicable.

See notes to required supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of the Proportionate Share of the Net
Pension Liability
Last Ten Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Proportion of the net pension liability	0.04834%	0.01877%	0.02040%	0.02160%	0.02147%
Proportionate share of the net pension liability	\$ 1,299,087	\$ 1,288,393	\$ 1,765,415	\$ 2,141,912	\$ 2,068,676
Covered payroll	\$ 3,263,808	\$ 3,684,025	\$ 3,643,778	\$ 4,202,141	\$ 4,038,787
Proportionate share of the net pension liability as a percentage of covered payroll	39.80%	34.97%	48.45%	50.97%	51.22%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	79.82%	78.40%	74.06%	73.31%	75.26%
Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018

*Ten year historical information is available only for measurement periods for which the pension standards were applicable.

See notes to required supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of Pension Contributions
Last Ten Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution (ADC)	\$ 365,402	\$ 399,937	\$ 280,199	\$ 293,492	\$ 403,317	\$ 478,668
Contributions in relation to the actuarially determined contribution	(365,402)	(399,937)	(280,199)	(293,492)	(403,317)	(478,668)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,263,808	\$ 3,684,025	\$ 3,643,778	\$ 4,202,141	\$ 4,038,787	\$ 4,395,775
Contributions as a percentage of covered payroll	11.20%	10.86%	7.69%	6.98%	9.99%	10.89%

* Ten year historical information is available only for measurement periods for which the pension standards were applicable.

See notes to required supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Required Supplementary Information

For the Year Ended June 30, 2019

NOTE 1 – BUDGETS AND BUDGETARY DATA

Comparisons with financial results for the current fiscal period for all the funds are presented as required supplementary information and include, in addition to actual expenditures, amounts that have been appropriated for projects and programs. Unexpended capital budget appropriations are carried forward to subsequent years. The budget represents a process through which policy decisions are made, implemented and controlled. Appropriations may be adjusted during the year with the approval of the Transportation Authority. Accordingly, the legal level of budgetary control by the Transportation Authority is the program (fund) level. Budgets are adopted on a basis consistent with generally accepted accounting principles.

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SUPPLEMENTARY INFORMATION

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Owner-Controlled Insurance Program Fiduciary Fund –
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
ASSETS				
Deposits with escrow agent	\$ 356,148	\$ -	\$ 280,795	\$ 75,353
LIABILITIES				
Due to City and County of San Francisco	\$ 356,148	\$ -	\$ 280,795	\$ 75,353

See notes to supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

<u>Program Description</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures July 1, 2018 through June 30, 2019</u>	<u>Amount Provided to Subrecipients</u>
U.S. Department of Transportation				
Federal Highway Administration:				
Highway Research and Development Program				
<i>Passed through - San Francisco Municipal Transportation Agency</i>				
Advanced Transportation Congestion and Mitigation Technologies Deployment Initiatives on Treasure Island	20.200	693JJ31850002	\$ 11,434	\$ -
<i>Passed through - Metropolitan Transportation Commission</i>				
Strategic Highway Research Plan	20.200	SHRP2L-6084(192)	24,850	-
Total Highway Research and Development Program			<u>36,284</u>	<u>-</u>
Highway Planning and Construction Cluster				
<i>Passed through - Metropolitan Transportation Commission</i>				
Surface Transportation Program:				
Transportation Planning and Programming	20.205	STPL-6084(206)	2,339,352	38,886
<i>Passed through - State of California Department of Transportation</i>				
Yerba Buena Island - Reconstruct Existing				
Westbound On and Off Ramps on East Side of				
Yerba Buena Island	20.205	BRLS-6272(023)	805,874	-
Yerba Buena Island Viaduct Structure #2	20.205	STPLZ-6272(026)	352,274	-
Yerba Buena Island Viaduct Structure #7B	20.205	STPLZ-6272(031)	25	-
Yerba Buena Island Westside Bridges	20.205	STPLZ-6272(046)	1,868,812	-
Total Highway Planning and Construction Cluster			<u>5,366,337</u>	<u>38,886</u>
Total Federal Highway Administration			<u>5,402,621</u>	<u>38,886</u>
Federal Transit Administration:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research				
<i>Passed through - State of California Department of Transportation</i>				
South of Market Freeway Ramp Intersection				
Safety Improvement Study	20.505	74A0921	116,600	-
Total Federal Transit Administration			<u>116,600</u>	<u>-</u>
Total U.S. Department of Transportation			<u>5,519,221</u>	<u>38,886</u>
Total Expenditures of Federal Awards			<u>\$ 5,519,221</u>	<u>\$ 38,886</u>

See notes to supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and
Actual – Agency-wide
For the Year Ended June 30, 2019

