



San Francisco County Transportation Authority
A COMPONENT UNIT OF THE CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2018



This page is intentionally blank.

San Francisco County Transportation Authority

A COMPONENT UNIT OF THE CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA



Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prepared by the Finance and Administration Division

PHOTO CREDITS

Uncredited photos are from the SFCTA photo library. Photos with links are made available via Flickr Commons. Follow URL for use and licensing information.

INTRODUCTORY SECTION: Victor Solano, <https://flic.kr/p/h0xYKR>
FINANCIAL SECTION: Sergio Ruiz, <https://flic.kr/p/z1A7Wx>
COMPLIANCE SECTION: Sergio Ruiz, <https://flic.kr/p/XaKnGU>
BACK COVER: Sergio Ruiz, <https://flic.kr/p/NKsXGC>

This page is intentionally blank.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Table of Contents

For the Year Ended June 30, 2018

INTRODUCTORY SECTION

Letter of Transmittal	i
GFOA Certificate of Achievement	ix
Organizational Chart	x
Commissioners and Officials	xi

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	4

Basic Financial Statements

Government-wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Governmental Funds - Balance Sheet	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances to the Statement of Activities	23
Owner-Controlled Insurance Program Fiduciary Fund - Statement of Assets and Liabilities	24
Notes to Financial Statements	25

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Sales Tax Program	62
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Congestion Management Agency Programs Fund	63
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Transportation Fund for Clean Air Program	64
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Vehicle Registration Fee for Transportation Improvements Program Fund	65
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Treasure Island Mobility Management Agency Fund	66
Schedule of Changes in the Net Other Postemployment Benefits Liability and Related Ratios	67
Schedule of Other Postemployment Benefits Contributions	68
Schedule of the Proportionate Share of the Net Pension Liability	69
Schedule of Pension Contributions	70
Notes to Required Supplementary Information	71

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Table of Contents (Continued) For the Year Ended June 30, 2018

Supplementary Information

Owner-Controlled Insurance Program Fiduciary Fund - Statement of Changes in Assets and Liabilities	73
Schedule of Expenditures of Federal Awards	74
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Agency-wide	75
Notes to Supplementary Information	76

STATISTICAL SECTION

Financial Trends	
Net Position by Component	79
Changes in Net Position	80
Fund Balances - Governmental Funds	81
Changes in Fund Balances - Governmental Funds	82
Revenue Capacity	
Sales Tax Rates	83
Principal Sales Tax Payers By Segment For The County	84
Debt Capacity	
Ratios of Outstanding Debt	85
Legal Debt Margin Information	86
Pledged-Revenue Coverage	87
Demographic and Economic Information	
Demographic and Economic Statistics	88
Principal Employers	89
Operating Information	
Full-Time Equivalent Employees by Function	90
Operating Indicators by Function - Project Fund Allocations and Reimbursements	91
Capital Asset Statistics	92

COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	94
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	96
Schedule Of Findings And Questioned Costs	
I. Summary of Auditor's Results	98
II. Financial Statement Findings	99
III. Federal Awards Findings and Questioned Costs	100
Summary Schedule of Prior Audit Findings	101



Introductory Section



This page is intentionally blank.

January 29, 2019

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



Plan, Fund, Deliver

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the San Francisco County Transportation Authority (Transportation Authority) for the fiscal year ended June 30, 2018. 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.

Vavrinek, Trine, Day & Co. LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the Transportation Authority's financial statements for the year ended June 30, 2018. 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.

COMMISSIONERS

Aaron Peskin
CHAIR

Vallie Brown

Sandra Lee Fewer

Matt Haney

Rafael Mandelman

Gordon Mar

Hillary Ronen

Ahsha Safai

Catherine Stefani

Shamann Walton

Norman Yee

Tilly Chang
EXECUTIVE DIRECTOR

Profile of the Government

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

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

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

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

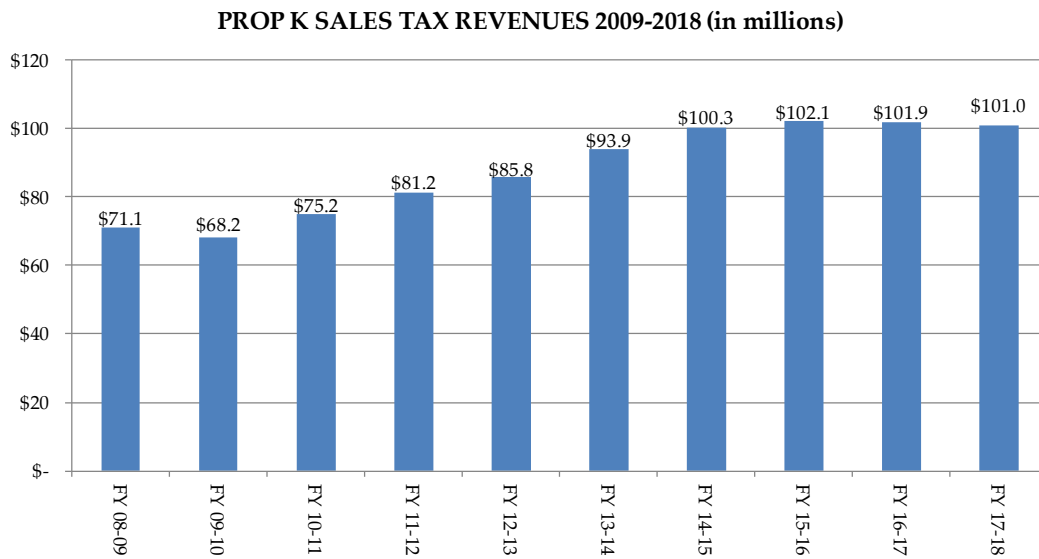
The Transportation Authority also serves as the administrator of Proposition AA, a \$10 annual vehicle registration fee on motor vehicles registered in the City, which was passed by City voters in November 2010. In such role, the Transportation Authority oversees the Proposition AA program and allocates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

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

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

Major Revenue – Sales Tax

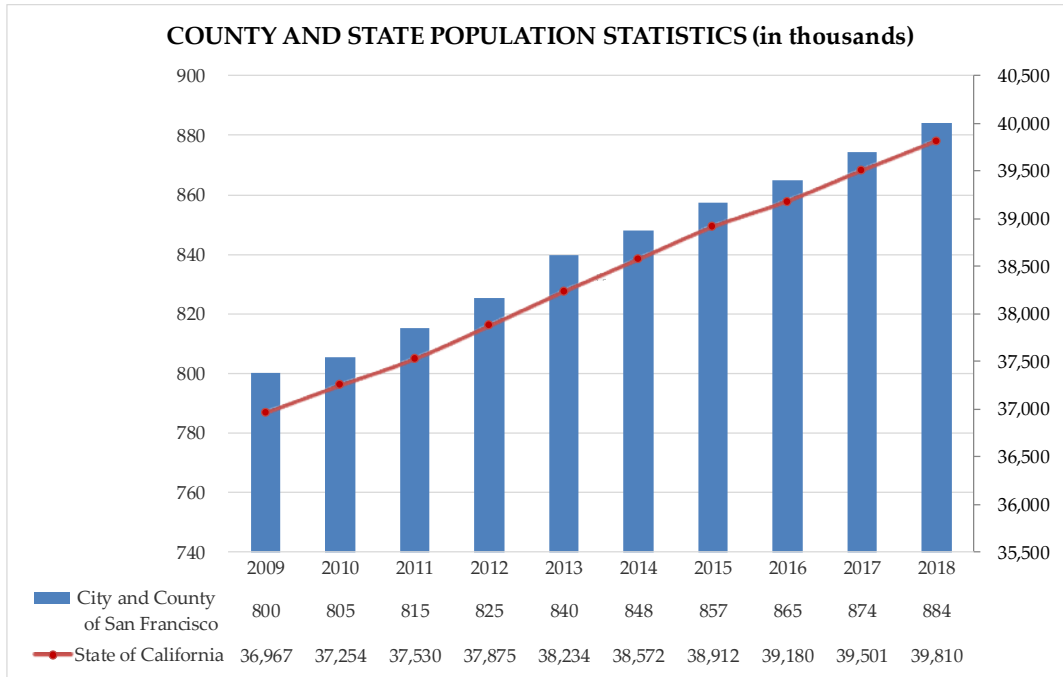
The Act, among other things, authorizes the board of supervisors of any county within the nine-county Bay Area to develop a countywide consensus on a proposed transportation expenditure plan to be submitted to the voters, following various local governmental approvals, as part of an ordinance imposing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



