

Comprehensive Annual Financial Report

For the Fiscal Year
Ended June 30, 2020



**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, 2020

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 17, 2020

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 (FY) ended June 30, 2020. 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, 2020. 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 (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 (City). Originally created to administer the proceeds of the retail transactions and use tax also approved by Proposition B (Prop 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 (Prop 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 (0.5%) county-wide sales tax through March 31, 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. The Transportation Authority plans, funds, and delivers 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 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, as well as 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 (Air District's) Transportation Fund for Clean Air (TFCA) program 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 (Prop 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 Prop 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, and 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.

In November 2019, voters approved Proposition D (Prop D), the Traffic Congestion Mitigation Tax also known as the TNC Tax, and the Transportation Authority was designated to receive 50% of the TNC Tax revenues. This tax enables the City of San Francisco to impose a 1.5% business tax on shared rides and 3.25% business tax on private rides for fares originating in San Francisco and charged by commercial ride-share and driverless-vehicle companies until November 2045. After allowable City administrative costs, 50% of the tax would provide funding for the San Francisco Municipal Transportation Agency (SFMTA) for Muni transit service and affordability, system reliability and capacity, and keeping transit infrastructure in a state of good repair, for defined purposes. The remaining 50% would provide funding for the Transportation Authority for planning, design studies, and/or capital improvements that promote users' safety in the public right-of-way, for defined purposes.

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.

On January 30, the World Health Organization declared the outbreak of the COVID-19 to be a public health emergency of international concern, and on March 11, declared a worldwide pandemic of the COVID-19 disease. On February 25, San Francisco declared a state of emergency in response to the global spread of COVID-19, and on March 16, Mayor London Breed directed all residents to shelter in place. On March 4, Governor Gavin Newsom declared a state of emergency and signed Executive Order N-33-20 mandating all persons statewide to stay at home except as needed to maintain continuity of operations of the critical infrastructure sectors. In the response to these orders, the Transportation Authority office switched from physical to virtual operations since the City's shelter-in-place order began. These COVID-19 related events have significantly affected San Francisco's economy and agency revenues as discussed below.

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 one percent or one 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 Prop B, which authorized the formation of the Transportation Authority and imposed the Original Sales Tax, for a minimum period of 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 on the measure (known as “Proposition K” or “Prop K”) providing for the imposition of a retail transactions and use tax of one-half of one percent (0.5%) and the funding of the Transportation Authority’s Expenditure Plan. The Sales Tax has continued to be imposed and collected without interruption during the implementation of the Expenditure Plan for an initial period of 30 years, which began on April 1, 2004 and continuing through March 31, 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.

PROP K SALES TAX REVENUES (in millions)



**Principal Sales Tax Payers by Segments
Last Ten Fiscal Years (in thousands)**

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Building Material, Garden Equipment & Supplies Dealer	\$ 688,526	\$ 660,316	\$ 586,018	\$ 590,523	\$ 567,502	\$ 514,998	\$ 498,134	\$ 438,152	\$ 383,916	\$ 333,772
Clothing and Clothing Accessories Stores	2,004,367	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
Food and Beverage Stores	859,081	862,682	851,556	845,680	805,017	758,809	718,909	677,070	628,015	604,678
Food Services and Drinking Places	4,958,157	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
Gasoline Stations	563,607	548,415	445,369	442,063	520,987	652,121	662,270	640,620	586,364	488,951
General Merchandise Stores	767,933	812,795	822,175	857,385	864,504	891,592	852,932	777,872	734,974	670,231
Home Furnishings Stores and Appliance Stores	1,058,102	970,745	917,409	989,560	982,826	929,378	847,462	775,343	699,344	656,548
Motor Vehicle and Parts Dealers	678,081	613,264	613,651	552,476	575,056	581,188	524,700	469,375	438,541	406,391
Other Retail Group	2,582,246	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
Total Retail and Food Services	14,160,100	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
All Other Outlets	6,602,407	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
Total All Outlets	\$20,762,507	\$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

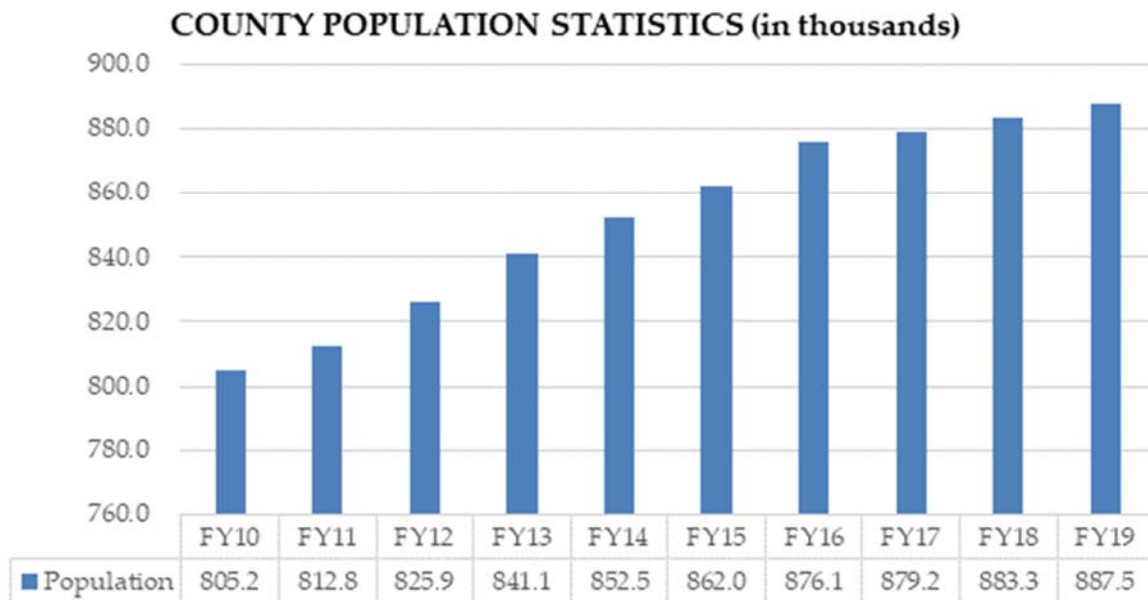
Source: California Department of Tax and Fee Administration.

In FY2019/20 Sales Tax revenue of \$99.3 million was 14.2% lower than FY2018/19, which was related to lower Sales Tax receipts in the fourth quarter as an effect of COVID-19 pandemic. The COVID-19 pandemic has created a serious public health crisis, and led to a 10% decline FY2019/20 in sales tax revenue as compared to the Transportation Authority’s original budget. The Transportation Authority experienced an expected economic impact which will likely be felt for a long time to come. The Transportation Authority will continue to closely monitor revenue streams and coordinate with the City and sister agencies to assess short, medium, and long-term financial impacts. Fortunately, the Transportation Authority entered this crisis in a strong financial position and remains well positioned to weather these challenging times.

Local Economy (revenue drivers)

San Francisco’s economy is driven by various types of industries including financial services, tourism, and high technology which affect sales tax revenues as well as population, personal income, and unemployment rate. San Francisco is a major employment center for the broader region offering high-paying jobs and rivaling neighboring Silicon Valley. Housing costs continued to rise and remained amongst the highest in the nation, pressuring many lower income families to move further out to other parts of the Bay Area or elsewhere. However, at the end of FY2019/20, all these factors were affected by COVID-19. See below for further discussions.

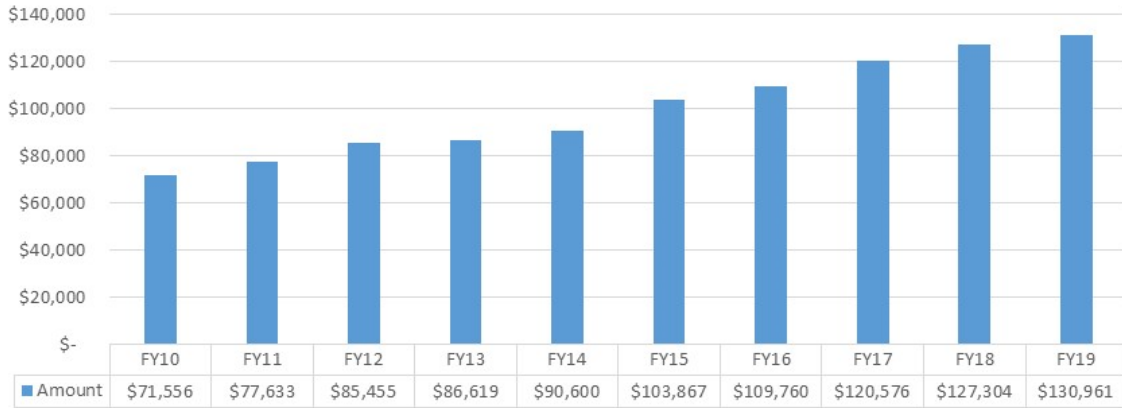
The estimated population of the City and County of San Francisco increased from 805,235 in FY2009/10 to 887,463 in FY2018/19 with an average annual growth rate of 1.09%.



Source: City and County of San Francisco Comprehensive Annual Financial Report for the year ended June 30, 2019; Statistical Section - Demographic and Economic Statistics table.

The estimated per capita personal income for the City and County of San Francisco continuously increased by \$59,405 from \$71,556 in FY2009/10 to \$130,961 in FY2018/19.

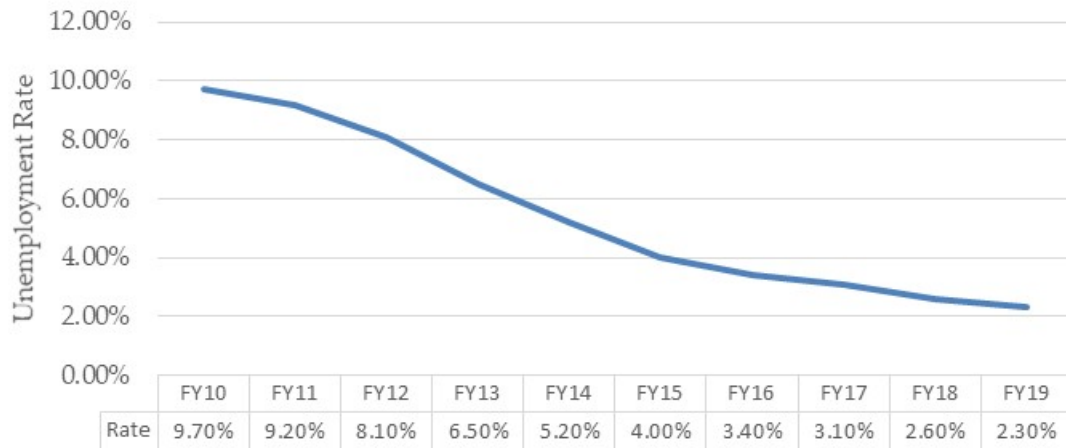
COUNTY PER CAPITA PERSONAL INCOME



Source: City and County of San Francisco Comprehensive Annual Financial Report for the year ended June 30, 2019; Statistical Section –Demographic and Economic Statistics table.

In addition, the unemployment rate fell from 9.7% in FY2009/10 to 2.3% in FY2018/19.

COUNTY AVERAGE ANNUAL UNEMPLOYMENT RATE



Source: City and County of San Francisco Comprehensive Annual Financial Report for the year ended June 30, 2019; 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. 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. However, the COVID-19 pandemic impacted these trends starting the third quarter of FY2019/20. According to the California Employment Development Department, the unemployment rate jumped from roughly 2% to 10.9% during the third fiscal quarter especially in the food/hospitality industries with job losses of 55.6 thousand, which is equivalent to 4.6% of jobs in San Francisco. Since San Francisco declared a state of emergency in response to the global spread of COVID-19, the sales tax revenue decreased significantly starting the third quarter of FY2019/20 by approximately 29% from average between July and December 2019. Looking ahead, the fundamentals in San Francisco’s economy are expected to support COVID-19 recovery, long term taxable sales, and subsequent sales tax revenues for the Transportation Authority for the foreseeable future.

Major Capital Project Expenditures

In FY2019/20, the Transportation Authority continued to allocate Prop K sales tax, Prop AA vehicle registration fees, TFCFA funds, and grants from federal, state, and regional sources 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. The Transportation Authority will administer 50% of the TNC Tax revenues and starting in FY2020/21, will allocate them for pedestrian and bicycle safety improvements.

In FY2019/20, SFMTA initiated the second phase of its procurement of the next generation of Muni light rail vehicles (LRVs). While the first phase expanded the existing fleet by adding 68 new LRVs, the second phase will replace all 151 of the older LRVs as they reach the end of their useful lives. A FY2019/20 allocation of \$60.7 million in Prop K funds brought the total Prop K contribution to this project to \$191.9 million. We also provided nearly \$21 million in Prop K funds for other vehicle projects including mid-life overhauls of Muni buses and state of good repair work on Caltrain passenger rail cars. These projects will improve reliability, reduce travel time, and improve the passenger experience. Another \$23 million in sales tax funds went to repair and upgrade transit stations, guideways (e.g., track, power), and facilities for SFMTA, BART, and Caltrain. These allocations funded projects such as conversion of the Caltrain corridor from diesel to electric traction power; a new elevator at Muni's Castro Street Station; reconstruction and upgrade of the trolleybus catenary system on the Islais Creek Bridge; and construction of a new platform elevator at the Embarcadero Station.