	Agency-wide			Positive (Negative) Variance Final to Actual
	Budget Amounts		Actual	
	Original	Final		
Revenues and Transfers In				
Sales tax	\$ 106,461,636	\$ 109,655,485	\$ 115,670,918	\$ 6,015,433
Vehicle registration fee	4,930,000	4,930,000	4,945,470	15,470
Investment income	545,278	2,521,500	2,844,187	322,687
Program revenues				
Federal	6,276,008	11,587,700	5,076,521	(6,511,179)
State	-	499,455	754,186	254,731
Regional and other	4,959,447	6,619,103	3,216,636	(3,402,467)
Other revenues	44,720	51,635	53,328	1,693
Transfers in from other funds	2,349,021	2,621,988	1,918,798	(703,190)
Total Revenues and Transfers In	<u>125,566,110</u>	<u>138,486,866</u>	<u>134,480,044</u>	<u>(4,006,822)</u>
Expenditures and Transfers Out				
Administrative operating costs	10,750,500	10,750,500	8,851,165	1,899,335
Transportation improvement	218,896,594	172,416,314	127,884,701	44,531,613
Debt service				
Principal	25,000,000	24,663,184	24,664,165	(981)
Interest and fiscal charges	8,412,250	8,959,444	8,902,097	57,347
Transfers out to other funds	2,349,021	2,621,988	1,918,798	703,190
Total Expenditures and Transfers Out	<u>265,408,365</u>	<u>219,411,430</u>	<u>172,220,926</u>	<u>47,190,504</u>
Other Financing Sources (Uses)				
Proceeds from debt	121,000,000	-	-	-
Change in Fund Balance	(18,842,255)	(80,924,564)	(37,740,882)	43,183,682
Fund Balance - Beginning	152,370,912	152,370,912	152,370,912	-
Fund Balance - Ending	<u>\$ 133,528,657</u>	<u>\$ 71,446,348</u>	<u>\$ 114,630,030</u>	<u>\$ 43,183,682</u>

See notes to supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Supplementary Information

For the Year Ended June 30, 2019

NOTE 1 – AGENCY FUND – OWNER-CONTROLLED INSURANCE PROGRAM FIDUCIARY FUND

Agency funds are used to account for short-term custodial collections on resources on behalf of another individual, entity, or government. The Owner-Controlled Insurance Program Fiduciary Fund issued to account for accounts for assets held as an agent for the San Francisco Municipal Railway's (MUNI) Owner-Controlled Insurance Program (OCIP) for the Third Street Light Rail Project.

NOTE 2 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Transportation Authority, a component unit of the City and County of San Francisco California, under programs of the federal government for the year ended June 30, 2019. Funds received under the various grant programs have been recorded in the CMA programs and TIMMA special revenues funds of the Transportation Authority. The Transportation Authority utilizes the modified accrual basis of accounting for governmental funds. The Schedule has been prepared accordingly. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Transportation Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Transportation Authority. The Transportation Authority has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - AGENCY-WIDE

Comparisons with financial results for the current fiscal period for agency-wide funds are presented as supplementary information and include, in addition to actual expenditures, amounts that have been appropriated for projects and programs. Unexpended capital budget appropriations are carried forward to subsequent years. The budget represents a process through which policy decisions are made, implemented and controlled. Budgets are adopted on a basis consistent with generally accepted accounting principles.

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Statistical Section

STATISTICAL SECTION

This part of the Transportation Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the Transportation Authority's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Transportation Authority's most significant local revenue source, the sales tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Transportation Authority's current level of outstanding debt and the Transportation Authority's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules present information to help the reader understand the environment within which the Transportation Authority's financial activities take place.

Operating Information

These schedules contain service data to help the reader understand how the information in the government's financial report relates to the services the Transportation Authority provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules was derived from the Transportation Authority's relevant Basic Financial Statements.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Financial Trends – Net Position by Component
Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental Activities:										
Investment in capital assets	\$ 1,449,408	\$ 1,713,049	\$ 1,923,785	\$ 2,224,413	\$ 2,518,580	\$ 2,804,523	\$ 3,007,890	\$ 3,149,433	\$ 395,515	\$ 623,499
Restricted										
Debt service	4,431,964	12,645,404	-	-	-	342,674	300,214	311,431	309,352	313,059
Capital projects	21,553,559	17,499,296	16,189,389	15,656,533	13,486,451	12,153,268	10,623,833	6,393,430	1,076,453	1,652,482
Unrestricted deficit	(180,165,759)	(173,430,826)	(120,140,255)	(80,561,178)	(37,049,305)	(51,234,240)	(75,081,998)	(53,659,568)	(15,011,862)	(41,801,210)
Total Governmental										
Activities Net Position (Deficit)	<u>\$ (152,730,828)</u>	<u>\$ (141,573,077)</u>	<u>\$ (102,027,081)</u>	<u>\$ (62,680,232)</u>	<u>\$ (21,044,274)</u>	<u>\$ (35,933,775)</u>	<u>\$ (61,150,061)</u>	<u>\$ (43,805,274)</u>	<u>\$ (13,230,542)</u>	<u>\$ (39,212,170)</u>