Local Economy (revenue drivers)

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

During the past ten years, the estimated population of the City and County of San Francisco increased from 800,239 to 883,963 with an average annual growth rate of 1.1%.



Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 & 2010 Census Counts, Sacramento, California November 2012. State of California, Department of Finance, E-4 Population for Cities, Counties, and the State, 2011-2018, with 2010 Census Benchmark. Sacramento, California, May 2018.

In addition, the unemployment rate fell from 5.5% in 2013 to 2.9% in 2017.

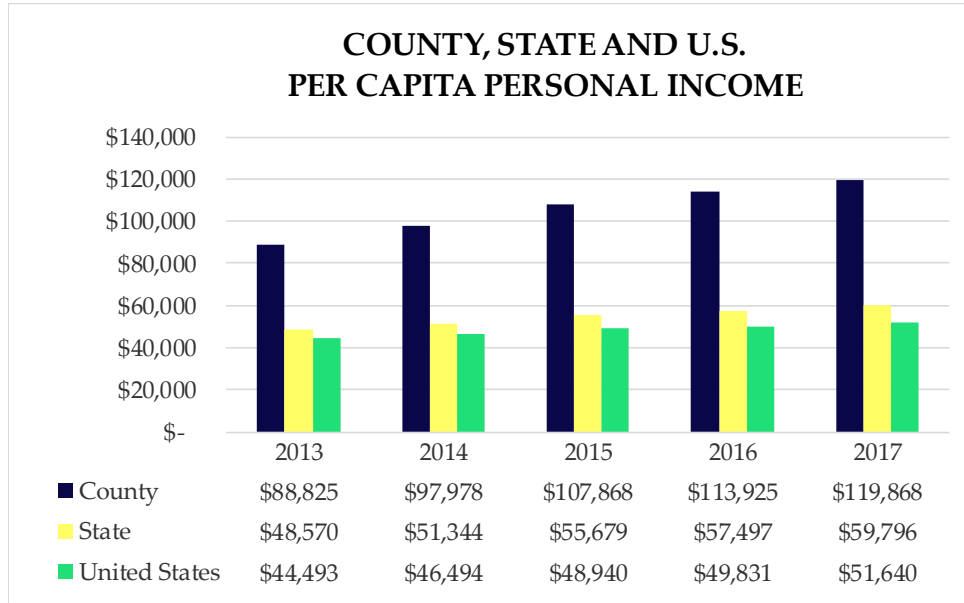
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF RESIDENT LABOR FORCE ¹

	2013	2014	2015	2016	2017
Civilian Labor Force					
County					
Employed	488,100	506,700	525,900	541,700	552,300
Unemployed	28,200	23,200	19,800	18,400	16,500
Total	516,300	529,900	545,700	560,100	568,800
Unemployment Rates					
County	5.5%	4.4%	3.6%	3.3%	2.9%
State	8.9%	7.5%	6.2%	5.5%	4.8%
United States	7.4%	6.2%	5.3%	4.9%	4.4%

¹ March 2017 Benchmark report; not seasonally adjusted.

Source: California Employment Development Department, Labor Market Information Division for the State and County; U.S. U.S. Bureau of Labor, Department of Labor Statistic. Item may not add to totals due to rounding.

Also, the estimated per capita personal income for the City and County of San Francisco continuously increased from \$88,825 in 2013 to \$119,868 in 2017.



Source: U.S. Bureau of Economic Analysis, CANIC1 Personal Income Summary: Personal Income, Population, Per Capita Personal Income. Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2017 reflect county population estimates available as of March 2018. Last updated: November 15, 2018 – new statistics for 2017; revised statistics for 2001-2016.

The combined effects indicated more household income generated and more overall spending by the local economy, in general, for past years. Looking ahead, the strong fundamentals in San Francisco’s economy is expected to support long term taxable sales and subsequent sales tax revenues for the Transportation Authority for the foreseeable future. San Francisco is a sought-after destination with a strong labor market and future population, and job growth is expected to sustain the spending base in the City. From 2011 to 2016, the average increase of taxable sales was approximately \$901.4 million or 5.5% for the past five years.

**CITY AND COUNTY OF SAN FRANCISCO
2011 to 2016 CALENDAR YEAR TAXABLE SALES³
(in thousands)**

	2011	2012	2013	2014	2015	2016
Motor Vehicle and Parts Dealers	\$ 452,375	\$ 505,612	\$ 548,713	\$ 588,769	\$ 565,639	\$ 573,965
Home Furnishings Stores and Appliance Stores	732,495	825,268	880,330	938,256	1,010,769	965,919
Building Material, Garden Equipment and Supplies Dealer	414,096	466,949	508,070	537,424	588,279	586,373
Food and Beverage Stores	651,528	698,890	740,746	782,750	830,061	843,717
Gasoline Stations	626,887	664,318	650,678	611,354	471,496	428,473
Clothing and Clothing Accessories Stores	1,701,395	1,886,746	2,040,734	2,168,822	2,163,743	2,132,167
General Merchandise Stores	768,818	804,628	897,608	864,009	825,300	797,833
Food Services and Drinking Places	3,120,655	114,723	3,750,056	4,104,185	4,441,352	4,670,360
Other Retailers Group	1,471,647	4,916,138	2,480,682	2,037,646	2,136,115	2,223,654
Total Retail and Food Services	9,939,896	10,883,272	12,497,617	12,633,215	13,032,754	13,222,461
All other outlets ¹	4,950,632	5,070,334	5,224,609	5,836,514	5,839,079	6,174,841
TOTAL ALL OUTLETS ²	14,890,528	15,953,606	17,722,226	18,469,729	18,871,833	19,397,302

¹ Primary manufacturing and wholesale businesses.

² Items may not add to totals due to rounding.

³ The State Board of Equalization's taxable sales reporting methodology changed in 2015.

Source: California State Board of Equalization, Taxable Sales in California Report (annual report for 2010-2016). Effectively, July 1, 2017, the CDTFA is the successor to, and vested with nearly all of the duties, powers, and responsibilities of, the State Board of Equalization. Numbers were adjusted to make the categories comparable.

Major Capital Project Expenditures

In Fiscal Year 2017-18, the Transportation Authority continued to allocate Prop K sales tax, Prop AA vehicle registration fees, Transportation Fund for Clean Air (TFCA) funds and grants from federal, state, and regional sources to provide project delivery and support to partially or fully fund a wide variety of programs and projects that improve the safety and efficiency of the multi-modal transportation network in San Francisco.