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; (2) a new Transportation Management Center; and (3) Integrated Systems Development project. The C3 Program provides a communications, monitoring, and control platform for subway and surface street operations, seamlessly migrating the previous SFMTA central control functions to the new Transportation Management Center. It also will enable the future Central Subway communications systems to plug in as a single integrated communication platform. Prop K has contributed over \$33 million to the C3 program, out of total costs of about \$78 million. The new Transportation Management Center was completed in 2019, and the Integrated Systems Development project is completing final punch list items.

The SFMTA's Central Subway Project will extend the Muni T-Third line north from Fourth and King streets to Chinatown. The route will move along Fourth Street, through a tunnel starting on Fourth and Bryant Streets, across Market Street, and under Stockton Street to the intersection of Stockton and Washington streets. With stops in, Yerba Buena/Moscone Center, Union Square, and Chinatown, the Central Subway will greatly improve transit access for the residents of one of the most densely populated neighborhoods in the country, provide a rapid transit link to a burgeoning technology and digital media hub South of Market, and improve access to a premier commercial district and tourist attraction in Chinatown. The Transportation Authority has provided nearly \$215 million in Prop K half-cent local transportation sales tax, State Transportation Improvement Program, and other funds to the project. Transportation Authority staff and project delivery oversight consultants continue to work closely with

the SFMTA as the project advances through the construction phase. The baseline budget for the project currently remains at \$1.6 billion, although the project team is re-evaluating the Cost-at-Completion. A joint venture of Barnard/Impregilo/Haley finished work on the \$233 million tunnels contract in 2015 on time and \$16 million under the baseline budget. Since then, the focus of construction has concentrated on the stations and systems contract, which has experienced delays. With 25.5 percent Small Business Enterprise participation, contractor Tutor Perini is building three underground stations, one surface station, and the systems needed to support the subway extension. As of June 30, 2020, this project was 92.3 percent complete. Revenue service is anticipated by Summer 2021.

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 Transportation Authority issued \$248.3 million Senior Sales Tax Revenue Bonds, Series 2017. The Series 2017 Bonds mature 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 2020, 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 guides 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 organizes and formalizes investment-related activities and sets out policies and procedures that enhance opportunities for prudent and systematic investment of Transportation Authority assets.

Debt Policy organizes and formalizes debt issuance-related policies and procedures for the Transportation Authority and establishes a systematic debt policy.

Awards and Acknowledgements

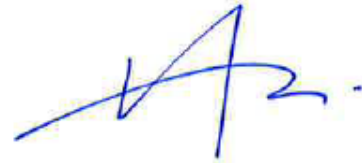
The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Transportation Authority for its CAFR for the fiscal year ended June 30, 2019. This will be the fourth year that the Transportation Authority will 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 again. 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, and Lina Plotnikoff, and Ronald Leong. 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, 2019

Christopher P. Morill

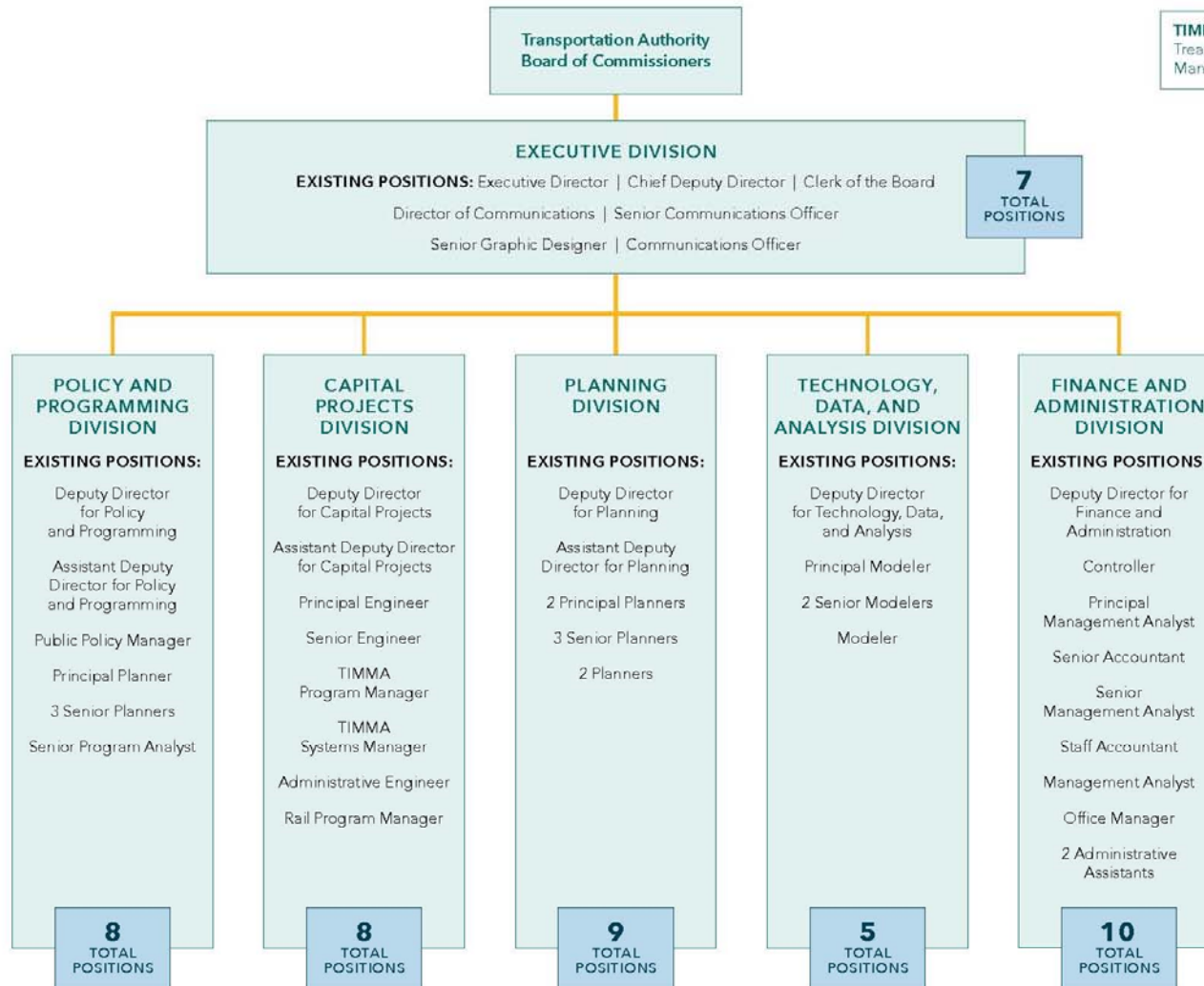
Executive Director/CEO

Agency Structure 47 STAFF POSITIONS



**San Francisco
County Transportation
Authority**

TIMMA:
Treasure Island Mobility
Management Agency



Commissioners and Officials

As of June 30, 2020

Commissioners:

Aaron Peskin – Board Chair

Rafael Mandelman – Vice Chair

Sandra Lee Fewer

Matt Haney

Gordon Mar

Dean Preston

Hillary Ronen

Ahsha Safaí

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

Hugh Louch – Planning

Eric Young – Communications



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, 2020, 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, 2020, 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) asset 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 17 and pages 63 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 17, 2020, 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.



San Mateo, California
December 17, 2020

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2020

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, 2020. 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 ended June 30, 2020, by \$139.4 million, up 8.8% from prior year.

Changes in Net Position – Total net position increased by \$13.4 million in FY2019/20 up 8.8% from prior year, which is due in large part to a decrease in other assets, other liabilities, and other long-term liabilities.

Short-term and Long-term Debt – Total debt obligations, Note 7, decreased by \$14.1 million during FY2019/20, down 5.3% from prior year which is largely due to an initial \$12.9 million in revenue bond principal repayment.

Cash, Deposits, and Investments – Total cash, deposits, and investments increased by \$3.3 million in FY2019/20, up 2.3% from prior year.

Other Non-Cash Assets – Total other non-cash assets (assets other than cash, deposits, and investments) decreased by \$7.5 million in FY2019/20, down 18.9% which is primarily due to a decrease in vehicle registration fee receivable and program receivables.

Sales Tax Revenues – Total sales tax revenues decreased by \$16.4 million in FY2019/20, down 14.2% from prior year, which is due in large part to COVID-19 and its related events which have significantly affected our economy.

Program Operating Grants and Contributions Revenues – Total program operating grants and contributions increased by \$6.2 million in FY2019/20, up 61.5% from prior year, which is largely due to the increase of federal revenues for the Phase 2 of the I-80/Yerba Buena Island Interchange Improvement Project (Southgate Road Realignment Improvements) and Yerba Buena Island Bridge Structures (collectively known as YBI Project).

Transportation Improvement Expenses – Total transportation improvement expenses decreased by \$34.9 million in FY2019/20, down 25.4% from prior year, which is mainly due to decreased General Fund project activities, including vehicle and motor coach procurement projects.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2020

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, \$82 thousand is categorized as "non-spendable" for prepaid costs and deposits, \$19.3 million is "restricted" for debt service and transportation projects, and the remaining \$88.4 million is "unassigned." Detailed discussion of the individual funds is found further in the 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* provides 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, 2020

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 six 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, (5) Treasure Island Mobility Management Agency, and (6) Traffic Congestion Mitigation Tax Program. 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, 2020

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 (CMA) 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 (TFCA) Program** – San Francisco has a \$4 per vehicle registration fee to support projects of the Air District. Of the total collections, the Air District 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 (Prop AA) Fund** – This fund accounts for the November 2010 Prop 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 Prop AA Expenditure Plan. The major source of revenue for this fund is vehicle registration fees.
- **Treasure Island Mobility Management Agency (TIMMA) Fund** – The Treasure Island Transportation Management Act of 2008 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 (Ammiano), 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.
- **Traffic Congestion Mitigation Tax (TNC Tax) Program** – This fund accounts for the November 2019 Proposition D Traffic Congestion Mitigation Tax. The City imposes a TNC Tax (effective January 1, 2020) of 1.5% to 3.25% on fares for rides originating in San Francisco, for the portion of the trip within the city, that are facilitated by commercial ride-share companies or are provided by an autonomous vehicle or private transit services vehicle. After a 2% set aside for administration by the City, 50% of the revenues are directed to the SFMTA for transit operations and improvements, and 50% comes to the Transportation Authority for bicycle and pedestrian safety improvements, traffic calming, traffic signals, and maintenance. The major source of revenue for this fund is TNC tax.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2020

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 SFMTA'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.

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, 2020. 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 \$139.4 million at year ended June 30, 2020. Cash, deposits, and investments increased by \$3.3 million. Other assets decreased by \$7.3 million, as compared to the prior year. Other assets mainly include \$13.3 million in sales tax receivables, \$17.2 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, 2020

Table 1. Condensed Statement of Net Position (in thousands)

	For the Year Ended		\$ Change	% Change
	June 30, 2020	June 30, 2019		
Assets:				
Cash, deposits, and investments	\$ 144,604	\$ 141,309	\$ 3,295	2.3%
Other assets	30,993	38,312	(7,319)	-19.1%
Capital assets	1,248	1,449	(201)	-13.9%
Total assets	<u>176,845</u>	<u>181,070</u>	<u>(4,225)</u>	<u>-2.3%</u>
Deferred outflows of resources	<u>1,164</u>	<u>1,229</u>	<u>(65)</u>	<u>-5.3%</u>
Liabilities:				
Other liabilities	58,647	62,653	(4,006)	-6.4%
Long-term liabilities	257,974	272,235	(14,261)	-5.2%
Total liabilities	<u>316,621</u>	<u>334,888</u>	<u>(18,267)</u>	<u>-5.5%</u>
Deferred inflows of resources	<u>739</u>	<u>142</u>	<u>597</u>	<u>420.4%</u>
Net Position:				
Investment in capital assets	1,248	1,449	(201)	-13.9%
Restricted	28,673	25,986	2,687	10.3%
Unrestricted deficit	<u>(169,272)</u>	<u>(180,166)</u>	<u>10,894</u>	<u>6.0%</u>
Total net position (deficit)	<u>\$ (139,351)</u>	<u>\$ (152,731)</u>	<u>\$ 13,380</u>	<u>8.8%</u>

The Transportation Authority's unrestricted deficit of \$169.3 million is mainly due to issuance of Sales Tax Revenue bonds in FY2017/18 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 \$1.2 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, 2020

Table 2. Condensed Statement of Activities (in thousands)

	For the Year Ended		\$ Change	% Change
	June 30, 2020	June 30, 2019		
Revenues:				
General				
Sales tax	\$ 99,269	\$ 115,671	\$ (16,402)	-14.2%
Vehicle registration fee	4,701	4,945	(244)	-4.9%
Investment income	2,782	2,844	(62)	-2.2%
Other	246	244	2	0.8%
Program operating grants and contributions	16,187	10,021	6,166	61.5%
Total revenues	<u>123,185</u>	<u>133,725</u>	<u>(10,540)</u>	<u>-7.9%</u>
Expenses:				
Transportation improvement	102,329	137,196	(34,867)	-25.4%
Interest	7,476	7,687	(211)	-2.7%
Total expenses	<u>109,805</u>	<u>144,883</u>	<u>(35,078)</u>	<u>-24.2%</u>
Change in net position	13,380	(11,158)	24,538	-219.9%
Net position, beginning of year, restated	<u>(152,731)</u>	<u>(141,573)</u>	<u>(11,158)</u>	<u>-7.9%</u>
Net position, end of year	<u>\$ (139,351)</u>	<u>\$ (152,731)</u>	<u>\$ 13,380</u>	<u>8.8%</u>

The Transportation Authority's net position increased \$13.4 million for the year ended June 30, 2020. During the period, sales tax revenues decreased by \$16.4 million. This decrease in sales tax revenue is largely due to the impact of COVID-19 and its related events which have significantly affected our economy during the last quarter of FY2019/20. The Transportation Authority is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Transportation Authority is not known. Revenue from the vehicle registration fee decreased by \$244 thousand. Investment income decreased by \$62 thousand. Program operating grants and contributions increased by \$6.2 million and transportation improvement expenses decreased by \$34.9 million, primarily due to increased CMA program project activities and decreased General Fund project activities as explained in the Governmental Funds analysis on the next page.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2020

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.