Source: Finance and Administration Division.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Financial Trends – Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
EXPENSES										
Governmental activities:										
Transportation improvement	\$ 137,196,233	\$ 148,566,289	\$ 160,954,620	\$ 246,207,732	\$ 130,290,251	\$ 90,771,643	\$ 119,740,927	\$ 158,484,831	\$ 125,790,164	\$ 128,498,012
Interest	7,686,374	7,933,535	1,098,535	794,172	1,468,189	1,354,423	1,483,229	2,685,265	2,626,206	1,271,876
Total Expenses	144,882,607	156,499,824	162,053,155	247,001,904	131,758,440	92,126,066	121,224,156	161,170,096	128,416,370	129,769,888
REVENUES										
Program revenues:										
Operating grants and contributions	10,020,517	9,330,091	15,255,413	97,263,152	42,080,284	17,587,975	12,703,163	42,020,095	50,558,540	30,115,787
Total Revenues	10,020,517	9,330,091	15,255,413	97,263,152	42,080,284	17,587,975	12,703,163	42,020,095	50,558,540	30,115,787
Net (Expense) / Revenue	(134,862,090)	(147,169,733)	(146,797,742)	(149,738,752)	(89,678,156)	(74,538,091)	(108,520,993)	(119,150,001)	(77,857,830)	(99,654,101)
GENERAL REVENUES										
Governmental activities:										
Sales tax	115,670,918	100,969,925	101,922,012	102,136,600	100,278,511	93,930,566	85,753,558	81,164,517	75,172,298	68,164,315
Vehicle Registration	4,945,470	4,907,713	4,550,482	5,362,050	4,862,063	4,881,668	4,724,408	4,861,548	691,753	-
Investment income	2,844,187	1,703,664	773,032	383,456	462,845	637,677	20,730	1,823,823	1,358,730	2,395,155
Other	243,764	181,548	205,367	220,688	315,222	304,466	677,510	725,381	26,616,677	500
Total General Revenues	123,704,339	107,762,850	107,450,893	108,102,794	105,918,641	99,754,377	91,176,206	88,575,269	103,839,458	70,559,970
Governmental Activities Change in Net Position (Deficit)	\$ (11,157,751)	\$ (39,406,883)	\$ (39,346,849)	\$ (41,635,958)	\$ 16,240,485	\$ 25,216,286	\$ (17,344,787)	\$ (30,574,732)	\$ 25,981,628	\$ (29,094,131)

Source: Finance and Administration Division.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Financial Trends – Fund Balances – Governmental Funds
Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011*	2010
Sales Tax Program										
Nonspendable	\$ 139,716	\$ 81,580	\$ 81,580	\$ 81,580	\$ 136,760	\$ 249,102	\$ 81,580	\$ 912,451	\$ -	\$ -
Restricted	7,937,068	16,150,508	-	32,929,667	99,455,392	342,674	300,214	311,431	309,352	-
Reserved	-	-	-	-	-	-	-	-	-	12,997,521
Unassigned	90,842,495	123,503,753	18,923,409	-	-	(56,765,333)	(78,892,781)	(84,181,113)	(35,505,050)	-
Unreserved	-	-	-	-	-	-	-	-	-	(83,020,361)
Total Sales Tax Program	98,919,279	139,735,841	19,004,989	33,011,247	99,592,152	(56,173,557)	(78,510,987)	(82,957,231)	(35,195,698)	(70,022,840)
All Other Governmental Funds										
Restricted	15,710,751	12,635,071	9,526,011	7,371,688	8,418,895	11,782,031	10,623,833	6,393,430	1,076,453	-
Reserved	-	-	-	-	-	-	-	-	-	6,431,281
Unassigned	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	(4,778,799)
Total All Other Governmental Funds	\$ 15,710,751	\$ 12,635,071	\$ 9,526,011	\$ 7,371,688	\$ 8,418,895	\$ 11,782,031	\$ 10,623,833	\$ 6,393,430	\$ 1,076,453	\$ 1,652,482

* In fiscal year 2011, the Transportation Authority adopted the provisions of GASB Statement No. 54 which required a change to the presentation of fund balances.