The largest project in the Prop K Expenditure Plan, the Transbay Transit Center/Caltrain Downtown Extension (TTC/DTX) project will transform downtown San Francisco and regional transportation well into the 21st Century. The project consists of three elements: building a new multimodal terminal (TTC); extending commuter rail service 1.3 miles from its current terminus at Fourth and King streets to the TTC with accommodations for future high-speed rail (DTX); and creating a transit-friendly neighborhood with 3,000 new homes (35% affordable) and mixed-use commercial development. As of December 2017, the Transportation Authority has allocated \$196 million in Prop K funds to the project, in addition to State Transportation Improvement Program (STIP) and federal One Bay Area Grant (OBAG) program funds.

In 2017, the first of the next generation Muni light rail vehicle rolled into revenue service. This next generation of trains incorporates significant input from Muni passengers, drivers, and maintenance and operations workers, bringing more comfortable, safer, and reliable service. With the help of Prop K local half-cent sales tax funds, the San Francisco Municipal Transportation Agency (SFMTA) will replace all 151 existing light rail vehicles that have reached the end of their useful life, and plans to expand the fleet with an additional 64 vehicles. As of December 2017, eight of the new vehicles had been delivered, one was in service, and seven were undergoing testing. There will be a total of 24 new trains in service by the end of 2018 to support the Central Subway when it comes on line. The Transportation Authority has allocated \$131 million and committed an additional \$28 million toward the SFMTA's \$1.2 billion contract with Siemens USA for purchase of new light rail vehicles. Thanks in part to the State Transit and Intercity Rail Capital Program, the SFMTA has secured funding for all 151 replacement trains and 42 of the additional 64 trains to expand its fleet.

The SFMTA has an ongoing Central Control and Communications (C3) program to expand and modernize its transportation central control capabilities and facilities. The C3 program has three main components: 1) Near-term improvements to the existing Operations Control Center (OCC), 2) A new Transportation Management Center, 3) Integrated Systems Development project, which will provide communications, monitoring, and control platform in the Muni Metro subway. Work on all three components is nearing completion. Prop K has contributed \$19.9 million toward design and construction of a new, \$32.1 million Transportation Management Center, which expands OCC operational capabilities and consolidates other command and control functions that are currently separated, including the Transit Line Management Center, Power Control Center, SFgo Traffic Management Center, and the Security Division.

In 2017, the SFMTA finished the installation of the new on-board communications system for its buses and some of the trains as part of the Radio Replacement project. Now buses and trains can communicate directly and automatically with the new Transportation Management Center. The Central Control and Communications Program will provide communications, monitoring, and control platform in the Muni Metro subway that will allow the existing SFMTA central control functions to be seamlessly migrated from their existing locations. It also will enable the future Central Subway communications systems to plug in as a single integrated communication platform.

Funding the Projects

Since 2004, the Transportation Authority has administered the Prop K program primarily on a pay-as-you-go basis, with the use of short-term debt instruments to meet cash flow needs. Issuing debt facilitates delivery of projects and benefits to the public sooner than would be possible using pay-as-you-go funding. In order to meet the multi-year funding needs of large projects and expansion program, the Series 2017 Bonds were issued by the Transportation Authority under and pursuant to the authority granted under the Act, the Ordinance and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53580-53589.5) of the Government Code of the State of California, and other applicable law. The total face amount is \$248,250,000 and matures April 1, 2034. The Series 2017 Bonds will be repaid through sales tax collection in subsequent years. The Transportation Authority uses the proceeds of the Series 2017 Bonds to (i) finance a portion of the costs of and costs incidental to, or connected with, the construction, acquisition and improvement of certain transit, street and traffic facilities and other transportation projects, including, without limitation, engineering, inspection, legal, fiscal agents, financial consultant and other fees and working capital, all as described in the Expenditure Plan adopted pursuant to the Act, (ii) repay a portion of the outstanding amount of a revolving credit agreement and a promissory note evidencing the Transportation Authority's payment obligation thereunder, (iii) pay capitalized interest on a portion of the Series 2017 Bonds and (iv) pay costs of issuance of the Series 2017 Bonds.

In 2018, the Transportation Authority continues to hold credit ratings with Fitch Ratings and S&P Global Ratings. Fitch issued a rating of AAA, its highest and Standard & Poor's issued a rating of AA+. The high ratings reflect the strength and diversity of the economic base that generates San Francisco's half-cent sales tax for transportation, the primary revenue source overseen by the Transportation Authority. The ratings also reflect the Transportation Authority's strong financial position.

Relevant Financial Policies

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

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

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

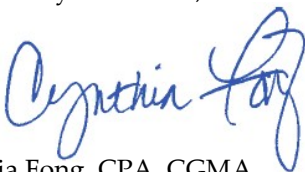
Debt Policy is to organize and formalize debt issuance-related policies and procedures for the Transportation Authority and to establish a systematic debt policy.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Transportation Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This will be the second year that the Transportation Authority will apply for this prestigious award. In order to be awarded a Certificate of Achievement, the local government agency had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

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

Respectfully submitted,



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



Kalman Hui, CPA
Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**San Francisco County
Transportation Authority, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