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, 2020							Total	June 30, 2019	\$ 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	Traffic Congestion Mitigation Tax Program					
Assets:											
Cash, deposits, & investments	\$ 125,524	\$ -	\$ 2,062	\$ 17,018	\$ -	\$ -	\$ 144,604	\$ 141,308	\$ 3,296		2.3%
Other assets	16,148	10,180	413	1,861	1,662	2,583	32,847	39,803	(6,956)		-17.5%
Total assets	<u>\$ 141,672</u>	<u>\$ 10,180</u>	<u>\$ 2,475</u>	<u>\$ 18,879</u>	<u>\$ 1,662</u>	<u>\$ 2,583</u>	<u>\$ 177,451</u>	<u>\$ 181,111</u>	<u>\$ (3,660)</u>		-2.0%
Liabilities:											
Current and other liabilities	\$ 50,412	\$ 2,955	\$ 995	\$ 2,691	\$ 467	\$ 48	\$ 57,568	\$ 60,638	\$ (3,070)		-5.1%
Deferred inflows of resources:											
Unavailable revenues	2	7,225	412	685	1,195	2,583	12,102	5,843	6,259		107.1%
Fund balances:											
Nonspendable	82	-	-	-	-	-	82	140	(58)		-41.4%
Restricted	2,694	-	1,068	15,503	-	-	19,265	23,648	(4,383)		-18.5%
Unassigned	88,482	-	-	-	-	(48)	88,434	90,842	(2,408)		-2.7%
Total fund balances	<u>91,258</u>	<u>-</u>	<u>1,068</u>	<u>15,503</u>	<u>-</u>	<u>(48)</u>	<u>107,781</u>	<u>114,630</u>	<u>(6,849)</u>		-6.0%
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 141,672</u>	<u>\$ 10,180</u>	<u>\$ 2,475</u>	<u>\$ 18,879</u>	<u>\$ 1,662</u>	<u>\$ 2,583</u>	<u>\$ 177,451</u>	<u>\$ 181,111</u>	<u>\$ (3,660)</u>		-2.0%

General Fund activities decreased the overall total fund balance by \$7.7 million. Cash, deposits, and investments from General Fund activities increased by \$2.7 million, as compared to the prior year. Other assets decreased by \$14.2 million, largely due to the decrease in sales tax receivable as compared to FY2018/19 due to the impact of COVID-19 and the timing of revenues collected as of June 30, 2020. Current and other liabilities from General Fund activities decreased by \$3.8 million, which was primarily due to overall decrease in expenditure in FY2019/20.

The Transportation Authority's General Fund reported ending fund balance of \$91.3 million, a decrease of \$7.7 million as compared to the prior year. The total fund balance is composed of a balance of \$82 thousand nonspendable for prepaid costs and deposits and a balance of \$2.7 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.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2020

The CMA Program reported an increase in other assets of \$3.5 million as compared to FY2018/19. This is primarily due to increase in program receivables for the YBI Project. 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, 2020.

The TFCA Program reported ending fund balance of \$1.1 million, a decrease of \$22 thousand due to higher expenditures compared to prior year. The \$1.1 million fund balance is restricted for transportation projects. Total assets increased by \$421 thousand as compared to the prior year. Current and other liabilities increased by \$470 thousand.

The Prop AA Program reported ending fund balance of \$15.5 million, an increase of \$883 thousand due to lower expenditures compared to prior year. Total assets increased by \$1.1 million as compared to FY2018/19 which consists primarily in increased vehicle registration fee receivable. This increase is related to the timing of vehicle registration fee revenue received that were not collected as of June 30, 2020. Current and other liabilities decreased by \$429 thousand.

The TIMMA Fund Program reported an increase in other assets of \$175 thousand as compared to FY2018/19, which consists of an increase in program receivables. This increase is related to the timing of regional and federal revenues from the Treasure Island Development Authority (TIDA) and the SFMTA, respectively, received but not collected as of June 30, 2020.

The TNC Tax Program in its first year of operation expended \$48 thousand. Total assets were \$2.6 million, which solely consists of traffic congestion mitigation tax receivables.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2020

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

	For the Year Ended June 30, 2020							Year Ended June 30, 2019	\$ 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	Traffic Congestion Mitigation Tax Program	Total			
Revenues:										
Sales tax	\$ 99,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,270	\$ 115,671	\$ (16,401)	-14.2%
Vehicle registration fee	-	-	-	4,016	-	-	4,016	4,945	(929)	-18.8%
Investment income	2,632	-	3	148	-	-	2,783	2,844	(61)	-2.1%
Program revenues	30	8,512	753	-	1,317	-	10,612	9,048	1,564	17.3%
Other	44	-	-	-	-	-	44	53	(9)	-17.0%
Total revenues	101,976	8,512	756	4,164	1,317	-	116,725	132,561	(15,836)	-11.9%
Expenditures:										
Transportation improvement	81,981	14,428	778	3,281	1,285	48	101,801	136,736	(34,935)	-25.5%
Debt service	21,773	-	-	-	-	-	21,773	33,566	(11,793)	-35.1%
Total expenditures	103,754	14,428	778	3,281	1,285	48	123,574	170,302	(46,728)	-27.4%
Excess (deficiency) of revenues over (under) expenditures	(1,778)	(5,916)	(22)	883	32	(48)	(6,849)	(37,741)	30,892	-81.9%
Other financing sources (uses):										
Transfers in	32	5,916	-	-	-	-	5,948	1,919	4,029	210.0%
Transfers out	(5,916)	-	-	-	(32)	-	(5,948)	(1,919)	(4,029)	210.0%
Total other financing sources (uses)	(5,884)	5,916	-	-	(32)	-	-	-	-	N/A
Net change in fund balances	(7,662)	-	(22)	883	-	(48)	(6,849)	(37,741)	30,892	-81.9%
Fund balances, beginning of year	98,920	-	1,090	14,620	-	-	114,630	152,371	(37,741)	-24.8%
Fund balances, end of year	<u>\$ 91,258</u>	<u>\$ -</u>	<u>\$ 1,068</u>	<u>\$ 15,503</u>	<u>\$ -</u>	<u>\$ (48)</u>	<u>\$ 107,781</u>	<u>\$ 114,630</u>	<u>\$ (6,849)</u>	<u>-6.0%</u>

For the year ended June 30, 2020, revenues from General Fund activities totaled \$102.0 million in FY2019/20, a decrease of \$16.6 million from FY2018/19 in which \$16.4 million of the decrease is related to sales tax revenues. This is primarily due to COVID-19 and its related events as discussed previously. Investment income decreased by \$199 thousand. Program revenues increased by \$26 thousand.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2020

Expenditures from General Fund activities exceeded revenues by \$1.8 million. Expenditures totaled \$103.8 million, a decrease of \$53.7 million from FY2018/19. Transportation improvement expenses decreased by \$41.9 million. This decrease was driven mainly by vehicle procurement projects which had significantly less in capital expenditures in FY2019/20. The SFMTA sought \$21 million less in capital expenditures related to its motor coach procurement. This significant reduction was mostly a result of no additional motor coach deliveries in FY2019/20, as incurred costs were for contract costs such as subsequent milestone payments, spare parts, and specialized maintenance tools. The SFMTA's Light Rail Vehicle Procurement project was also supposed to begin in FY2019/20. However, the project was delayed while SFMTA worked to address design and safety features. Debt services decreased by \$11.8 million, due to the full repayment of the outstanding balance of the Revolving Credit Loan Agreement in FY2018/19. Other financing uses from general fund activities increased by \$4.0 million from FY2018/19.

The CMA Program reported an increase in program revenues of \$1.1 million as well as an increase in expenditures of \$5.5 million. This is primarily due to the increase of expenditures on the YBI projects with final designs for the YBI Bridge Structures project completed, right-of-way acquisition activities underway, and construction activities which began in June 2020 for the Southgate Road Realignment Improvements Project.

The TFCA Program reported expenditures totaling \$778 thousand, an increase of \$569 thousand from FY2018/19. This variance is mainly due to lower than expected reimbursements during FY2018/19 and more in FY2019/20 for the SFMTA's Alternative Fuel Taxicab Incentive Program and Paratransit Sedans projects which did not invoice because of lower than anticipated interest in the program and agency delays in closing out the project, respectively.

The Prop AA Program reported expenditures totaling \$3.3 million, an increase of \$859 thousand from FY2018/19. This variance is mainly due to San Francisco Public Works Brannan Street Paving Project and Haight Street Resurfacing and Pedestrian Lighting and SFMTA's Arguello Boulevard Traffic Signal Upgrade projects, which had lower than expected reimbursements in FY2018/19 and more in FY2019/20.

The TIMMA Program reported program revenues totaling \$1.3 million, an increase of \$460 thousand due to federal revenue contributions from the Advanced Transportation and Congestion Management Technologies Deployment program and regional revenue contributions from the Treasure Island Development Authority for FY2018/19 activities but collected in FY2019/20. Expenditures totaled \$1.3 million, a decrease of \$9 thousand compared to FY2018/19. Expenditures for FY2019/20 was projected to exceed the level of effort in FY2018/19. However, due to COVID-19, work across all subprojects of the TIMMA program proceeded more slowly than anticipated.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2020

The TNC Tax Program reported expenditures totaling \$48 thousand in its first year of operation. No revenues were reported due to the timing of the distribution of the TNC tax funds. The City, who administers the collection of the funds will distribute the funds in FY2020/21.

BUDGETARY ANALYSIS AND HIGHLIGHTS AND ECONOMIC FACTORS

In addition, Total Revenues and Transfers In were more than the final budgetary estimates by \$2.3 million, mainly due to higher sales tax revenue than estimated in the final budget. The procurement process for the construction contract award was longer than anticipated in part due to COVID-related Board meeting cancellation; therefore, program revenues and related transportation improvement activities budgeted in FY2019/20 have been deferred to FY2020/21 as construction activities commenced two months later than anticipated. Actual expenditures and transfers out were less than budgetary estimates by \$72.6 million. This amount includes a positive favorable variance of \$73.6 million in capital project costs. This lower capital spending is principally from sponsors, funded by the General Fund, whose major capital project costs were less than anticipated for FY2019/20, 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 63 through 68 of this report.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2020

Table 5. Budgetary Comparison Schedule (in thousands)

	Budget Amounts		Actual	Positive
	Original	Final		(Negative)
				Variance
				Final
				to Actual
Revenues and Transfers In				
Sales tax	\$ 110,862	\$ 86,554	\$ 99,270	\$ 12,716
Vehicle registration fee	4,930	4,930	4,016	(914)
Traffic congestion mitigation tax	-	3,249	-	(3,249)
Investment income	1,622	2,538	2,782	244
Program revenues				
Federal	23,180	12,841	6,559	(6,282)
State	2,148	610	118	(492)
Regional and other	5,694	6,412	3,935	(2,477)
Other revenues	46	46	44	(2)
Transfers in from other funds	6,914	3,241	5,947	2,706
Total Revenues and Transfers In	155,396	120,421	122,671	2,250
Expenditures and Transfers Out				
Administrative operating costs	10,947	10,929	9,286	1,643
Transportation improvement	242,497	166,115	92,515	73,600
Debt service				
Principal	12,920	12,920	12,920	-
Interest	9,394	8,874	8,853	21
Transfers out to other funds	6,914	3,241	5,947	(2,706)
Total Expenditures and Transfers Out	282,672	202,079	129,521	72,558
Other Financing Sources (Uses)				
Proceeds from debt	67,000	-	-	-
Change in Fund Balance	(60,276)	(81,658)	(6,850)	74,808
Fund Balance - Beginning	114,630	114,630	114,630	-
Fund Balance - Ending	\$ 54,354	\$ 32,972	\$ 107,780	\$ 74,808

CAPITAL ASSETS

The Transportation Authority's investment in capital assets as of June 30, 2020, amounted to \$1.2 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, 2020

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, 2020, is \$235.3 million with \$18.2 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 the year ended June 30, 2020, the Transportation Authority has no outstanding balance in the Revolving Credit Agreement.