Source: Finance and Administration Division.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Financial Trends – Changes in Fund Balances – Governmental Funds
Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
REVENUES										
Sales tax	\$ 115,670,918	\$ 103,263,191	\$ 102,237,230	\$ 99,528,116	\$ 100,278,511	\$ 93,930,566	\$ 85,753,558	\$ 81,164,517	\$ 75,172,298	\$ 68,164,315
Vehicle registration fee	4,945,470	4,907,713	4,550,482	5,362,050	4,862,063	4,881,668	4,724,408	4,861,548	691,753	-
Investment income	2,844,187	1,703,664	773,032	383,456	462,845	637,677	20,730	1,823,823	1,028,840	2,065,265
Program revenues	9,047,343	12,466,490	17,402,180	94,091,288	43,576,403	15,469,707	36,535,228	30,020,895	58,839,489	14,162,505
Project funds and other revenues	53,328	45,919	69,738	85,059	179,593	168,837	541,881	725,381	26,616,677	500
Leasehold incentives	-	-	-	-	-	-	1,763,180	-	-	-
Total Revenues	132,561,246	122,386,977	125,032,662	199,449,969	149,359,415	115,088,455	129,338,985	118,596,164	162,349,057	84,392,585
EXPENDITURES										
Current - transportation improvement										
Personnel expenditures	6,247,903	5,917,828	5,483,832	5,321,186	5,687,882	5,211,708	5,106,574	4,920,019	4,566,167	4,299,005
Non-personnel expenditures	2,603,262	2,626,464	2,384,250	2,175,819	2,308,971	1,984,933	1,838,738	1,647,628	2,109,618	1,723,030
Capital project costs	127,851,363	139,400,940	152,869,532	238,735,052	122,103,000	82,846,542	112,066,150	148,669,765	118,795,953	122,132,594
Capital outlay	33,338	90,684	48,448	51,852	52,965	195,221	167,647	3,118,043	-	-
Debt service										
Principal	24,664,165	115,000,000	21,000,000	20,000,000	-	-	-	-	-	-
Interest and fiscal charges	8,902,097	5,644,154	1,098,535	794,172	1,468,189	1,354,423	1,483,229	2,685,265	2,626,206	1,271,876
Total Expenditures	170,302,128	268,680,070	182,884,597	267,078,081	131,621,007	91,592,827	120,662,338	161,040,720	128,097,944	129,426,505
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(37,740,882)	(146,293,093)	(57,851,935)	(67,628,112)	17,738,408	23,495,628	8,676,647	(42,444,556)	34,251,113	(45,033,920)
OTHER FINANCING SOURCES (USES)										
Transfers in	1,918,798	1,236,864	804,813	5,494,966	1,299,593	8,849,095	2,741,417	3,094,318	2,071,598	1,880,959
Transfers out	(1,918,798)	(1,236,864)	(804,813)	(5,494,966)	(1,299,593)	(8,849,095)	(2,741,417)	(3,094,318)	(2,071,598)	(1,880,959)
Proceeds from long term obligations	-	270,133,005	46,000,000	-	134,664,165	-	-	-	-	-
Total Other Financing Sources (Uses)	-	270,133,005	46,000,000	-	134,664,165	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(37,740,882)	123,839,912	(11,851,935)	(67,628,112)	152,402,573	23,495,628	8,676,647	(42,444,556)	34,251,113	(45,033,920)
Fund Balances - Beginning	152,370,912	28,531,000	40,382,935	108,011,047	(44,391,526)	(67,887,154)	(76,563,801)	(34,119,245)	(68,370,358)	(23,336,438)
Fund Balances - Ending	\$ 114,630,030	\$ 152,370,912	\$ 28,531,000	\$ 40,382,935	\$ 108,011,047	\$ (44,391,526)	\$ (67,887,154)	\$ (76,563,801)	\$ (34,119,245)	\$ (68,370,358)
Debt Service as a Percentage of Noncapital Expenditures	19.71%	44.92%	12.09%	7.79%	1.12%	1.48%	1.23%	1.70%	2.05%	0.98%

Source: Finance and Administration Division.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Revenue Capacity – Sales Tax Rates

Last Ten Fiscal Years

Fiscal Year Ended June 30:	Sales Tax Rate	Sales Tax Revenue (in thousands)	Annual Growth	Total Taxable Sales in San Francisco County (in thousands)
2019	0.5%	\$ 115,671	14.56%	* \$ 23,134,200
2018	0.5%	100,970	-0.93%	19,824,321
2017	0.5%	101,922	-0.21%	19,334,503
2016	0.5%	102,137	1.85%	19,378,945
2015	0.5%	100,279	6.76%	18,661,884
2014	0.5%	93,931	9.54%	17,878,929
2013	0.5%	85,754	5.65%	16,400,034
2012	0.5%	81,165	7.97%	15,542,183
2011	0.5%	75,172	10.28%	14,123,269
2010	0.5%	68,164	-4.17%	12,855,593

* Amount was estimated based on the sales tax collected.