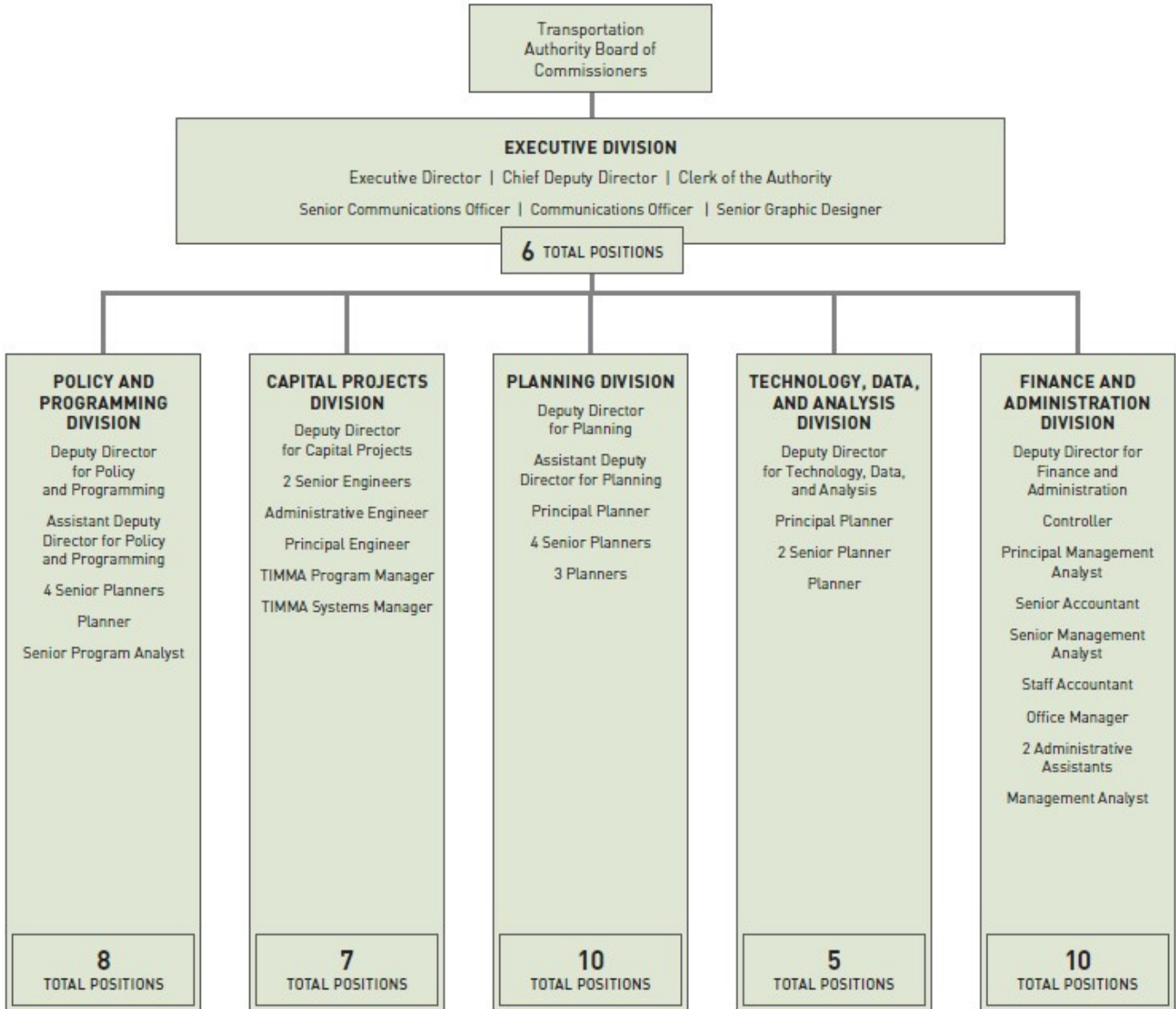
June 30, 2017

Christopher P. Morill

Executive Director/CEO

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Organizational Chart



Commissioners and Officials

As of June 30, 2018

Commissioners:

Aaron Peskin – Board Chair

Katy Tang – Vice Chair

London Breed

Malia Cohen

Catherine Stefani

Sandra Lee Fewer

Jane Kim

Hillary Ronen

Ahsha Safai

Jeff Sheehy

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

Jeff Hobson – Planning

Joe Castiglione – Technology, Data, and Analysis

This page is intentionally blank.



Financial Section



This page is intentionally blank.



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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, 2018, 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, 2018, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the Transportation Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective July 1, 2017. This resulted in a restatement of beginning net position as disclosed in Note 16 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of changes in net other postemployment benefits (OPEB) liability and related ratios, schedule of OPEB contributions, schedule of the proportionate share of the net pension liability and schedule of pension contributions on pages 4 through 14 and pages 62 through 70 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 January 29, 2019, on our consideration of the Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Transportation Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transportation Authority's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California

January 29, 2019

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2018

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, 2018. The Transportation Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- Under governmental activities financial statements, the liabilities and deferred inflows of the Transportation Authority's governmental activities exceeded its assets and deferred outflows at the close of fiscal year (FY) 2017-18 by \$141.6 million. The Transportation Authority's total net position decreased by \$39.5 million during the year ended June 30, 2018, as compared to a decrease of \$39.3 million in the prior year. Of the net position, \$1.7 million was for investment in capital assets, \$17.5 million was restricted for transportation projects, \$12.6 million was restricted for debt service and a negative balance of \$173.4 million was unrestricted deficit. A major factor to consider in reviewing the statement of net position is that the Transportation Authority does not hold or retain title for the projects it constructs or for the vehicles and system improvements that it purchases with sales tax program funds, congestion management agency programs funds, transportation funds for clean air program funds, vehicle registration fee for transportation improvements program funds, and Treasure Island Mobility Management Agency. The reporting of the Revolving Credit Agreement and the Sales Tax Revenue Bonds, without a corresponding asset, results in the net deficit. Furthermore, debt financing has been used to enable the acceleration of projects for the benefit of San Francisco residents and taxpayers. Cash, deposits, and investments increased by \$125.8 million as compared to the prior year mainly due to the issuance of the Sales Tax Revenue Bonds during FY 2017-18. Other non-cash assets (assets other than cash, deposits, and investments) decreased by \$11.5 million as compared to the prior year, which is primarily due to a decrease in program receivables.
- Sales tax revenues decreased by \$952 thousand from the prior year due to the change of sales tax revenue distribution methodology by the California Department of Tax and Fee Administration (CDTFA), the successor to the California State Board of Equalization, that affect the timing of sales tax distribution in FY 2017-18. Investment income increased by \$931 thousand, mainly due to the interest earned on the unspent proceeds from the Sales Tax Revenue bonds. Transportation improvement expenses decreased by \$12.4 million during the year ended June 30, 2018 largely due to a reduction of project activities for various projects.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2018

- Under the governmental fund financial statements, the Transportation Authority had positive governmental fund balances of \$152.4 million. Of this amount, \$82 thousand is nonspendable for prepaid costs, \$16.2 restricted for debt service and deposits, \$123.5 million is unassigned in the Sales Tax Program, \$549 thousand restricted for transportation projects in the Transportation Fund for Clean Air Program and \$12.1 million restricted for transportation projects in the Vehicle Registration Fee for Transportation Improvements Program. The Transportation Authority's governmental funds balances increased by \$123.8 million in comparison with the prior year.
- In November 2017, the Transportation Authority issued face amount of \$248.3 million in Sales Tax Revenue Bonds and made \$115 million payment in FY 2017-18 to reduce the outstanding balance of the revolving credit agreement. The payments were made in March and June 2018. As of June 30, 2018, \$24.7 million of the Revolving Credit balance was outstanding at an interest rate of 2.024%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2018

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.

Fund Financial Statements

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

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

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

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

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2018

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 Owner-Controlled Insurance Program Fund Statement of Changes in Assets and Liabilities, Agency-Wide Budgetary Schedule and the Schedule of Expenditures of Federal Awards (SEFA). The Owner-Controlled Insurance Program 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, 2018. 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 OPEB liabilities and related contributions as well as comparison of budget to actual for the Sales Tax Fund 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 \$141.6 million at June 30, 2018. Cash, deposits, and investments increased by \$125.8 million. Other assets decreased by \$11.5 million, as compared to the prior year. Other assets mainly include \$17.3 million in sales tax receivables, \$7.2 million in outstanding program and all other receivables (including amounts due from the City and County of San Francisco). Further explanations are provided on the next page in the Governmental Funds analysis.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2018

Table 1
Condensed Statement of Net Position (in thousands)

	For the Year Ended		\$ Change	% Change
	June 30, 2018	June 30, 2017		
Assets:				
Cash, deposits, and investments	\$ 174,273	\$ 48,441	\$ 125,832	259.8%
Other assets	24,537	35,813	(11,276)	-31.5%
Capital assets	1,713	1,924	(211)	-11.0%
Total assets	<u>200,523</u>	<u>86,178</u>	<u>114,345</u>	<u>132.7%</u>
Deferred outflows of resources	<u>1,434</u>	<u>1,254</u>	<u>180</u>	<u>14.4%</u>
Liabilities:				
Other liabilities	45,074	45,424	(350)	-0.8%
Long-term liabilities	298,293	143,831	154,462	107.4%
Total liabilities	<u>343,367</u>	<u>189,255</u>	<u>154,112</u>	<u>81.4%</u>
Deferred inflows of resources	<u>163</u>	<u>204</u>	<u>(41)</u>	<u>-20.1%</u>
Net Position:				
Investment in capital assets	1,713	1,924	(211)	-11.0%
Restricted	30,145	16,189	13,956	86.2%
Unrestricted deficit	(173,431)	(120,140)	(53,291)	-44.4%
Total net position (deficit)	<u>\$ (141,573)</u>	<u>\$ (102,027)</u>	<u>\$ (39,546)</u>	<u>-38.8%</u>