Additional information on the Transportation Authority's 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, 22nd Floor
San Francisco, California, 94103

BASIC FINANCIAL STATEMENTS

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Statement of Net Position

Governmental Activities

June 30, 2020

ASSETS

Cash in bank	\$ 56,104,866
Deposits and investments with City Treasurer	88,499,149
Sales tax receivable	13,273,943
Vehicle registration fee receivable	1,861,412
Traffic congestion mitigation tax receivable	2,583,182
Interest receivable from City and County of San Francisco	218,080
Program receivables	10,024,880
Receivable from the City and County of San Francisco	2,234,567
Other receivables	304,062
Prepaid costs and deposits	81,580
Net OPEB asset	412,100
Capital assets, net of accumulated depreciation	1,247,867

Total Assets

176,845,688

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to OPEB	68,198
Deferred outflows related to pension	1,095,588

Total Deferred Outflows of Resources

1,163,786

LIABILITIES

Accounts payable	7,218,349
Interest payable	3,343,604
Accounts payable to the City and County of San Francisco	47,836,532
Accrued salaries and taxes	248,339
Noncurrent liabilities	
Compensated absences due in one year	470,862
Compensated absences due in more than one year	234,377
Unearned leasehold incentive and abatement	1,350,628
Revenue bonds due in one year	13,310,000
Revenue bonds due in more than one year	240,255,836
Net pension liability due in more than one year	2,351,809

Total Liabilities

316,620,336

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to OPEB	640,897
Deferred inflows related to pension	98,576

Total Deferred Inflows of Resources

739,473

NET POSITION

Investment in capital assets	1,247,867
Restricted for transportation improvement	28,673,442
Unrestricted deficit	(169,271,644)

Total Net Position (Deficit)

\$ (139,350,335)

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, 2020

	Total	Transportation Improvement	Interest
	<u> </u>	<u> </u>	<u> </u>
EXPENSES	\$ 109,805,116	\$ 102,329,345	\$ 7,475,771
 PROGRAM REVENUES			
Operating grants and contributions	16,186,972	16,186,972	-
Net program revenue (expense)	<u>(93,618,144)</u>	<u>\$ (86,142,373)</u>	<u>\$ (7,475,771)</u>
 GENERAL REVENUES			
Sales tax	99,268,709		
Vehicle registration fees	4,701,173		
Investment income	2,782,633		
Other	246,122		
Total general revenues	<u>106,998,637</u>		
 CHANGE IN NET POSITION			
Net position, beginning of year	(152,730,828)		
Net position (deficit), end of year	<u>\$ (139,350,335)</u>		

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Governmental Funds
Balance Sheet
June 30, 2020

	Special Revenue Funds						Total Governmental Funds
	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	Traffic Congestion Mitigation Tax Program	
ASSETS							
Cash in bank	\$ 37,024,523	\$ -	\$ 2,062,715	\$ 17,017,628	\$ -	\$ -	\$ 56,104,866
Deposits and investments with the City Treasurer	88,499,149	-	-	-	-	-	88,499,149
Sales tax receivable	13,273,943	-	-	-	-	-	13,273,943
Vehicle registration fee receivable	-	-	-	1,861,412	-	-	1,861,412
Traffic congestion mitigation tax receivable	-	-	-	-	-	2,583,182	2,583,182
Interest receivable from the City and County of San Francisco	218,080	-	-	-	-	-	218,080
Program receivables							
Federal	5,347	7,414,448	-	-	-	-	7,419,795
State	-	181,939	-	-	-	-	181,939
Regional and other	-	1,579,362	412,367	-	431,417	-	2,423,146
Receivables from the City and County of San Francisco	-	1,004,319	-	-	1,230,248	-	2,234,567
Other receivables	304,062	-	-	-	-	-	304,062
Due from other funds	2,264,837	-	-	-	-	-	2,264,837
Prepaid costs and deposits	81,580	-	-	-	-	-	81,580
Total Assets	\$ 141,671,521	\$ 10,180,068	\$ 2,475,082	\$ 18,879,040	\$ 1,661,665	\$ 2,583,182	\$ 177,450,558
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 5,147,975	\$ 1,467,081	\$ 48,235	\$ 250,253	\$ 304,805	\$ -	\$ 7,218,349
Accounts payable to the City and County of San Francisco	45,016,178	-	525,453	2,289,879	5,022	-	47,836,532
Accrued salaries and taxes	248,339	-	-	-	-	-	248,339
Due to other funds	-	1,488,162	421,512	150,399	156,794	47,970	2,264,837
Total liabilities	50,412,492	2,955,243	995,200	2,690,531	466,621	47,970	57,568,057
Deferred Inflows of Resources							
Unavailable revenues	2,000	7,224,825	412,367	684,701	1,195,044	2,583,182	12,102,119
Total deferred inflows of resources	2,000	7,224,825	412,367	684,701	1,195,044	2,583,182	12,102,119
Fund Balances							
Nonspendable	81,580	-	-	-	-	-	81,580
Restricted	2,693,783	-	1,067,515	15,503,808	-	-	19,265,106
Unassigned	88,481,666	-	-	-	-	(47,970)	88,433,696
Total Fund Balances	91,257,029	-	1,067,515	15,503,808	-	(47,970)	107,780,382
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 141,671,521	\$ 10,180,068	\$ 2,475,082	\$ 18,879,040	\$ 1,661,665	\$ 2,583,182	\$ 177,450,558

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Reconciliation of the Governmental Funds

Balance Sheet to the Statement of Net Position

June 30, 2020

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:	\$	107,780,382
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		1,247,867
Long-term receivables are not available to pay for current period expenditures and therefore are deferred in the governmental funds:		12,102,119
Unmatured interest on long-term debt is recognized in the period when it is due in the governmental funds:		(3,343,604)
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		(253,565,836)
Unearned leasehold incentive and abatement		(1,350,628)
Accrued compensated absences		(705,239)
Net OPEB asset/liability related deferrals		(160,599)
Net pension liability and related deferrals		(1,354,797)
Net position of governmental activities	\$	<u>(139,350,335)</u>

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, 2020

	Special Revenue Funds						Total Governmental Funds
	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	Traffic Congestion Mitigation Tax Program	
REVENUES							
Sales tax	\$ 99,268,709	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,268,709
Vehicle registration fee	-	-	-	4,016,473	-	-	4,016,473
Investment income	2,631,822	-	2,729	148,082	-	-	2,782,633
Program revenues							
Federal	30,000	6,518,009	-	-	11,434	-	6,559,443
State	-	117,621	-	-	-	-	117,621
Regional and other	-	1,876,791	752,508	-	1,305,998	-	3,935,297
Other revenues	43,631	-	-	-	-	-	43,631
Total Revenues	101,974,162	8,512,421	755,237	4,164,555	1,317,432	-	116,723,807
EXPENDITURES							
Current - transportation improvement							
Personnel expenditures	1,720,022	4,075,725	53,924	317,793	398,488	47,970	6,613,922
Non-personnel expenditures	2,548,961	94,065	-	182	28,670	-	2,671,878
Capital project costs	77,615,955	10,258,122	723,972	2,963,349	858,492	-	92,419,890
Capital outlay	94,771	-	-	-	-	-	94,771
Debt service							
Principal	12,920,000	-	-	-	-	-	12,920,000
Interest and fiscal charges	8,852,994	-	-	-	-	-	8,852,994
Total Expenditures	103,752,703	14,427,912	777,896	3,281,324	1,285,650	47,970	123,573,455
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,778,541)	(5,915,491)	(22,659)	883,231	31,782	(47,970)	(6,849,648)
OTHER FINANCING SOURCES (USES)							
Transfers in	31,782	5,915,491	-	-	-	-	5,947,273
Transfers out	(5,915,491)	-	-	-	(31,782)	-	(5,947,273)
Total Other Financing Sources (Uses)	(5,883,709)	5,915,491	-	-	(31,782)	-	-
NET CHANGE IN FUND BALANCES	(7,662,250)	-	(22,659)	883,231	-	(47,970)	(6,849,648)
Fund Balances - Beginning	98,919,279	-	1,090,174	14,620,577	-	-	114,630,030
Fund Balances - Ending	\$ 91,257,029	\$ -	\$ 1,067,515	\$ 15,503,808	\$ -	\$ (47,970)	\$ 107,780,382

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

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, 2020

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:	\$ (6,849,648)
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	94,771
Depreciation expense	(296,312)
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	202,491
Change in deferred inflows related to unavailable project revenues	6,259,311
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:	
	12,920,000
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
Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due:	
	161,500
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	(35,637)
Change in net pension liability and related deferrals	(268,659)
Compensated absences	(23,047)
Change in net position of governmental activities	\$ 13,380,493

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, 2020

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, 2020

NOTE 1 - REPORTING ENTITY AND BACKGROUND

The 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 Commissioners of the Transportation Authority 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, 2020

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 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/pedestrian improvements); 3) Paratransit services for seniors and individuals with disabilities; 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 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 certain state and federal transportation funds and works with the Metropolitan Transportation Commission to program those funds to San Francisco projects.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

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 or SFTP, 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 SFTP 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. A draft update to the SFTP is anticipated in Summer 2021.

The underway SFTP update is being developed through ConnectSF, 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. Phase 2 of ConnectSF, now underway, includes: The Statement of Needs, the Transit Corridors Study, and Streets and Freeways Study. Both the Streets and Freeways Study and the Transit Corridors Study are identifying operational and/or physical project concepts to help San Francisco address the issues identified in the Statement of Needs and make progress towards the Vision. Phase 2 is expected to be completed by June 2021. The SFTP is part of Phase 3 of the ConnectSF effort.

Other Major Programs and Projects Under the CMA

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, 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, 2020

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 and project closeout was completed April 30, 2020. For Phase 2, the environmental revalidation was completed in May 2019. Final Design was completed in the third quarter of 2019. Phase 2 construction started June 2020 and is expected to be completed by June 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, one structure will be seismically retrofitted, and seven structures will be demolished and replaced with realigned roadway, an undercrossing structure, and six new retaining walls.

As part of continued preliminary engineering and design efforts and as required by federal funding, a Value Engineering Analysis Report was prepared in February 2014 in consultation with TIDA, San Francisco Public Works, Caltrans, and independent construction experts. The Value Engineering Analysis Report made various recommendations for Transportation Authority and TIDA consideration to reduce overall project risk and cost. As a result of the Value Engineering Analysis, 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 Value Engineering Analysis 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.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

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: 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. Final design is underway and expected to be completed in the second quarter of FY2020/21. Construction is anticipated to start in the third quarter of FY2020/21 and be completed by summer 2024.

Downtown Congestion Pricing Study

The Transportation Authority is conducting a study to explore how a fee to drive into northeast San Francisco during busy hours — a strategy called congestion pricing — could keep traffic moving while making our transportation system safer and more equitable. A rising population and job growth, combined with a growing presence of ride-hail vehicles, has resulted in clogged streets, particularly downtown and in South of Market Area. This impacts not only people who are traveling, but also the surrounding residents' quality of life, safety, and health, and disproportionately affects low-income Communities of Concern.

This study will help us understand whether congestion pricing could be an effective and fair tool to reduce congestion. We will also assess other benefits, such as whether downtown congestion pricing could make Muni faster and more reliable; reduce greenhouse gas emissions; and generate revenue for transit, pedestrian, bicycle, and street improvements.

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 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, 2020

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 parentheses 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. 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.

Treasure Island Mobility Management Agency (TIMMA) Component Unit

The Treasure Island Transportation Management Act of 2008 (Assembly Bill 981, Leno) 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 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 (Ammiano), establishing TIMMA as a legal entity, distinct from the Transportation Authority, to help firewall the Transportation Authority's other functions. The 11 members of the Transportation Authority Board act as the Commissioners for TIMMA Board. The Transportation Authority financial statements include TIMMA as a blended special revenue fund component unit.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

NOTE 1 - REPORTING ENTITY AND BACKGROUND (Continued)

Traffic Congestion Mitigation Tax

The Traffic Congestion Mitigation Tax was approved by San Francisco voters in November 5, 2019, through approval of Prop D. The measure, also referred to as the Transportation Network Company (TNC) Tax, is a surcharge on commercial ride-hailing trips that originate in San Francisco, for the portion of the trip within the City. The intent of the TNC Tax program is to deliver improvements to transit reliability and safety on San Francisco's roadways, mitigating the effects of increased congestion due to TNC vehicles. Beginning January 1, 2020, a 1.5% tax is charged on shared rides or rides taken in a zero-emission vehicle, and 3.25% is charged on rides with a single occupant. The measure also takes into account rides provided by autonomous vehicles in the future which would be taxed in this same manner and rides provided by private transit companies if a company were to enter the market. The tax is in effect until November 2045.

After a 2% set aside for administration by the City, 50% of the revenues are directed to the SFMTA for transit operations and improvements, and 50% to the Transportation Authority for bicycle and pedestrian safety improvements, traffic calming, traffic signals, and maintenance. In October 2020, the Transportation Authority Board approved policies for administration of this new fund program, along with the first allocation of TNC tax funds.

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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. 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, 2020

Fund Financial Statements – The fund financial statements provide information about the Transportation Authority’s funds. The Transportation Authority reports activities of each of its six funds: General Fund; Congestion Management Agency Programs; Transportation Fund for Clean Air Program; Vehicle Registration Fee for Transportation Improvements Program; Treasure Island Mobility Management Agency; and Traffic Congestion Mitigation Tax Program 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 individuals with disabilities; 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 Air District. Of the total collections, the Air District 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.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

Treasure Island Mobility Management Agency Fund – Assembly Bill 981 (Leno) 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 (Ammiano), 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.