Source: California Department of Tax and Fee Administration, formerly known as the California Board of Equalization. Taxable Sles - Large Cities for FY2009 to FY2015. Taxable Sales - Counties by Type of Business (Taxable Table 3) for FY2015 to FY2018.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Revenue Capacity – Principal Sales Tax Payers By Segment For The County
Year One and Ten

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009*
Building Material & Garden Equipment & Supplies Dealer	\$ 660,316	\$ 586,018	\$ 590,523	\$ 567,502	\$ 514,998	\$ 498,134	\$ 438,152	\$ 383,916	\$ 333,772	\$ 158,430
Clothing and Clothing Accessories Stores	2,081,039	2,099,019	2,129,867	2,200,024	2,096,465	1,979,096	1,791,408	1,579,271	1,455,969	626,857
Food and Beverage Stores	862,682	851,556	845,680	805,017	758,809	718,909	677,070	628,015	604,678	287,770
Food Services and Drinking Places	4,806,903	4,680,694	4,573,912	4,293,647	3,937,397	3,579,986	3,291,907	2,958,953	2,697,645	1,265,084
Gasoline Stations	548,415	445,369	442,063	520,987	652,121	662,270	640,620	586,364	488,951	209,823
General Merchandise Stores	812,795	822,175	857,385	864,504	891,592	852,932	777,872	734,974	670,231	290,556
Home Furnishings Stores and Appliance Stores	970,745	917,409	989,560	982,826	929,378	847,462	775,343	699,344	656,548	325,741
Motor Vehicle and Parts Dealers	613,264	613,651	552,476	575,056	581,188	524,700	469,375	438,541	406,391	171,922
Other Retail Group	2,469,161	2,292,527	2,171,479	2,131,146	1,927,610	1,710,783	1,513,423	1,419,865	1,365,257	649,124
Total Retail and Food Services	13,825,320	13,308,418	13,152,945	12,940,709	12,289,558	11,374,272	10,375,170	9,429,243	8,679,442	3,985,307
All Other Outlets	5,999,001	6,026,085	6,226,000	5,721,175	5,589,371	5,025,762	5,167,013	4,694,026	4,176,151	1,998,715
Total All Outlets	\$ 19,824,321	\$ 19,334,503	\$ 19,378,945	\$ 18,661,884	\$ 17,878,929	\$ 16,400,034	\$ 15,542,183	\$ 14,123,269	\$ 12,855,593	\$ 5,984,022

* 2009 data only included Jan to Jun 2009

Source: California Department of Tax and Fee Administration, formerly known as the California Board of Equalization. Taxable Sales - Large Cities for FY2009 to FY2015.

Taxable Sales - Counties by Type of Business (Taxable Table 3) for FY2015 to FY2018.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Debt Capacity – Ratios of Outstanding Debt

Last Ten Fiscal Years

Fiscal Year Ended June 30:	Revolving Credit Agreement	Commercial Paper	Sales Tax Revenue Bonds	Debt Per- Capita *	Total Debt as a % of Personal Income
2019	\$ -	\$ -	\$ 267,701,559	\$ 300	0.26%
2018	24,664,165	-	268,917,282	332	0.29%
2017	139,664,165	-	-	159	0.15%
2016	114,664,165	-	-	133	0.13%
2015	134,664,165	-	-	158	0.17%
2014	-	135,000,000	-	160	0.19%
2013	-	150,006,000	-	182	0.21%
2012	-	150,000,000	-	185	0.24%
2011	-	150,000,000	-	186	0.26%
2010	-	150,000,000	-	184	0.27%

* Debt per capita and personal income amounts calculated using prior fiscal year population.

Source: Finance and Administration Division.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Debt Capacity – Legal Debt Margin Information

Last Ten Fiscal Years

The Transportation Authority does not have a legal debt limit.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30:	Available Revenue		Annual Debt Service			Coverage
	Sales Tax Revenue (in thousands)		Principal*	Interest**	Total	
2019	\$	115,671	\$ -	\$ 8,864,534	\$ 8,864,534	13.0
2018		100,970	-	3,464,487	3,464,487	29.1
2017		101,922	-	1,098,535	1,098,535	92.8
2016		102,137	-	794,172	794,172	128.6
2015		100,279	-	1,468,189	1,468,189	68.3
2014		93,931	-	1,354,423	1,354,423	69.4
2013		85,754	-	1,483,229	1,483,229	57.8
2012		81,165	-	2,685,265	2,685,265	30.2
2011		75,172	-	2,626,206	2,626,206	28.6
2010		68,164	-	1,271,876	1,271,876	53.6

* Excluded from this schedule are the Transportation Authority's payment of outstanding principal under the Revolving Credit Agreement in the amounts of \$24,664,165, \$115,000,000, \$21,000,000 and \$20,000,000 for fiscal year 2019, 2018, 2017, and 2016 respectively.