The Transportation Authority's unrestricted deficit of \$173.4 million is mainly due to issuance of Sales Tax Revenue bonds of which a portion was used to pay down the Revolving Credit Agreement and the remaining to finance sales tax sponsors' projects and programs. These transportation facilities are owned and maintained by the sponsors; however, the related debt issued to finance these projects remains as a liability of the Transportation Authority. As a result, the facilities are recorded as an asset of the receiving agency. The Transportation Authority's outstanding commitments are described in Note 14 of the basic financial statements. The increase in long-term liabilities related to the Sales Tax Revenue Bonds is \$248.3 million, to pay for Prop K capital project expenditures incurred. The \$1.7 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, 2018

Table 2
Condensed Statement of Activities (in thousands)

	For the Year Ended		\$ Change	% Change
	June 30, 2018	June 30, 2017		
Revenues:				
General				
Sales tax	\$ 100,970	\$ 101,922	\$ (952)	-0.9%
Vehicle registration fee	4,908	4,550	358	7.9%
Investment income	1,704	773	931	120.4%
Other	182	205	(23)	-11.2%
Program operating grants and contributions	9,330	15,255	(5,925)	-38.8%
Total revenues	<u>117,094</u>	<u>122,705</u>	<u>(5,611)</u>	<u>-4.6%</u>
Expenses:				
Transportation improvement	148,567	160,953	(12,386)	-7.7%
Interest	7,934	1,099	6,835	621.9%
Total expenses	<u>156,501</u>	<u>162,052</u>	<u>(5,551)</u>	<u>-3.4%</u>
Change in net position	(39,407)	(39,347)	(60)	0.2%
Cumulative effect of restatement	(139)	-	(139)	N/A
Net position, beginning of year, restated	<u>(102,027)</u>	<u>(62,680)</u>	<u>(39,347)</u>	<u>-62.8%</u>
Net position, end of year	<u>\$ (141,573)</u>	<u>\$ (102,027)</u>	<u>\$ (39,546)</u>	<u>-38.8%</u>

The Transportation Authority's net position decreased \$39.5 million for the year ended June 30, 2018. During the period, sales tax revenues decreased by \$952 thousand or 0.9% as compared to the prior year. This is due to the implementation of a new system by the CDTFE in which changed its allocation method for the distribution of sales tax revenues. A portion of FY 2017-18 sales tax revenues normally received are now accounted for as part of FY 2018-19 revenues. Investment income increased by \$931 thousand. Program revenues decreased by \$5.9 million and Transportation improvement expenses decreased by \$12.4 million, due to decreased 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, 2018

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, 2018					Total	June 30, 2017	\$ Change	% Change
	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund For Clean Air Program	Vehicle Registration Fee For Transportation Improvements Program	Treasure Island Mobility Management Agency				
Assets:									
Cash, deposits, & investments	\$ 160,594	\$ -	\$ 1,223	\$ 12,456	\$ -	\$ 174,273	\$ 48,441	\$ 125,832	259.8%
Other assets	17,891	4,913	402	844	984	25,034	40,650	(15,616)	-38.4%
Total assets	\$ 178,485	\$ 4,913	\$ 1,625	\$ 13,300	\$ 984	\$ 199,307	\$ 89,091	\$ 110,216	123.7%
Liabilities:									
Current and other liabilities	\$ 38,744	\$ 1,322	\$ 674	\$ 1,214	\$ 113	\$ 42,067	\$ 50,260	\$ (8,193)	-16.3%
Deferred inflows of resources:									
Unavailable revenues	5	3,591	402	-	871	4,869	10,299	(5,430)	-52.7%
Fund balances:									
Nonspendable	82	-	-	-	-	82	82	-	0.0%
Restricted	16,151	-	549	12,086	-	28,786	9,527	19,259	202.2%
Unassigned	123,503	-	-	-	-	123,503	18,923	104,580	552.7%
Total fund balances	139,736	-	549	12,086	-	152,371	28,532	123,839	434.0%
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 178,485	\$ 4,913	\$ 1,625	\$ 13,300	\$ 984	\$ 199,307	\$ 89,091	\$ 110,216	123.7%

Cash, deposits, & investments increased by \$125.8 million, as compared to the prior year, mainly due to \$133.1 million unspent proceeds from the Sales Tax Revenue bonds in the trustee account. Other assets decreased by \$15.6 million, largely due to the decrease in program receivables for the Presidio Parkway and Yerba Buena Island Interchange Improvement Project and Yerba Buena Bridge Structures (YBI) Projects. We have fully expended a regional grant for the Presidio Parkway project and substantially completed Phase 1 of the YBI Project in FY 2016-17.

On June 30, 2018, the Transportation Authority's governmental funds reported combined ending fund balances of \$152.4 million, an increase of \$123.8 million as compared to the prior year. The total fund balances are composed of a balance of \$82 thousand nonspendable for prepaid costs and deposits, a balance of \$16.2 million restricted for debt service and a balance of \$12.6 million restricted for the transportation projects, with the remaining amounts reported as unassigned fund balance in the Sales Tax Program. This increase in fund balance was primarily due to a higher unassigned fund balance which resulted from issuance of Sales Tax Revenue Bonds as explained above.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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

	For the Year Ended June 30, 2018					Total	Year Ended June 30, 2017	\$ 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				
Revenues:									
Sales tax	\$ 103,263	\$ -	\$ -	\$ -	\$ -	\$ 103,263	\$ 102,237	\$ 1,026	1.0%
Vehicle registration fee	-	-	-	4,908	-	4,908	4,550	358	7.9%
Investment income	1,697	-	2	5	-	1,704	774	930	120.2%
Program revenues	1,346	10,069	751	-	300	12,466	17,402	(4,936)	-28.4%
Other	46	-	-	-	-	46	69	(23)	-33.3%
Total revenues	106,352	10,069	753	4,913	300	122,387	125,032	(2,645)	-2.1%
Expenditures:									
Transportation improvement	135,677	8,832	635	1,922	970	148,036	160,783	(12,747)	-7.9%
Debt service	120,644	-	-	-	-	120,644	22,099	98,545	445.9%
Total expenditures	256,321	8,832	635	1,922	970	268,680	182,882	85,798	46.9%
Excess (deficiency) of revenues over (under) expenditures	(149,969)	1,237	118	2,991	(670)	(146,293)	(57,850)	(88,443)	152.9%
Other financing sources (uses):									
Transfers in	567	-	-	-	670	1,237	805	432	53.7%
Transfers out	-	(1,237)	-	-	-	(1,237)	(805)	(432)	53.7%
Proceeds from debt	270,133	-	-	-	-	270,133	46,000	224,133	487.2%
Total other financing sources (uses)	270,700	(1,237)	-	-	670	270,133	46,000	224,133	487.2%
Net change in fund balances	120,731	-	118	2,991	-	123,840	(11,850)	135,690	-1145.1%
Fund balances, beginning of year	19,005	-	431	9,095	-	28,531	40,382	(11,851)	-29.3%
Fund balances, end of year	\$ 139,736	\$ -	\$ 549	\$ 12,086	\$ -	\$ 152,371	\$ 28,532	\$ 123,839	434.0%

Total revenues for the Transportation Authority's activities totaled \$122.4 million in FY 2017-18, a decrease of \$2.6 million from FY 2016-17. As compared to the prior year, sales tax revenues increased by \$1.0 million. Investment income increased by \$930 thousand, due to interest earned on the unspent proceeds from the Sales Tax Revenue bonds. Program revenues decreased by \$4.9 million, primarily due to a combination of the completion of a regional grant program for the Presidio Parkway project and the decrease of federal reimbursements for the YBI Project. For the year ended June 30, 2018, expenditures for governmental funds exceeded revenues by \$146.3 million.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2018

Transportation improvement expenses decreased by \$12.7 million, due to the completion of construction activities for Phase 1 of the YBI project and the Transbay Transit Center. In addition, the San Francisco Municipal Railway's Radio Replacement project, the procurement of diesel-electric hybrid buses and an entirely new fleet of hybrid buses are near completion as of June 30, 2018. However, overall expenditures for the Transportation Authority's activities totaled \$268.7 million, an increase of \$85.8 million from FY 2016-17. Other financing sources and uses amounted to \$270.1 million, an increase of \$224.1 million from FY 2016-17. The increases in total expenditure and other financing sources and uses were primarily due to the new bond issuance and associated premiums in which allowed for repayment of the revolving credit agreement. Other aspects of the individual program activities are discussed in the government-wide analysis above.