Traffic Congestion Mitigation Tax Program Fund – The Proposition D Traffic Congestion Mitigation Tax was passed by San Francisco voters in November 2019. The measure, also referred to as the Transportation Network Company (TNC) Tax, is a 1.5% tax charged on shared rides or rides taken in a zero-emission vehicle, and 3.25% is charged on rides with a single occupant on commercial ride-hail trips that originate in San Francisco, for the portion of the trip within the City. After a 2% set aside for administration by the City, 50% of the revenues are directed to the SFMTA for transit operations and improvements, and 50% comes to the Transportation Authority for bicycle and pedestrian safety improvements.

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 (Muni)’s 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.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

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.

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.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

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.

Traffic Congestion Mitigation Tax and Receivables

The Transportation Authority recognizes Traffic Congestion Mitigation Tax 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.

Traffic Congestion Mitigation Tax receivables represent tax revenue 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 City and County of San Francisco (City). The City receives an administrative fee for providing this service. The Transportation Authority records tax revenues net of such fees.

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.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

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 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 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.

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.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

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.”

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, 2020, fund balances for governmental funds are classified as follows:

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.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

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, 2020, the carrying amount of the Transportation Authority’s deposits was \$56,104,866 and the bank balance was \$56,789,996. 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 \$ 56,039,996 was collateralized by the pledging financial institutions as required by *Section 53652* of the California Government Code.

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 to 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, 2020, 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 year ended June 30, 2020.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the Transportation Authority's Investment Policy

The table below 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 re-purchase 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.

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	5 Years	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 and, therefore, is unrated. As of June 30, 2020, the Transportation Authority's deposits and investments in the Pool are approximately \$88.5 million, and the total amount invested by all public agencies in the Pool is approximately \$12.2 billion. The City's Treasurer Oversight 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.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

The Transportation Authority's investments on June 30, 2020, consisted of pooled cash with the City and County of San Francisco, having a weighted average maturity of 0.68 years. At June 30, 2020, 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 and investment risks (such as interest rate, credit, and concentration of credit risks) may be obtained by contacting the City's Controller's Office at: Controller's Office, City Hall, Room 316, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102; Phone: (415) 554-7500; Fax: (415) 554-7466.

NOTE 4 - INTERFUND TRANSACTIONS

Due to/Due from: The composition of interfund balances as of June 30, 2020, is as follows:

	Receivable from:					
	Congestion Management Agency Programs	Transportation Fund for Clean Air Program	Vehicle Registration Fee for Transportation Improvements Program	Treasure Island Mobility Management Agency	Traffic Congestion Mitigation Tax Program	Total
<i>Payable to:</i>						
Sales Tax Program	\$ 1,488,162	\$ 421,512	\$ 150,399	\$ 156,794	\$ 47,970	\$2,264,837
Total	\$ 1,488,162	\$ 421,512	\$ 150,399	\$ 156,794	\$ 47,970	\$2,264,837

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 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 \$5,915,491 to the CMA Programs Fund for capital subsidies, the TIMMA Fund paid a transfer of \$31,782 from the Sales Tax Program Fund as subsidies related to expenditures incurred in FY2019/20.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

NOTE 5 - CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2020, is as follows:

	Balance July 1, 2019	Additions	Retirement	Balance June 30, 2020
Capital assets, being depreciated:				
Leasehold improvements	\$ 3,023,624	\$ -	\$ -	\$ 3,023,624
Furniture and equipment	850,135	94,771	(45,042)	899,864
Total capital assets, being depreciated	<u>3,873,759</u>	<u>94,771</u>	<u>(45,042)</u>	<u>3,923,488</u>
Less accumulated depreciation for:				
Leasehold improvements	1,626,225	232,900	-	1,859,125
Furniture and equipment	798,126	63,412	(45,042)	816,496
Total accumulated depreciation	<u>2,424,351</u>	<u>296,312</u>	<u>(45,042)</u>	<u>2,675,621</u>
Total capital assets, net	<u>\$ 1,449,408</u>	<u>\$ (201,541)</u>	<u>\$ -</u>	<u>\$ 1,247,867</u>

Depreciation expense for the current year amounted to \$296,312, and was allocated to the transportation improvement expense on the statement of activities.

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, 2020:

Receivables from the following City Department/Agency	Purpose	Total
Department of Public Works	19th Avenue Combined City Project and Lombard Street Vision Zero Project	\$ 103,053
	Octavia Improvements Study	43,060
	Municipal Transportation Agency	
Municipal Transportation Agency	Implementing Advanced Transportation Congestion and Mitigation Technologies Deployment Initiatives on Treasure Island	91,929
	SF-CHAMP Travel Demand Forecasting Model	102,748
	Travel Demand Modeling Services in Support for the Transit and Intercity Rail Capital Program	26,061
Office of Economic and Workforce Development	Transit Plan Development for the District 9 Area Plan	4,241
Planning Department	Alemaney Interchange Implementation Plan	791
	ConnectSF Outreach	98,216
Treasure Island Development Authority	Treasure Island Transportation Implementation Plan	1,138,319
	Yerba Buena Island Ramps Improvement Project	626,149
Total receivables from the City and County of San Francisco		<u>\$ 2,234,567</u>

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

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, 2020:

Payables to the following City			Total
Department / Agency	Purpose		
Department of Environment	Clean Air Programs		\$ 32,221
Department of Public Works	Street Resurfacing		10,519,489
Department of Technology	Telecast Services		32,013
Municipal Transportation Agency	Advanced Technology and Information Systems (SFgo)	\$ 1,367,017	
	Bicycle Circulation/Safety	336,697	
	Clean Air Programs	493,233	
	Extension of Streetcar Service (Fisherman's Wharf to Fort Mason)	5,609	
	Guideways	4,174,263	
	New Signals and Signs	773,259	
	Other Transit Enhancements	126,945	
	Paratransit Services	1,083,531	
	Pedestrian and Bicycle Facility Maintenance	157,541	
	Pedestrian Circulation/Safety	1,063,690	
	Pedestrian Safety	215,901	
	Purchase/Rehab of Historic Streetcars for New/Expanded Service	25,441	
	Rapid Bus Network including Real Time Transit Information	3,966,709	
	Rehabilitation, Upgrade and Replacement of Existing Facilities	4,286,340	
	Signals and Signs	3,554,585	
	Traffic Calming	4,893,733	
	Transit Reliability and Mobility Improvements	67,006	
	Transit Vehicle Replacement and Renovation	10,132,908	
	Transportation Demand Management/Parking Management	88,461	
	Transportation/Land Use Coordination	292,731	
	Upgrades to Major Arterials (including 19th Avenue)	72,497	
	Total Municipal Transportation Agency		37,178,097
Planning Department	Transportation/Land Use Coordination		14,712
Port of San Francisco	Ferry		60,000
Total payable to the City and County of San Francisco			<u>\$ 47,836,532</u>

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, 2020:

Expenditures incurred by the following City Department/Agency	Total
Department of Environment	\$ 23,624
Department of Public Works	15,180,870
Municipal Transportation Agency	72,723,260
Port of San Francisco	220,000
	<u>\$ 88,147,754</u>

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

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

During FY2019/20, the Transportation Authority incurred capital expenditures of \$88.1 million, which were paid to departments within the City, of which \$72.7 million was expended on SFMTA projects. SFMTA projects include \$51.0 million on Transit Vehicle Replacement and Renovation, Paratransit, Rapid Bus Network, Guideways, Rehabilitation, Upgrade and Replacement of Existing Facilities Projects, and \$21.7 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, 2019	Additions	Deductions	Balance at June 30, 2020	Current Portion
Revenue bonds	\$ 248,250,000	\$ -	\$ (12,920,000)	\$ 235,330,000	\$ 13,310,000
Bond premium	19,451,559	-	(1,215,723)	18,235,836	-
Compensated absences	682,192	547,690	(524,643)	705,239	470,862
Total	\$ 268,383,751	\$ 547,690	\$ (14,660,366)	\$ 254,271,075	\$ 13,780,862

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, with total proceeds of \$270,133,005. The bonds were issued with a par value of \$248,250,000 and \$21,883,005 of bond premiums 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 to, 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. The bonds pay interest ranging from 3.0% to 4.0% and mature February 1, 2034. The outstanding bond debt at June 30, 2020, is \$235,330,000 with \$18,235,836 of remaining unamortized bond premiums.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

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

The Transportation Authority's senior sales tax revenue bonds outstanding are repaid and secured by a pledge of certain revenues. The amount, term of the remainder, of these commitments and purposes are indicated in the descriptions and tables on the previous page. Debt service payments of \$21,332,250 as a ratio of pledged sales tax revenue of \$99,268,709 for the year ended June 30, 2020, was 4.56x or 455.92%. 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
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	15,125,000	6,208,500	21,333,500
2026-2030	85,210,000	21,467,700	106,677,700
2031-2034	79,305,000	6,035,850	85,340,850
Total	<u>\$ 235,330,000</u>	<u>\$ 63,366,400</u>	<u>\$ 298,696,400</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 FY2019/20, the commitment fees were paid by the Transportation Authority under the Revolving Credit Agreement at an interest rate of 0.24%. 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, 2020, 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 \$426,524 for commitment fees in FY2019/20.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

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, a cost-sharing multiple employer defined benefit pension plan administered by 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 which can be found on the 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, 2020

NOTE 8 - PENSION PLANS (Continued)

The Plan provisions and benefits in effect on June 30, 2020, 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	10.221%	6.985%
Required employer prepayment for unfunded liability	\$147,070	\$13,780

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 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, 2020, the employer contributions were \$539,103.

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

As of June 30, 2020, the Transportation Authority's reported net pension liability for its proportionate share of the collective net pension liability is \$2,351,809.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

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, 2019, 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, 2018, rolled forward to June 30, 2019, 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, 2019, and 2020 was as follows:

Proportion - June 30, 2019	0.02147%
Proportion - June 30, 2020	0.02295%
Change	0.00148%

For the year ended June 30, 2020, the Transportation Authority recognized pension expense of \$807,762. On June 30, 2020, 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	\$ 539,103	\$ -
Contributions in excess of proportionate share	48,864	(5,048)
Changes in assumptions	112,146	(39,755)
Difference in expected and actual experience	163,343	(12,656)
Adjustment due to differences in proportions	232,132	-
Net differences between projected and actual earnings on plan investments	-	(41,117)
Total	\$ 1,095,588	\$ (98,576)

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

NOTE 8 - PENSION PLANS (Continued)

Reported as deferred outflows of resources related to contributions subsequent to the measurement date is \$539,103, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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
2021	\$ 326,101
2022	68,447
2023	55,052
2024	8,309
	\$ 457,909

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
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% 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, 2020

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, 2020

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%
	100.0%		

(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 one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.15%	7.15%	8.15%
Net Pension Liability	\$ 4,092,470	\$ 2,351,809	\$ 915,016

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, 2020

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, 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 the CalPERS website.

As of the June 30, 2019, 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	10
Inactive employees entitled to but not yet receiving benefit payments	-
Total	<u>47</u>

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

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. 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 30 years.

Significant Assumptions

The Transportation Authority's net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

<u>Actuarial Assumption</u>	<u>June 30, 2019 Measurement Date</u>
Valuation Date	June 30, 2019
Contribution Policy	Level percent of pay method over 20 years
Discount Rate	7.59%
General Inflation	2.75% per annum
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	7.59%
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2015
Healthcare Cost Trend Rate	Initial 6.5% for non-medicare eligibles, 11% for spouse of medicare eligibles

Discount Rate

The discount rate used to measure the total OPEB liability was 7.59%. The projection of cash flows used to determine the discount rate assumed that Transportation Authority contributions would 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 or asset.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

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	59.00%	4.82%
Fixed Income	25.00%	1.47%
Treasury Inflation Protection Securities	5.00%	1.29%
Real Estate Investment Trusts	8.00%	0.84%
Commodities	3.00%	3.76%
Total	100.00%	

Changes in the OPEB Liability (Asset)

The changes in the net OPEB liability (Asset) are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at July 1, 2019	\$ 1,936,000	\$ 1,706,700	\$ 229,300
Changes for the year:			
Service Cost	117,500	-	117,500
Interest	143,000	-	143,000
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(596,100)	-	(596,100)
Changes of assumptions	(62,700)	-	(62,700)
Contributions:			
Trust deposits	-	78,078	(78,078)
Employer - explicit subsidy	-	45,500	(45,500)
Employer - implicit subsidy	-	14,300	(14,300)
Benefit payments	(59,800)	(59,800)	-
Administrative expenses	-	(840)	840
Expected Investment Return	-	127,059	(127,059)
Investment Experience (Loss)/Gain	-	(20,997)	20,997
Net changes	(458,100)	183,300	(641,400)
Balance at June 30, 2020	\$ 1,477,900	\$ 1,890,000	\$ (412,100)

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

The following presents the net OPEB liability (asset) of the Transportation Authority as of the measurement date, calculated using the discount rate of 7.59%, as well as what the Transportation Authority's net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease 6.59%	Current Discount Rate 7.59%	1% Increase 8.59%
Net OPEB Asset	\$ (185,800)	\$ (412,100)	\$ (596,200)

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

	1% Decrease 5.5% Non-Medicare, 10% Spouse and 3.5% Medicare grading to 3%	Current Healthcare Trend Cost Rate 6.5% Non-Medicare, 11% Spouse and 4.5% Medicare grading to 4%	1% Increase 7.5% Non-Medicare, 12% Spouse and 5.5% Medicare grading to 5%
Net OPEB Asset	\$ (626,600)	\$ (412,100)	\$ (137,800)