** Includes interest paid under the Transportation Authority's Revolving Credit Agreement and on the outstanding Senior Sales Tax Revenue Bonds.

Source: Finance and Administration Division.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Demographic and Economic Information – Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30:	Population	Total Personal Income (in thousands)	Per Capita Personal Income	Average Unemployment Rate
2018	892,701	\$ 102,952,634	\$ 115,327	2.6%
2017	884,363	100,123,866	113,216	3.1%
2016	876,103	96,161,308	109,760	3.4%
2015	862,004	89,533,450	103,867	4.0%
2014	852,469	77,233,279	90,600	5.2%
2013	841,138	72,858,445	86,619	6.5%
2012	825,863	70,573,974	85,455	8.1%
2011	812,826	63,102,121	77,633	9.2%
2010	805,235	57,619,120	71,556	9.7%
2009	815,358	55,559,545	68,141	7.4%

Source: City and County of San Francisco Comprehensive Annual Financial Report for the year ended June 30, 2018; Statistical Section - Demographic and Economic Statistics.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Demographic and Economic Information – Principal Employers
One and Ten Years Ago

Employer	2017*		
	Rank	Number of Employees	Percentage of Total City Employment
City and County of San Francisco	1	31,038	5.59%
University of California, San Francisco	2	25,522	4.60%
San Francisco Unified School District	3	10,000	1.80%
Wells Fargo & Co.	4	7,838	1.41%
Salesforce	5	7,000	1.26%
Sutter Health	6	6,447	1.16%
Uber Technologies Inc.	7	5,000	0.90%
Kaiser Permanente	8	4,517	0.81%
Gap, Inc.	9	4,050	0.73%
PG&E Corporation	10	3,800	0.68%
Total		<u>105,212</u>	

Employer	2008		
	Rank	Number of Employees	Percentage of Total City Employment
City and County of San Francisco	1	26,656	6.28%
University of California, San Francisco	2	18,200	4.29%
Wells Fargo & Co.	3	8,718	2.05%
California Pacific Medical Center	4	6,600	1.56%
State of California	5	6,021	1.42%
Charles Schwab & Co. Inc.	6	4,600	1.08%
United States Postal Service	7	4,571	1.08%
PG&E Corporation	8	4,350	1.03%
Gap, Inc.	9	4,172	0.98%
San Francisco State University	10	3,831	0.90%
Total		<u>87,719</u>	

* Most recent information available.

Source: City and County of San Francisco Comprehensive Annual Financial Report for the year ended June 30, 2018. 2009 and 2018 information not available.