BUDGETARY ANALYSIS AND HIGHLIGHTS AND ECONOMIC FACTORS

In addition, Total Revenues and Transfers In were less than the final budgetary estimates by \$4.8 million, mainly due to lower sales tax revenue and program revenues from the YBI and TIMMA projects. Due to the construction delay on Treasure Island, the TIMMA program launch date has been revised to July 2021. Program revenues and related transportation improvement activities for the subsequent phases of the YBI project and TIMMA program have been deferred to FY 2018-19. There is no issue with the availability of these revenues, only the fiscal year of when these revenues are accounted for, and it does not affect the viability of the projects or grants. Actual expenditures and transfers out were less than budgetary estimates by \$130 million. This amount includes a positive favorable variance of \$127.8 million in capital project costs. This lower capital spending is principally from sponsors, funded by the Sales Tax Program and Vehicle Registration Fee for Transportation Improvements Program, whose major capital project costs were less than anticipated for FY 2017-18; their practice of billing other sources (e.g. bonds, federal funds) first and project delays often associated with the coordination with other agencies. Additional information on the Transportation Authority's budgetary comparison schedules for all programs can be found on pages 62 through 66 of this report.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2018

Table 5
Budgetary Comparison Schedule (in thousands)

	Budget Amounts			Positive (Negative) Variance Final to Actual
	Original	Final	Actual	
Revenues and Transfers In				
Sales tax	\$ 106,530	\$ 104,272	\$ 103,263	\$ (1,009)
Vehicle registration fee	4,834	4,834	4,908	74
Investment income	288	633	1,704	1,071
Program revenues				
Federal	17,464	11,541	7,719	(3,822)
State	2,042	1,218	1,176	(42)
Regional and other	3,031	4,807	3,571	(1,236)
Other revenues	2	43	46	3
Transfers in from other funds	1,308	1,065	1,237	172
Total Revenues and Transfers In	135,499	128,413	123,624	(4,789)
Expenditures and Transfers Out				
Administrative operating costs	10,725	11,161	8,544	2,617
Transportation improvement	275,988	267,284	139,492	127,792
Debt service				
Principal	68,336	115,000	115,000	-
Interest	7,105	3,480	3,464	16
Cost of issuance	2,150	2,052	2,180	(128)
Transfers out to other funds	1,308	1,065	1,237	(172)
Total Expenditures and Transfers Out	365,612	400,042	269,917	130,125
Other Financing Sources (Uses)				
Proceeds from debt	329,940	270,133	270,133	-
Change in Fund Balance	99,827	(1,496)	123,840	125,336
Fund Balance - Beginning	28,531	28,531	28,531	-
Fund Balance - Ending	\$ 128,358	\$ 27,035	\$ 152,371	\$ 125,336

CAPITAL ASSETS

The Transportation Authority's investment in capital assets as of June 30, 2018, amounted to \$1.7 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 40 of this report.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2018

LONG-TERM OBLIGATIONS

On June 11, 2015, the Transportation Authority substituted its \$200 million commercial paper notes (Limited Tax Bonds), Series A and B with a three-year \$140 million, tax-exempt, Revolving Credit Agreement. The Revolving Credit Agreement will be repaid from sales tax revenues. In June 2018, Transportation Authority entered into a new Revolving Credit Agreement for a total amount of \$140 million for the next 3 years. As of June 30, 2018, the Transportation Authority has \$24.7 million of the Revolving Credit balance outstanding.

On November 2, 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 \$21.8 million of bond premiums. The bonds pay interest ranging from 3.0% to 4.0% and mature February 1, 2034. The outstanding debt balance at June 30, 2018 is \$248.3 million with \$20.7 million of remaining unamortized bond premiums.

Additional information on the Transportation Authority's Revolving Credit Agreement and Senior Sales Tax Revenue Bonds can be found in Note 7 on page 43 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 government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the 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, 2018

ASSETS

Cash in bank	\$ 155,997,347
Deposits and investments with City Treasurer	18,275,862
Sales tax receivable	17,303,207
Vehicle registration fee receivable	844,434
Interest receivable from City and County of San Francisco	47,502
Program receivables	4,605,053
Receivable from the City and County of San Francisco	1,350,932
Other receivables	303,462
Prepaid costs and deposits	81,580
Capital assets, net of accumulated depreciation	1,713,049

Total Assets

200,522,428

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to OPEB	143,300
Deferred outflows related to pension	1,290,770

Total Deferred Outflows of Resources

1,434,070

LIABILITIES

Accounts payable	11,294,260
Interest payable	3,505,104
Accounts payable to the City and County of San Francisco	30,080,826
Accrued salaries and taxes	193,747
Noncurrent liabilities	
Compensated absences due in one year	474,127
Compensated absences due in more than one year	107,083
Unearned rent abatement	794,150
Unearned leasehold incentive	949,405
Revolving credit agreement due in more than one year	24,664,165
Revenue bonds due in more than one year	268,917,282
Net OPEB liability	244,900
Net pension liability	2,141,912

Total Liabilities

343,366,961

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to OPEB	30,373
Deferred inflows related to pension	132,241

Total Deferred Inflows of Resources

162,614

NET POSITION

Investment in capital assets	1,713,049
Restricted for transportation improvement	17,499,296
Restricted for debt service	12,645,404
Unrestricted deficit	(173,430,826)

Total Net Position (Deficit)

\$ (141,573,077)

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, 2018

	Total	Transportation Improvement	Interest
	<u> </u>	<u> </u>	<u> </u>
EXPENSES	\$ 156,499,824	\$ 148,566,289	\$ 7,933,535
 PROGRAM REVENUES			
Operating grants and contributions	9,330,091	9,330,091	-
Net program revenue (expense)	<u>(147,169,733)</u>	<u>\$ (139,236,198)</u>	<u>\$ (7,933,535)</u>
 GENERAL REVENUES			
Sales tax	100,969,925		
Vehicle registration fees	4,907,713		
Investment income	1,703,664		
Other	181,548		
Total general revenues	<u>107,762,850</u>		
 CHANGE IN NET POSITION	<u>(39,406,883)</u>		
Net position, beginning of year	(102,027,081)		
Cumulative effect of a change in accounting principle	(139,113)		
Net position, beginning of year, as restated	<u>(102,166,194)</u>		
Net position (deficit), end of year	<u>\$ (141,573,077)</u>		