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

For the fiscal year ended June 30, 2020, the Transportation Authority recognized OPEB expense of \$59,837. As of the fiscal year ended June 30, 2020, 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	\$ 51,400	\$ -
Changes in assumptions	-	58,694
Difference between expected and actual experience	16,798	562,721
Net differences between projected and actual earnings on plan investments	-	19,482
Total	\$ 68,198	\$ 640,897

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS, (Continued)

Reported as deferred outflows of resources related to contributions subsequent to the measurement date is \$51,400, which will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. 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
2021	\$ 47,266
2022	47,267
2023	39,672
2024	38,239
2025	42,440
Thereafter	409,215
Total	<u>\$ 624,099</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, 2020, the Transportation Authority expended \$858,630 towards its office lease and recorded an office lease expense of \$792,642 and an amortization expense of \$65,988 on the statement of activities.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

NOTE 10 - OPERATING LEASES, (Continued)

The following is a schedule of future minimum lease obligations as of June 30, 2020:

Year Ending June 30,	Office Lease
2021	\$ 883,104
2022	907,578
2023	932,052
2024	956,526
2025	897,378
Total future minimum lease obligations	\$ 4,576,638

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, 2020, revenues, staff salaries, and fringe benefits for administering the Proposition K Expenditure Plan for the Sales Tax Program were as follows:

Revenues	\$ 99,268,709
Expenditures:	
Salaries	379,987
Fringe benefits	65,314
Total	\$ 445,301
Percentage of revenue	0.45%

Personnel expenditures of \$1,720,022 were reported in the Sales Tax Program, of which \$445,301 was related to general administration of the Proposition K Expenditure Plan, and \$1,274,721 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, 2020

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, 2020, 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 \$554,387,662 at June 30, 2020. This amount is comprised of \$503,791,010 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, 2020, the Transportation Authority has encumbered \$14,323,350 in the Sales Tax Program, \$35,209,187 in the Congestion Management Agency Programs, and \$1,064,115 in 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, 2020

NOTE 15 – EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

The Transportation Authority is currently analyzing its accounting practices to determine the potential impact of the following pronouncements, with implementation dates as amended by Statement No. 95:

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, 2019. Application of this statement is effective for the Transportation Authority's year ending June 30, 2021.

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 June 15, 2021. Application of this statement is effective for the Transportation Authority's year ending June 30, 2022.

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, 2020. Application of this statement is effective for the Transportation Authority's year ending June 30, 2022.

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, 2019. Application of this statement is effective for the Transportation Authority's year ending June 30, 2021.

GASB Statement No. 91 – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. The new standard is effective for periods beginning after December 15, 2021. Application of this statement is effective for the Transportation Authority's year ending June 30, 2023.

GASB Statement No. 92 – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. GASB Statement No. 92 addresses a variety of topics related to postemployment benefits and other issues. The new standard is effective for periods beginning after June 15, 2021. Application of this statement is effective for the Transportation Authority's year ending June 30, 2022.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2020

NOTE 15 – EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS, (Continued)

GASB Statement No. 93 – In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. GASB Statement No. 93 addresses the accounting and financial reporting effects of replacement of interbank offering rates with other reference rates in agreements which reference an interbank offering rate. The new standard is effective for periods beginning after June 15, 2021. Application of this statement is effective for the Transportation Authority’s year ending June 30, 2022.

GASB Statement No. 94 – In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. GASB Statement No. 94 establishes standards for public-private and public-public partnerships (PPPs) and availability payment arrangements. A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An availability payment arrangement is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The new standard requires reporting of related assets and deferred inflows that currently are not reported and is effective for periods beginning after June 15, 2022. Application of this statement is effective for the Transportation Authority’s year ending June 30, 2023.

GASB Statement No. 96 – In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 defines such arrangements as contracts that convey control of the right to use another party’s information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The standard clarifies measurement and recognition of capitalizable costs, intangible assets, and subscription liabilities for such arrangements and also requires additional disclosures related to such arrangements. The new standard is effective for periods beginning after June 15, 2022. Application of this statement is effective for the Transportation Authority’s year ending June 30, 2023.

GASB Statement No. 97 – In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. GASB Statement No. 97 clarifies the criteria used in determining whether a fiduciary component unit exists and clarifies financial reporting for Internal Revenue Code section 457 deferred compensation plans. The new standard is effective for periods beginning after June 15, 2021. Application of this statement is effective for the Transportation Authority’s year ending June 30, 2022.

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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, 2020

	Budget Amounts		Actual	Positive (Negative)
	Original	Final		Variance Final to Actual
Revenues and Transfers In				
Sales tax	\$ 110,861,695	\$ 86,554,444	\$ 99,268,709	\$ 12,714,265
Investment income	1,610,000	2,367,743	2,631,822	264,079
Program revenues				
Federal	-	30,000	30,000	-
Other revenues	45,980	45,980	43,631	(2,349)
Transfers in from other funds	-	-	31,782	31,782
Total Revenues and Transfers In	112,517,675	88,998,167	102,005,944	13,007,777
Expenditures and Transfers Out				
Administrative operating costs	5,404,840	5,806,917	4,268,983	1,537,934
Transportation improvement	200,734,927	143,484,321	77,710,726	65,773,595
Debt service				
Principal	12,920,000	12,920,000	12,920,000	-
Interest and fiscal charges	9,394,250	8,874,250	8,852,994	21,256
Transfers out to other funds	6,914,271	2,516,740	5,915,491	(3,398,751)
Total Expenditures and Transfers Out	235,368,288	173,602,228	109,668,194	63,934,034
Other Financing Sources (Uses)				
Proceeds from debt	67,000,000	-	-	-
Change in Fund Balance	(55,850,613)	(84,604,061)	(7,662,250)	76,941,811
Fund Balance - Beginning	98,919,279	98,919,279	98,919,279	-
Fund Balance - Ending	\$ 43,068,666	\$ 14,315,218	\$ 91,257,029	\$ 76,941,811

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, 2020

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		Final to Actual
Revenues and Transfers In				
Program revenues				
Federal	\$ 22,475,719	\$ 12,321,862	\$ 6,518,009	\$ (5,803,853)
State	2,148,445	610,187	117,621	(492,566)
Regional and other	3,172,774	3,447,183	1,876,791	(1,570,392)
Transfers in from other funds	6,622,444	3,240,560	5,915,491	2,674,931
Total Revenues and Transfers In	34,419,382	19,619,792	14,427,912	(5,191,880)
Expenditures and Transfers Out				
Administrative operating costs	4,549,515	4,175,250	4,169,790	5,460
Transportation improvement	29,869,867	15,444,542	10,258,122	5,186,420
Total Expenditures and Transfers Out	34,419,382	19,619,792	14,427,912	5,191,880
Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

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, 2020

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		Final to Actual
Revenues and Transfers In				
Investment income	\$ 2,000	\$ 2,663	\$ 2,729	\$ 66
Program revenues				
Regional and other	771,753	771,753	752,508	(19,245)
Total Revenues and Transfers In	<u>773,753</u>	<u>774,416</u>	<u>755,237</u>	<u>(19,179)</u>
Expenditures and Transfers Out				
Administrative operating costs	48,234	48,236	53,924	(5,688)
Transportation improvement	1,110,104	1,110,104	723,972	386,132
Total Expenditures and Transfers Out	<u>1,158,338</u>	<u>1,158,340</u>	<u>777,896</u>	<u>380,444</u>
Change in Fund Balance	(384,585)	(383,924)	(22,659)	361,265
Fund Balance - Beginning	<u>1,090,174</u>	<u>1,090,174</u>	<u>1,090,174</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 705,589</u>	<u>\$ 706,250</u>	<u>\$ 1,067,515</u>	<u>\$ 361,265</u>

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, 2020

	Budget Amounts		Actual	Positive
	Original	Final		(Negative)
				Variance
				Final
				to Actual
Revenues and Transfers In				
Vehicle registration fee	\$ 4,930,000	\$ 4,930,000	\$ 4,016,473	\$ (913,527)
Investment income	10,000	146,187	148,082	1,895
Total Revenues and Transfers In	<u>4,940,000</u>	<u>5,076,187</u>	<u>4,164,555</u>	<u>(911,632)</u>
Expenditures and Transfers Out				
Administrative operating costs	241,702	309,421	317,975	(8,554)
Transportation improvement	8,738,768	4,631,435	2,963,349	1,668,086
Total Expenditures and Transfers Out	<u>8,980,470</u>	<u>4,940,856</u>	<u>3,281,324</u>	<u>1,659,532</u>
Change in Fund Balance	(4,040,470)	135,331	883,231	747,900
Fund Balance - Beginning	14,620,577	14,620,577	14,620,577	-
Fund Balance - Ending	<u>\$ 10,580,107</u>	<u>\$ 14,755,908</u>	<u>\$ 15,503,808</u>	<u>\$ 747,900</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, 2020

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		Final to Actual
Revenues and Transfers In				
Program revenues				
Federal	\$ 704,690	\$ 489,565	\$ 11,434	\$ (478,131)
Regional and other	1,749,196	2,192,689	1,305,998	(886,691)
Transfers in from other funds	291,827	-	-	-
Total Revenues and Transfers In	2,745,713	2,682,254	1,317,432	(1,364,822)
Expenditures and Transfers Out				
Administrative operating costs	702,808	513,942	427,158	86,784
Transportation improvement	2,042,905	1,444,492	858,492	586,000
Transfers out to other funds	-	723,820	31,782	692,038
Total Expenditures and Transfers Out	2,745,713	2,682,254	1,317,432	1,364,822
Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

See notes to required supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and
Actual – Traffic Congestion Mitigation Tax Program
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		Final to Actual
Revenues and Transfers In				
Investment income	\$ -	\$ 21,878	\$ -	\$ (21,878)
Traffic Congestion Mitigation Tax	-	3,249,395	-	(3,249,395)
Total Revenues and Transfers In	<u>-</u>	<u>3,271,273</u>	<u>-</u>	<u>(3,271,273)</u>
 Expenditures and Transfers Out				
Administrative operating costs	-	75,000	47,970	27,030
Total Expenditures and Transfers Out	<u>-</u>	<u>75,000</u>	<u>47,970</u>	<u>27,030</u>
 Change in Fund Balance	-	3,196,273	(47,970)	(3,244,243)
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 3,196,273</u>	<u>\$ (47,970)</u>	<u>\$ (3,244,243)</u>

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*

	2020	2019	2018
Changes in total OPEB liability			
Service cost	\$ 117,500	\$ 122,500	\$ 122,500
Interest	143,000	129,500	116,600
Difference between expected and actual experience	(596,100)	-	-
Change in assumptions	(62,700)	-	-
Benefit payments, including refunds of employee contributions	(59,800)	(58,400)	(64,300)
Changes of benefit terms	-	(5,400)	-
Net changes	(458,100)	188,200	174,800
Total OPEB liability, beginning	1,936,000	1,747,800	1,573,000
Total OPEB liability, ending	1,477,900	1,936,000	1,747,800
Changes in plan fiduciary net position			
Employer contributions	137,878	143,348	165,487
Benefit payments, including refunds of employee contributions	(59,800)	(58,400)	(64,300)
Administrative expenses	(840)	(782)	(652)
Expected investment return	127,059	112,475	95,999
Investment experience (loss)/gain	(20,997)	7,159	37,966
Net changes	183,300	203,800	234,500
Plan fiduciary net position, beginning	1,706,700	1,502,900	1,268,400
Plan fiduciary net position, ending	1,890,000	1,706,700	1,502,900
Net OPEB liability (asset)	\$ (412,100)	\$ 229,300	\$ 244,900
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	127.88%	88.16%	85.99%
Covered payroll	4,038,800	4,045,342	3,945,800
Net OPEB Liability (asset) as a percentage of covered payroll	-10.20%	5.67%	6.21%
Measurement Date	June 30, 2019	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*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution (ADC)	\$ 137,900	\$ 137,900	\$ 143,300	\$ 165,487
Contributions in relation to the actuarially determined contribution	<u>(137,878)</u>	<u>(137,900)</u>	<u>(143,300)</u>	<u>(165,487)</u>
Contribution deficiency/(excess)	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>4,355,100</u>	<u>4,038,800</u>	<u>4,045,342</u>	<u>3,945,800</u>
Contributions as a percentage of covered payroll	3.2%	3.4%	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*

	2015	2016	2017	2018	2019	2020
Proportion of the net pension liability	0.04834%	0.01877%	0.02040%	0.02160%	0.02147%	0.02295%
Proportionate share of the net pension liability	\$ 1,299,087	\$ 1,288,393	\$ 1,765,415	\$ 2,141,912	\$ 2,068,676	\$ 2,351,809
Covered payroll	\$ 3,263,808	\$ 3,684,025	\$ 3,643,778	\$ 4,202,141	\$ 4,038,787	\$ 4,395,775
Proportionate share of the net pension liability as a percentage of covered payroll	39.80%	34.97%	48.45%	50.97%	51.22%	53.50%
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%	75.26%
Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019

*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*

	2014	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution (ADC)	\$ 365,402	\$ 399,937	\$ 280,199	\$ 293,492	\$ 403,317	\$ 478,668	\$ 539,103
Contributions in relation to the actuarially determined contribution	(365,402)	(399,937)	(280,199)	(293,492)	(403,317)	(478,668)	(539,103)
Contribution deficiency/(excess)	<u>\$ -</u>	<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	\$ 4,423,143
Contributions as a percentage of covered payroll	11.20%	10.86%	7.69%	6.98%	9.99%	10.89%	12.19%

* 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, 2020

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.