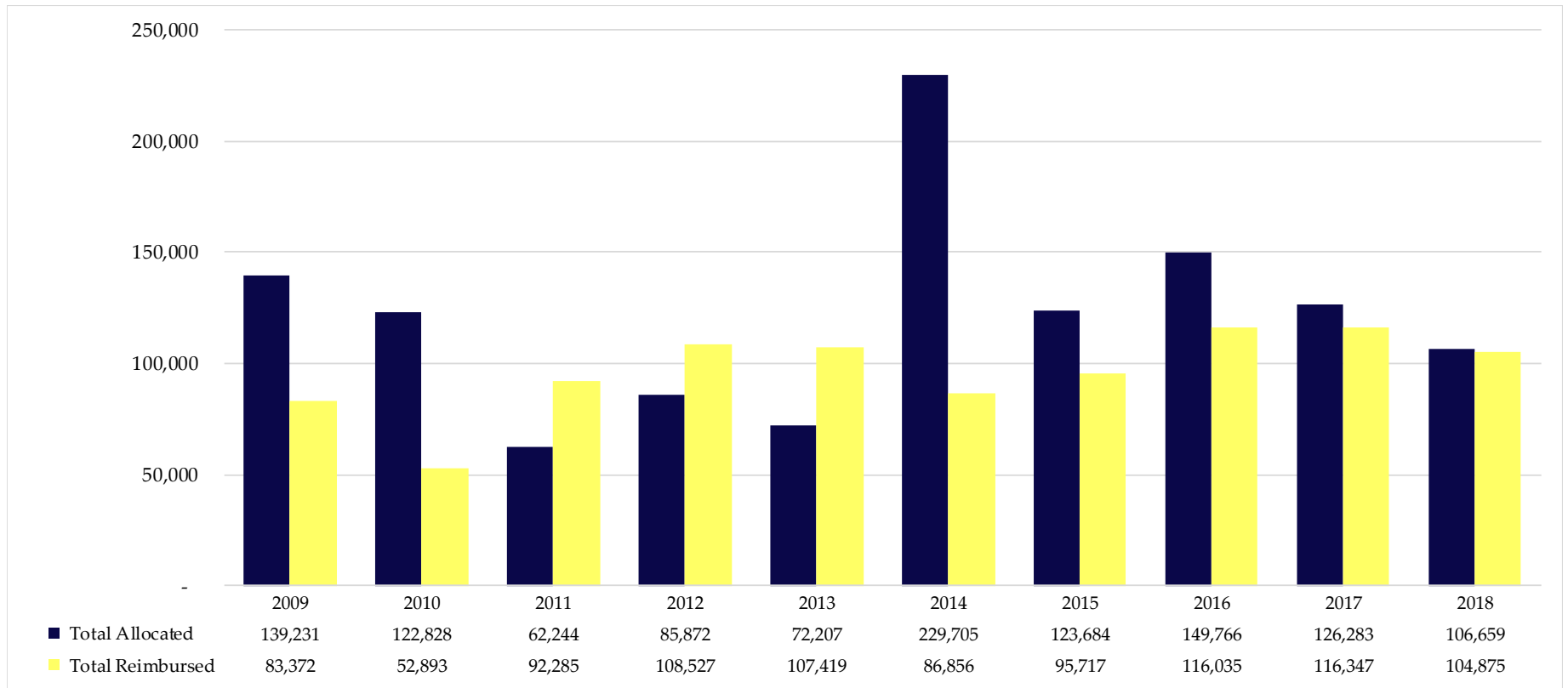
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Operating Information – Full-Time Equivalent Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Capital Projects	3.00	3.00	4.00	4.00	4.00	4.00	3.00	4.00	4.00	2.00
Executive	7.00	7.00	6.00	6.00	6.00	5.00	3.00	3.00	3.00	3.00
Finance and Administration	9.00	9.00	8.00	6.00	8.00	5.00	6.00	6.00	6.00	5.00
Planning	7.00	8.00	8.00	7.00	9.00	8.00	7.00	9.00	8.00	9.00
Policy and Programming	7.00	8.00	8.00	7.00	6.00	8.00	9.00	9.00	10.00	8.00
Technology, Data and Analysis	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00
Total Employees	37.00	39.00	38.00	34.00	37.00	33.00	31.00	34.00	34.00	30.00

Source: Finance and Administration Division.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Operating Information – Operating Indicators by Function – Project Fund Allocations and Reimbursements Last Ten Fiscal Years (in thousands)



Source: San Francisco County Transportation Authority's Annual Report from 2009 to 2018. Calendar year basis for data presented.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Operating Information – Capital Asset Statistics
Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Capital assets										
Leasehold improvements	\$ 3,023,624	\$ 3,023,624	\$ 3,023,624	\$ 3,023,624	\$ 3,023,624	\$ 3,023,624	\$ 2,992,404	\$ 2,933,570	\$ 1,230,985	\$ 1,230,985
Furniture and equipment	850,135	856,146	890,753	890,753	961,989	909,024	770,577	703,027	518,554	510,479
Total capital assets	<u>3,873,759</u>	<u>3,879,770</u>	<u>3,914,377</u>	<u>3,914,377</u>	<u>3,985,613</u>	<u>3,932,648</u>	<u>3,762,981</u>	<u>3,636,597</u>	<u>1,749,539</u>	<u>1,741,464</u>
Less accumulated depreciation										
Leasehold improvements	1,626,225	1,393,325	1,160,425	927,525	694,626	461,727	230,185	-	904,952	729,097
Furniture and equipment	798,126	773,396	825,211	762,439	772,407	666,398	524,906	487,164	449,072	388,868
Total accumulated depreciation	<u>2,424,351</u>	<u>2,166,721</u>	<u>1,985,636</u>	<u>1,689,964</u>	<u>1,467,033</u>	<u>1,128,125</u>	<u>755,091</u>	<u>487,164</u>	<u>1,354,024</u>	<u>1,117,965</u>
Total capital assets, net	<u>\$ 1,449,408</u>	<u>\$ 1,713,049</u>	<u>\$ 1,928,741</u>	<u>\$ 2,224,413</u>	<u>\$ 2,518,580</u>	<u>\$ 2,804,523</u>	<u>\$ 3,007,890</u>	<u>\$ 3,149,433</u>	<u>\$ 395,515</u>	<u>\$ 623,499</u>

Source: Finance and Administration Division.