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Governmental Funds

Balance Sheet

June 30, 2018

	Special Revenue Funds		
	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund for Clean Air Program
ASSETS			
Cash in bank	\$ 142,318,457	\$ -	\$ 1,222,670
Deposits and investments with the City			
Treasurer	18,275,862	-	-
Sales tax receivable	17,303,207	-	-
Vehicle registration fee receivable	-	-	-
Interest receivable from the City & County of San Francisco	47,502	-	-
Program receivables			
Federal	3,409	2,764,675	-
State	-	800,958	-
Regional and other	-	572,117	402,016
Receivables from the City & County of San Francisco	-	479,681	-
Other receivables	303,462	-	-
Due from other funds	151,756	295,987	-
Prepaid costs and deposits	81,580	-	-
Total Assets	\$ 178,485,235	\$ 4,913,418	\$ 1,624,686
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 9,682,047	\$ 1,294,915	\$ 130,304
Accounts payable to the City & County of San Francisco	28,868,191	27,545	127,935
Accrued salaries and taxes	193,747	-	-
Due to other funds	-	-	415,816
Total liabilities	38,743,985	1,322,460	674,055
Deferred Inflows of Resources			
Unavailable revenues	5,409	3,590,958	402,016
Total deferred inflows of resources	5,409	3,590,958	402,016
Fund Balances			
Nonspendable	81,580	-	-
Restricted	16,150,508	-	548,615
Unassigned	123,503,753	-	-
Total Fund Balances	139,735,841	-	548,615
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 178,485,235	\$ 4,913,418	\$ 1,624,686

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

Special Revenue Funds

Special Revenue Funds		
Vehicle		
Registration Fee for	Treasure Island	
Transportation	Mobility	
Improvements	Management	Total
Program	Agency	Governmental
		Funds
\$ 12,456,220	\$ -	\$ 155,997,347
-	-	18,275,862
-	-	17,303,207
844,434	-	844,434
-	-	47,502
-	-	2,768,084
-	-	800,958
-	61,878	1,036,011
-	871,251	1,350,932
-	-	303,462
-	50,775	498,518
-	-	81,580
\$ 13,300,654	\$ 983,904	\$ 199,307,897
\$ 74,341	\$ 112,653	\$ 11,294,260
1,057,155	-	30,080,826
-	-	193,747
82,702	-	498,518
1,214,198	112,653	42,067,351
-	871,251	4,869,634
-	871,251	4,869,634
-	-	81,580
12,086,456	-	28,785,579
-	-	123,503,753
12,086,456	-	152,370,912
\$ 13,300,654	\$ 983,904	\$ 199,307,897

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Reconciliation of the Governmental Funds

Balance Sheet to the Statement of Net Position

June 30, 2018

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:	\$ 152,370,912
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	1,713,049
Long-term receivables are not available to pay for current period expenditures and therefore are deferred in the governmental funds:	4,869,634
Unmatured interest on long-term debt is recognized in the period when it is due in the governmental funds:	(3,505,104)
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Revenue bonds and related premium	(268,917,282)
Revolving credit agreement	(24,664,165)
Unearned leasehold incentive	(949,405)
Unearned rent abatement	(794,150)
Accrued compensated absences	(581,210)
Net OPEB liability and related deferrals	(131,973)
Net pension liability and related deferrals	(983,383)
Net position of governmental activities	<u><u>\$ (141,573,077)</u></u>

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

This page left blank intentionally.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Governmental Funds

Statement of Revenues, Expenditures, and

Changes in Fund Balances

For the Year Ended June 30, 2018

	Special Revenue Funds		
	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund for Clean Air Program
REVENUES			
Sales tax	\$ 103,263,191	\$ -	\$ -
Vehicle registration fee	-	-	-
Investment income	1,696,893	-	1,682
Program revenues			
Federal	3,654	7,702,846	-
State	-	1,176,171	-
Regional and other	1,342,655	1,189,572	751,352
Other revenues	45,919	-	-
Total Revenues	106,352,312	10,068,589	753,034
EXPENDITURES			
Current - transportation improvement			
Personnel expenditures	3,200,164	2,159,880	46,042
Non-personnel expenditures	2,277,499	319,782	-
Capital project costs	130,109,000	6,352,063	589,047
Capital outlay	90,684	-	-
Debt service			
Principal	115,000,000	-	-
Interest and fiscal charges	5,644,154	-	-
Total Expenditures	256,321,501	8,831,725	635,089
Excess (Deficiency) of Revenues Over (Under) Expenditures	(149,969,189)	1,236,864	117,945
OTHER FINANCING SOURCES (USES)			
Transfers in	567,036	-	-
Transfers out	-	(1,236,864)	-
Premium on bonds issued	21,883,005	-	-
Bonds issued	248,250,000	-	-
Total Other Financing Sources (Uses)	270,700,041	(1,236,864)	-
NET CHANGE IN FUND BALANCES	120,730,852	-	117,945
Fund Balances - Beginning	19,004,989	-	430,670
Fund Balances - Ending	\$ 139,735,841	\$ -	\$ 548,615

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

Special Revenue Funds		
Vehicle		
Registration Fee for	Treasure Island	Total
Transportation	Mobility	Governmental
Improvements	Management	Funds
Program	Agency	
\$ -	\$ -	\$ 103,263,191
4,907,713	-	4,907,713
5,089	-	1,703,664
-	12,995	7,719,495
-	-	1,176,171
-	287,245	3,570,824
-	-	45,919
4,912,802	300,240	122,386,977
74,276	437,466	5,917,828
65	29,118	2,626,464
1,847,346	503,484	139,400,940
-	-	90,684
-	-	115,000,000
-	-	5,644,154
1,921,687	970,068	268,680,070
2,991,115	(669,828)	(146,293,093)
-	669,828	1,236,864
-	-	(1,236,864)
-	-	21,883,005
-	-	248,250,000
-	669,828	270,133,005
2,991,115	-	123,839,912
9,095,341	-	28,531,000
\$ 12,086,456	\$ -	\$ 152,370,912

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, 2018

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:	\$ 123,839,912
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	90,684
Depreciation expense	(301,420)
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	135,629
Change in deferred inflows related to unavailable project revenues	(5,429,665)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position:	
	(270,133,005)
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:	
	115,000,000
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:	
	(3,505,104)
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:	
Rent expense	16,630
Pension expenses	(267,523)
OPEB expense	7,140
Compensated absences	(75,884)
Change in net position of governmental activities	<u>\$ (39,406,883)</u>

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, 2018

ASSETS

Deposits with escrow agent	\$ 356,148
----------------------------	------------

LIABILITIES

Due to City and County of San Francisco	\$ 356,148
---	------------

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 1 - REPORTING ENTITY AND BACKGROUND

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

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

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

Sales Tax Program

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

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

Congestion Management Agency Programs

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

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

Major programs and projects under the CMA include:

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

YBI Ramps Project: For Phase 1, Caltrans issued the Federal Record of Decision in November 2011. The Final Environmental Impact Report/Environmental Impact Statement (EIR/EIS) was certified by the Transportation Authority Board in December 2011. The Transportation Authority completed preparation of the Final Plans, Specifications, and Estimate documents for the project in March 2013 and awarded a construction contract to Golden State Bridge, Inc., in December 2013. Construction activities started in January 2014. The Phase 1 project is substantially complete and the new ramps were opened to the public on October 22, 2016. The Phase 1 work is wrapping up and project closeout will be completed by June 30, 2019. For Phase 2, work is progressing on the environmental clearance and design, which is expected to be completed in the first quarter of 2019. Phase 2 construction is expected to start in late spring or early summer 2019 and be completed by December 2020.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