NOTE 2 – NET PENSION, NET OPEB LIABILITY AND CONTRIBUTIONS TO PENSION AND OPEB PLANS

The Transportation Authority's pension liabilities are administered by CalPERS cost sharing plans. The Authority's pension liabilities are calculated based on the Transportation Authority's proportionate share of the overall pension liabilities and related deferrals. The schedule of the proportionate share of the pension liability and the schedule of pension contributions show a ten-year trend information, where available, about these amounts and they are changing from year to year.

The discount rate was changed from 7.5% to 7.65% in FY2015/16 and to 7.15% in FY2017/18.

The Transportation Authority's OPEB liability is administered as an agent multiple employer plan, which is also administered by CalPERS. The schedule of changes in Net OPEB liability and the schedule of OPEB contributions show a ten-year trend information, where available, about these amounts and they are changing from year to year.

The discount rate was changed from 7.28% to 7.59% in FY2019/20.

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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, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>
ASSETS				
Deposits with escrow agent	\$ 75,353	\$ -	\$ -	\$ 75,353
LIABILITIES				
Due to City and County of San Francisco	\$ 75,353	\$ -	\$ -	\$ 75,353

See notes to supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

<u>Program Description</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures July 1, 2019 through June 30, 2020</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 Treasue Island	20.200	693JJ31850002	\$ 91,929	\$ -
Total Highway Research and Development Program			<u>91,929</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)	1,520,909	1,253
<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)	286,769	-
Yerba Buena Island Ramps Southgate Road	20.205	BRLS-6272(047)	3,402,948	-
Yerba Buena Island Viaduct Structure #2	20.205	STPLZ-6272(026)	347,948	-
Yerba Buena Island Westside Bridges	20.205	STPLZ-6272(046)	3,024,212	-
Total Highway Planning and Construction Cluster			<u>8,582,786</u>	<u>1,253</u>
Total Federal Highway Administration			<u>8,674,715</u>	<u>1,253</u>
Total U.S. Department of Transportation			<u>8,674,715</u>	<u>1,253</u>
Total Expenditures of Federal Awards			<u>\$ 8,674,715</u>	<u>\$ 1,253</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, 2020

	Agency-wide			Positive (Negative) Variance Final to Actual
	Budget Amounts		Actual	
	Original	Final		
Revenues and Transfers In				
Sales tax	\$110,861,695	\$ 86,554,444	\$ 99,268,709	\$ 12,714,265
Vehicle registration fee	4,930,000	4,930,000	4,016,473	(913,527)
Traffic congestion mitigation tax	-	3,249,395	-	(3,249,395)
Investment income	1,622,000	2,538,471	2,782,633	244,162
Program revenues				
Federal	23,180,409	12,841,427	6,559,443	(6,281,984)
State	2,148,445	610,187	117,621	(492,566)
Regional and other	5,693,723	6,411,625	3,935,297	(2,476,328)
Other revenues	45,980	45,980	43,631	(2,349)
Transfers in from other funds	6,914,271	3,240,560	5,947,273	2,706,713
Total Revenues and Transfers In	<u>155,396,523</u>	<u>120,422,089</u>	<u>122,671,080</u>	<u>2,248,991</u>
Expenditures and Transfers Out				
Administrative operating costs	10,947,099	10,928,766	9,285,800	1,642,966
Transportation improvement	242,496,571	166,114,894	92,514,661	73,600,233
Debt service				
Principal	12,920,000	12,920,000	12,920,000	-
Interest and fiscal charges	9,394,250	8,874,250	8,852,994	21,256
Transfers out to other funds	6,914,271	3,240,560	5,947,273	(2,706,713)
Total Expenditures and Transfers Out	<u>282,672,191</u>	<u>202,078,470</u>	<u>129,520,728</u>	<u>72,557,742</u>
Other Financing Sources (Uses)				
Proceeds from debt	67,000,000	-	-	-
Change in Fund Balance	(60,275,668)	(81,656,381)	(6,849,648)	74,806,733
Fund Balance - Beginning	<u>114,630,030</u>	<u>114,630,030</u>	<u>114,630,030</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 54,354,362</u>	<u>\$ 32,973,649</u>	<u>\$107,780,382</u>	<u>\$ 74,806,733</u>

See notes to supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Supplementary Information

For the Year Ended June 30, 2020

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 Owner-Controlled Insurance Program for the Third Street Light Rail Project.

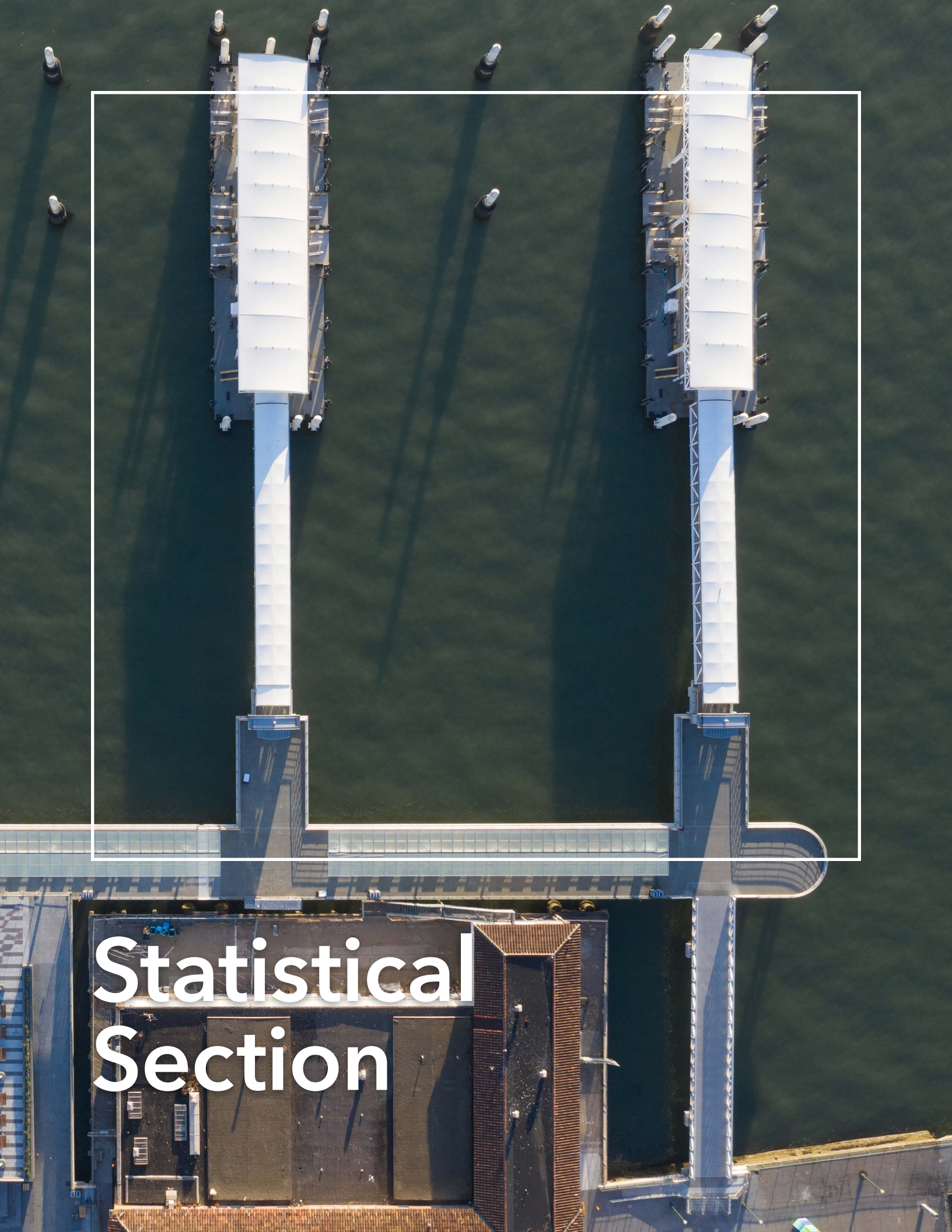
NOTE 2 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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, 2020. 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% 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,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental Activities:										
Investment in capital assets	\$ 1,247,867	\$ 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
Restricted										
Debt service	-	4,431,964	12,645,404	-	-	-	342,674	300,214	311,431	309,352
Capital projects	28,673,442	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
Unrestricted deficit	(169,271,644)	(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)
Total Governmental Activities Net Position (Deficit)	<u><u>\$ (139,350,335)</u></u>	<u><u>\$ (152,730,828)</u></u>	<u><u>\$ (141,573,077)</u></u>	<u><u>\$ (102,027,081)</u></u>	<u><u>\$ (62,680,232)</u></u>	<u><u>\$ (21,044,274)</u></u>	<u><u>\$ (35,933,775)</u></u>	<u><u>\$ (61,150,061)</u></u>	<u><u>\$ (43,805,274)</u></u>	<u><u>\$ (13,230,542)</u></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,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
EXPENSES										
Governmental activities:										
Transportation improvement	\$ 102,329,345	\$ 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
Interest	7,475,771	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
Total Expenses	109,805,116	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
REVENUES										
Program revenues:										
Operating grants and contributions	16,186,972	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
Total Revenues	16,186,972	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
Net (Expense) / Revenue	(93,618,144)	(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)
GENERAL REVENUES										
Governmental activities:										
Sales tax	99,268,709	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
Vehicle Registration	4,701,173	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	2,782,633	2,844,187	1,703,664	773,032	383,456	462,845	637,677	20,730	1,823,823	1,358,730
Other	246,122	243,764	181,548	205,367	220,688	315,222	304,466	677,510	725,381	26,616,677
Total General Revenues	106,998,637	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
Governmental Activities Change in Net Position (Deficit)	\$ 13,380,493	\$ (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

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,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011*
Sales Tax Program										
Nonspendable	\$ 81,580	\$ 139,716	\$ 81,580	\$ 81,580	\$ 81,580	\$ 136,760	\$ 249,102	\$ 81,580	\$ 912,451	\$ -
Restricted	2,693,783	7,937,068	16,150,508	-	32,929,667	99,455,392	342,674	300,214	311,431	309,352
Unassigned	88,481,666	90,842,495	123,503,753	18,923,409	-	-	(56,765,333)	(78,892,781)	(84,181,113)	(35,505,050)
Total Sales Tax Program	<u>91,257,029</u>	<u>98,919,279</u>	<u>139,735,841</u>	<u>19,004,989</u>	<u>33,011,247</u>	<u>99,592,152</u>	<u>(56,173,557)</u>	<u>(78,510,987)</u>	<u>(82,957,231)</u>	<u>(35,195,698)</u>
All Other Governmental Funds										
Restricted	16,571,323	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
Unassigned	(47,970)	-	-	-	-	-	-	-	-	-
Total All Other Governmental Fund	<u>\$16,523,353</u>	<u>\$15,710,751</u>	<u>\$12,635,071</u>	<u>\$ 9,526,011</u>	<u>\$ 7,371,688</u>	<u>\$ 8,418,895</u>	<u>\$11,782,031</u>	<u>\$10,623,833</u>	<u>\$ 6,393,430</u>	<u>\$ 1,076,453</u>

* 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,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
REVENUES										
Sales tax	\$ 99,268,709	\$ 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
Vehicle registration fee	4,016,473	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	2,782,633	2,844,187	1,703,664	773,032	383,456	462,845	637,677	20,730	1,823,823	1,028,840
Program revenues	10,612,361	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
Project funds and other revenues	43,631	53,328	45,919	69,738	85,059	179,593	168,837	541,881	725,381	26,616,677
Leasehold incentives	-	-	-	-	-	-	-	1,763,180	-	-
Total Revenues	116,723,807	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
EXPENDITURES										
Current - transportation improvement										
Personnel expenditures	6,613,922	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
Non-personnel expenditures	2,671,878	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
Capital project costs	92,419,890	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
Capital outlay	94,771	33,338	90,684	48,448	51,852	52,965	195,221	167,647	3,118,043	-
Debt service										
Principal	12,920,000	24,664,165	115,000,000	21,000,000	20,000,000	-	-	-	-	-
Interest and fiscal charges	8,852,994	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
Total Expenditures	123,573,455	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
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,849,648)	(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
OTHER FINANCING SOURCES										
Transfers in	5,947,273	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
Transfers out	(5,947,273)	(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)
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	(6,849,648)	(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
Fund Balances - Beginning	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)
Fund Balances - Ending	\$ 107,780,382	\$ 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)
Debt Service as a Percentage of Noncapital Expenditures	17.63%	19.71%	44.92%	12.09%	7.79%	1.12%	1.48%	1.23%	1.70%	2.05%

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)
2020	0.5%	\$ 99,269	-14.18%	* \$ 19,853,742
2019	0.5%	115,671	14.56%	20,762,507
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

* Amount was estimated based on the sales tax collected.