Compliance Section

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
San Francisco County Transportation Authority
San Francisco, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the San Francisco County Transportation Authority (Transportation Authority), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Transportation Authority's basic financial statements, and have issued our report thereon dated December 3, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Transportation Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transportation Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transportation Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transportation Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transportation Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Palo Alto, California
December 3, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Commissioners
San Francisco County Transportation Authority
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited the San Francisco County Transportation Authority's (Transportation Authority), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Transportation Authority's major federal program for the year ended June 30, 2019. The Transportation Authority's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of Transportation Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Transportation Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Transportation Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Transportation Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Transportation Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Sallee LLP

Palo Alto, California

December 3, 2019

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

I. Summary of Auditor's Results For the Year Ended June 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

**II. Financial Statement Findings
For the Year Ended June 30, 2019**

None reported.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

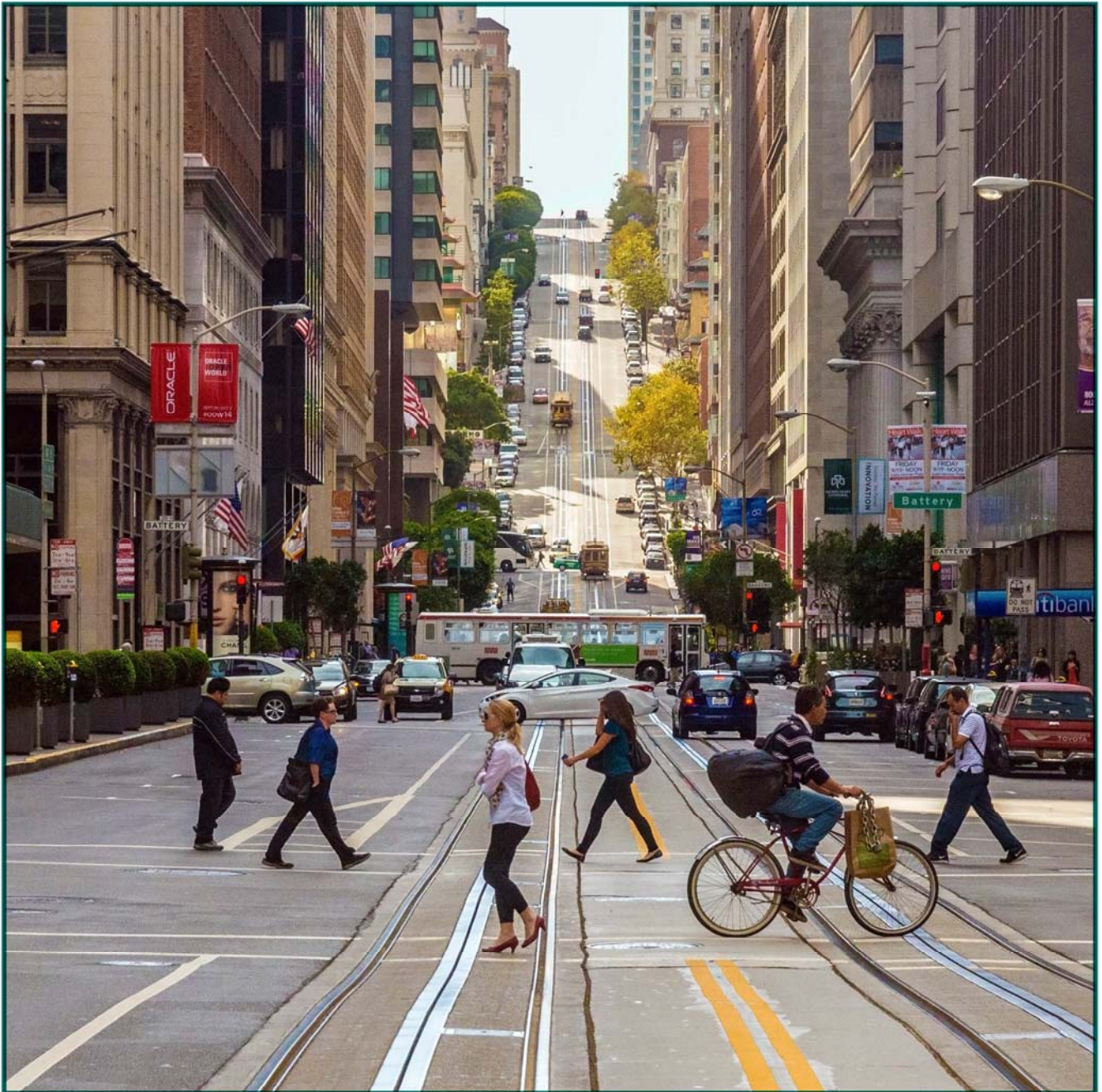
III. Federal Awards Findings and Questioned Costs

For the Year Ended June 30, 2019

None reported.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

None reported.



**San Francisco
County Transportation
Authority**

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