Source: California Department of Tax and Fee Administration.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Revenue Capacity – Principal Sales Tax Payers By Segment For The County
Last Ten Fiscal Years (in thousands)

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Building Material, Garden Equipment & Supplies Dealer	\$ 688,526	\$ 660,316	\$ 586,018	\$ 590,523	\$ 567,502	\$ 514,998	\$ 498,134	\$ 438,152	\$ 383,916	\$ 333,772
Clothing and Clothing Accessories Stores	2,004,367	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
Food and Beverage Stores	859,081	862,682	851,556	845,680	805,017	758,809	718,909	677,070	628,015	604,678
Food Services and Drinking Places	4,958,157	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
Gasoline Stations	563,607	548,415	445,369	442,063	520,987	652,121	662,270	640,620	586,364	488,951
General Merchandise Stores	767,933	812,795	822,175	857,385	864,504	891,592	852,932	777,872	734,974	670,231
Home Furnishings Stores and Appliance Stores	1,058,102	970,745	917,409	989,560	982,826	929,378	847,462	775,343	699,344	656,548
Motor Vehicle and Parts Dealers	678,081	613,264	613,651	552,476	575,056	581,188	524,700	469,375	438,541	406,391
Other Retail Group	2,582,246	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
Total Retail and Food Services	14,160,100	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
All Other Outlets	6,602,407	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
Total All Outlets	<u>\$ 20,762,507</u>	<u>\$ 19,824,321</u>	<u>\$ 19,334,503</u>	<u>\$ 19,378,945</u>	<u>\$ 18,661,884</u>	<u>\$ 17,878,929</u>	<u>\$ 16,400,034</u>	<u>\$ 15,542,183</u>	<u>\$ 14,123,269</u>	<u>\$ 12,855,593</u>

Source: California Department of Tax and Fee Administration.

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
2020	\$ -	\$ -	\$ 253,565,836	\$ 287	0.22%
2019	-	-	267,701,559	303	0.24%
2018	24,664,165	-	268,917,282	334	0.28%
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%

* 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		Total	Coverage
	Sales Tax Revenue (in thousands)	Principal*	Interest**		
2020	\$ 99,269	\$ 12,920,000	\$ 8,852,994	\$ 21,772,994	4.6
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

* 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
2019	887,463	\$ 116,222,759	\$ 130,961	2.3%
2018	883,305	112,447,995	127,304	2.6%
2017	879,166	106,006,635	120,576	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%

Source: City and County of San Francisco Comprehensive Annual Financial Report for the year ended June 30, 2019; Statistical Section - Demographic and Economic Statistics. Current year population information not available.

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

Employer	2018*		
	Rank	Number of Employees	Percentage of Total City Employment
University of California, San Francisco	1	34,690	6.09%
City and County of San Francisco	2	32,749	5.75%
San Francisco Unified School District	3	10,506	1.84%
Salesforce	4	8,000	1.40%
Wells Fargo & Co.	5	7,747	1.36%
Kaiser Permanente	6	6,659	1.17%
Sutter Health	7	5,359	0.94%
Uber Technologies Inc.	8	5,000	0.88%
Gap, Inc.	9	4,000	0.70%
PG&E Corporation	10	3,800	0.67%
Total		<u>118,510</u>	

Employer	2009		
	Rank	Number of Employees	Percentage of Total City Employment
City and County of San Francisco	1	26,554	6.20%
University of California, San Francisco	2	24,759	5.79%
Wells Fargo & Co.	3	9,214	2.15%
California Pacific Medical Center	4	6,800	1.59%
Kaiser Permanente	5	5,629	1.32%
State of California	6	5,555	1.30%
San Francisco Unified School District	7	5,313	1.24%
United States Postal Service	8	4,697	1.10%
PG&E Corporation	9	4,394	1.03%
Gap Inc.	10	3,804	0.89%
Total		<u>96,719</u>	

* Most recent information available.

Source: City and County of San Francisco Comprehensive Annual Financial Report for the year ended June 30, 2019.

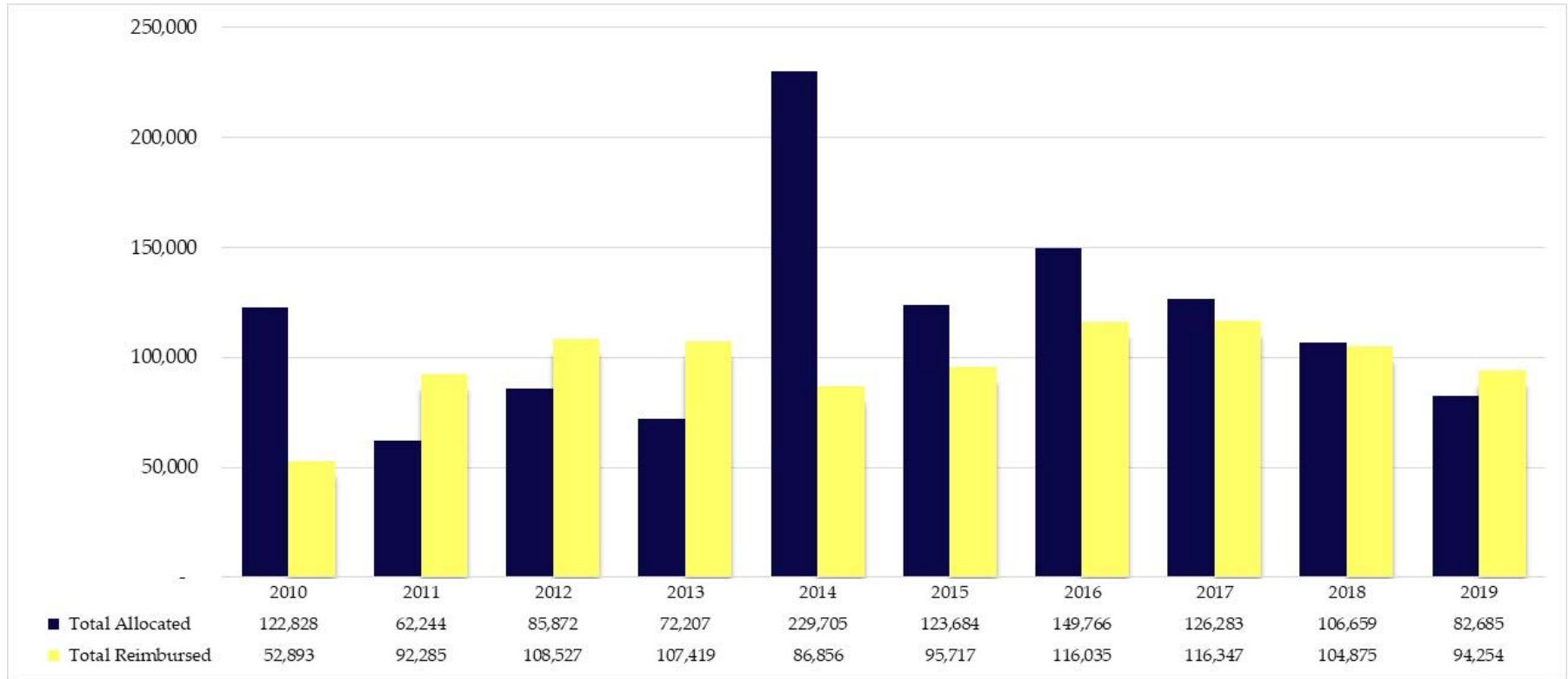
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Operating Information – Full-Time Equivalent Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Capital Projects	3.00	3.00	3.00	4.00	4.00	4.00	4.00	3.00	4.00	4.00
Executive	6.00	7.00	7.00	6.00	6.00	6.00	5.00	3.00	3.00	3.00
Finance and Administration	9.00	9.00	9.00	8.00	6.00	8.00	5.00	6.00	6.00	6.00
Planning	7.00	7.00	8.00	8.00	7.00	9.00	8.00	7.00	9.00	8.00
Policy and Programming	8.00	7.00	8.00	8.00	7.00	6.00	8.00	9.00	9.00	10.00
Technology, Data and Analysis	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00
Total Employees	37.00	37.00	39.00	38.00	34.00	37.00	33.00	31.00	34.00	34.00

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SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

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

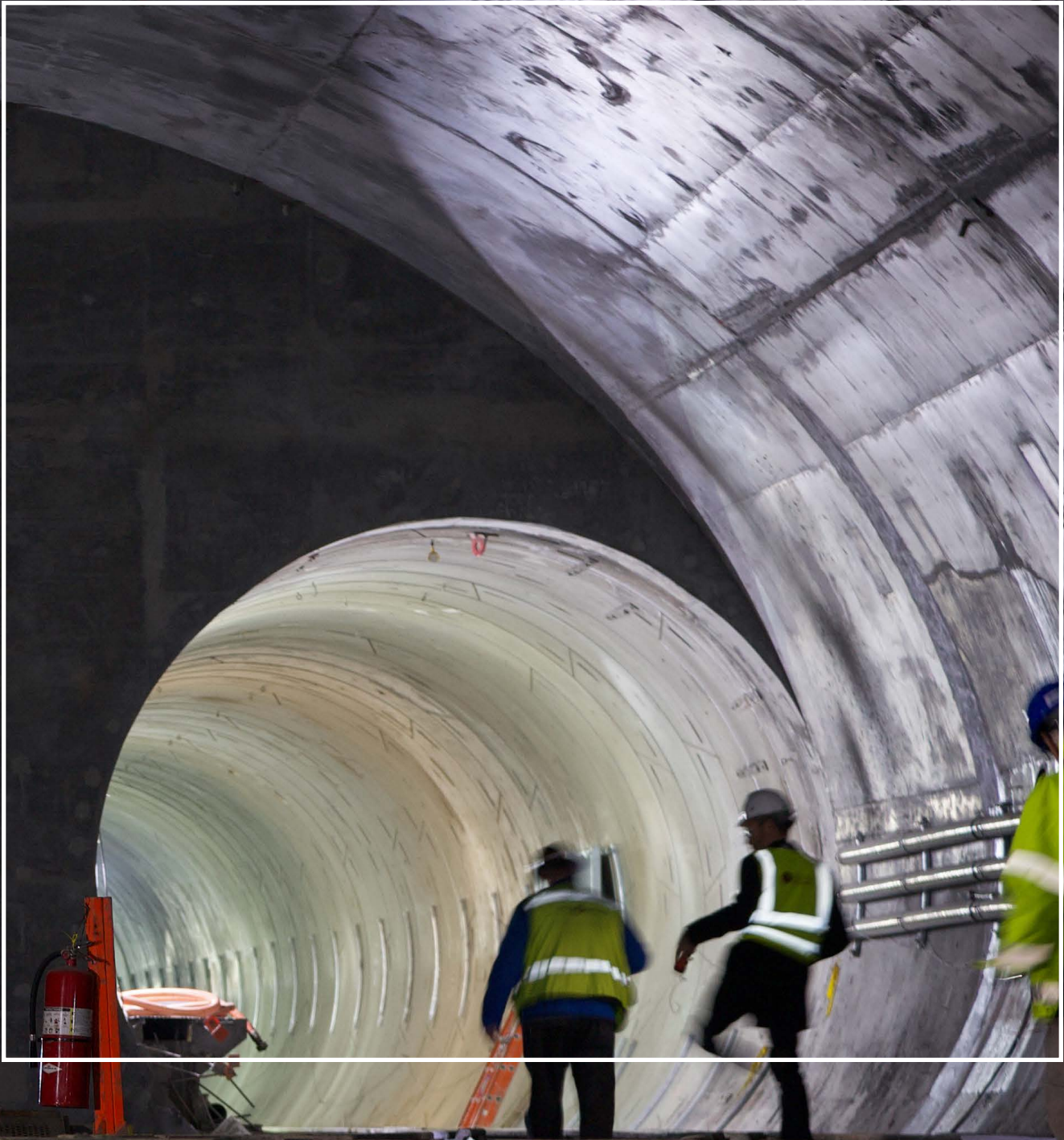


Source: San Francisco County Transportation Authority's Annual Report from 2010 to 2019. Calendar year basis for data presented.

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

	Fiscal Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Capital assets										
Leasehold improvements	\$ 3,023,624	\$ 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
Furniture and equipment	899,864	850,135	856,146	890,753	890,753	961,989	909,024	770,577	703,027	518,554
Total capital assets	3,923,488	3,873,759	3,879,770	3,914,377	3,914,377	3,985,613	3,932,648	3,762,981	3,636,597	1,749,539
Less accumulated depreciation										
Leasehold improvements	1,859,125	1,626,225	1,393,325	1,160,425	927,525	694,626	461,727	230,185	-	904,952
Furniture and equipment	816,496	798,126	773,396	825,211	762,439	772,407	666,398	524,906	487,164	449,072
Total accumulated depreciation	2,675,621	2,424,351	2,166,721	1,985,636	1,689,964	1,467,033	1,128,125	755,091	487,164	1,354,024
Total capital assets, net	\$ 1,247,867	\$ 1,449,408	\$ 1,713,049	\$ 1,928,741	\$ 2,224,413	\$ 2,518,580	\$ 2,804,523	\$ 3,007,890	\$ 3,149,433	\$ 395,515

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, 2020, 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 17, 2020.

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) as a basis for designing 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 financial statement. 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 Bailly LLP".

San Mateo, California
December 17, 2020



**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, 2020. 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, 2020.

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 Bailly LLP

San Mateo, California

December 17, 2020

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

I. Summary of Auditor's Results For the Year Ended June 30, 2020

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?	No

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

**II. Financial Statement Findings
For the Year Ended June 30, 2020**

None reported.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

III. Federal Awards Findings and Questioned Costs

For the Year Ended June 30, 2020

None reported.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

None reported.



**San Francisco
County Transportation
Authority**

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