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

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

In order to reduce costs and construction duration, the current plan calls for closing the Treasure Island/Hillcrest Road from Macalla Road to Forest Road. Construction of this Project will follow the completion of two projects: 1) YBI Southgate Road Realignment Improvements; and 2) Macalla Road reconstruction (being completed by Treasure Island Community Development). The National Environmental Policy Act and California Environmental Quality Act Categorical Exemption environmental documents were approved in November 2017. Preliminary design is underway. The CMGC Project Oversight Agreement among the Federal Highway Administration (FHWA), Caltrans, and the Transportation Authority has been executed. The Transportation Authority’s CMGC procedures have been approved by FHWA. The CMGC contract was awarded in October 2018. Design is expected to be completed in late spring/early summer 2020 and construction is anticipated to be completed by December 2021.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

Freeway Corridor Management Study: The San Francisco Freeway Corridor Management Study (FCMS) is a performance-based assessment of strategies for improving the performance of, and managing the growth in demand for travel on, U.S. 101 and I-280 freeways in San Francisco. The FCMS focuses on near- and mid-term recommendations for implementation in the next 5 to 10 years. The need for a FCMS was identified in the 2013 San Francisco Transportation Plan, which forecasts a continued increase in demand for travel by San Francisco residents, visitors, or workers to and from the downtown, eastern neighborhoods, and Peninsula/South Bay. The FCMS has completed a preliminary assessment and analysis of options to extend a managed facility into San Francisco. Carpool lanes are the most well-known form of a managed facility, and are already in operation on U.S. 101 from Morgan Hill to Redwood City, covering about 42 miles along the Peninsula. A final report for the FCMS was adopted by the Transportation Authority Board in November 2018. The Transportation Authority, in partnership with San Mateo County and Caltrans, has recently commenced work on a Project Initiation Document, which is anticipated to be completed by mid 2019.

Transportation Fund for Clean Air (TFCA) Program

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

Vehicle Registration Fee for Transportation Improvements Program

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

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

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

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 1 - REPORTING ENTITY AND BACKGROUND, (Continued)

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

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

Treasure Island Mobility Management Agency (TIMMA) Component Unit

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

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

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

The Transportation Authority uses the following funds:

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

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

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

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

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

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

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

Net Position

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

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

Investment Valuations

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

Sales Tax Revenue

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

Unavailable sales tax revenue on the fund level financial statements represent sales tax receipts in the 60 days subsequent to the Transportation Authority's fiscal year-end, relating to the prior year's sales activity. The Transportation Authority has contracted with the California State Board of Equalization for collection and distribution of the sales tax. The Board of Equalization receives an administrative fee for providing this service. The Transportation Authority records sales tax revenues net of such fees. Effective July 1, 2017, the California Department of Tax and Fee Administration (CDTFA) became the successor to the Board of Equalization and became vested with nearly all of the duties, powers and responsibilities of the Board of Equalization.

Vehicle Registration Fees and Receivables

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

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

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

Capital Assets

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

The estimated useful lives are as follows:

Leasehold improvements	13 years
Furniture	5 years
Computer equipment	3 years

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

Pensions

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

Other Post-Employment Benefits (OPEB)

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

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

Compensated Absences

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

Fund Equity/Net Position

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

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

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

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

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

Governmental funds report fund balance in classifications, based primarily on the extent to which the Transportation Authority is bound, to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2018, fund balances for governmental funds are classified as follow:

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

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

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

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

Use of Estimates

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

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Transportation Authority’s deposits may not be returned to it. The Transportation Authority does not have a policy for custodial credit risk on deposits. As of June 30, 2018, the carrying amount of the Transportation Authority’s deposits was \$155,997,347 and the bank balance was \$156,240,782. 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 \$155,490,782 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 3 - CASH AND INVESTMENTS, (Continued)

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

Investments – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Transportation Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Transportation Authority does not have a policy regarding custodial credit risk on investments. As of June 30, 2018, the Transportation Authority's investments are not exposed to custodial credit risk. The notes to the basic financial statements of the City provide more detailed information concerning deposit and investment risks associated with the City's pool of cash and investments at June 30, 2018.

Investments Authorized by the Transportation Authority's Investment Policy

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 3 - CASH AND INVESTMENTS, (Continued)

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

** More restrictive than California Government Code.

The Transportation Authority maintains deposits and investments with the City and County of San Francisco Treasury Pool (Pool). The Pool is not registered with the U.S. Securities and Exchange (SEC). As of June 30, 2018, the Transportation Authority's deposits and investments in the Pool are approximately \$18.3 million, and the total amount invested by all public agencies in the Pool is approximately \$10.6 billion. The City's Treasurer Oversight Committee (Committee) has oversight responsibility for the Pool. The value of the Transportation Authority's shares in the Pool, which may be withdrawn, is based on the book value of the Transportation Authority's percentage participation, which is different than the fair value of the Transportation Authority's percentage participation in the Pool.

The Transportation Authority's investments on June 30, 2018, consisted of pooled cash with the City and County of San Francisco, having a weighted average maturity of 1.29 years. At June 30, 2018, the Pool consists of U.S. government and agency securities, state and local government agency obligations, negotiable certificates of deposit, medium term notes, and public time deposits as authorized by State statutes and the City's investment policy. Additional information regarding deposit, investment risks (such as interest rate, credit, and concentration of credit risks) may be obtained by contacting the City's Controller's Office, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 4 - INTERFUND TRANSACTIONS

Due to/Due from: The composition of interfund balances as of June 30, 2018, is as follows:

	Receivable from:		
	Transportation Fund for Clean Air Program	VRF for Transportation Improvements Program	Total
	<u>Payable to:</u>		
Sales Tax Program	\$ 69,054	\$ 82,702	\$ 151,756
Congestion Management Agency Programs	295,987	-	295,987
Treasure Island Mobility Management Agency	50,775	-	50,775
Total	\$ 415,816	\$ 82,702	\$ 498,518

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

Transfers: During the fiscal year, the Sales Tax Program received a transfer of \$1,236,864 from the CMA Programs Fund for reimbursement of unpaid subsidies and the TIMMA Fund received a transfer of \$669,828 from the Sales Tax Programs Fund as subsidies related to expenditures incurred in FY 2017-18.

NOTE 5 - CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2018, is as follows:

	Balance July 1, 2017	Additions	Retirement	Balance June 30, 2018
Capital assets, being depreciated:				
Leasehold improvements	\$ 3,023,624	\$ -	\$ -	\$ 3,023,624
Furniture and equipment	885,797	90,684	(120,335)	856,146
Total capital assets, being depreciated	3,909,421	90,684	(120,335)	3,879,770
Less accumulated depreciation for:				
Leasehold improvements	1,160,425	232,900	-	1,393,325
Furniture and equipment	825,211	68,520	(120,335)	773,396
Total accumulated depreciation	1,985,636	301,420	(120,335)	2,166,721
Total capital assets, net	\$ 1,923,785	\$ (210,736)	\$ -	\$ 1,713,049

Depreciation expense for the current year amounted to \$301,420, and was allocated to the transportation improvement expense on the statement of activities.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

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, 2018:

Receivables from the following City Department/Agency	Purpose	Total
Department of Public Works	19th Avenue Combined City Project and Lombard Street Vision Zero Project	\$ 96,534
Municipal Transportation Agency: Municipal Railway	SF-CHAMP Travel Demand Forecasting Model	89,437
Planning Department	Combined Transportation Study of the Hub Plan and the Civic Center Public Realm Plan Travel Demand Modeling	35,297
	Travel Demand Modeling Assistance	125,000
Treasure Island Development Authority	Treasure Island Transportation Implementation Plan	871,251
	Yerba Buena Island Ramps Improvement Project	133,413
Total receivables from the City and County of San Francisco		<u>\$ 1,350,932</u>

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

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, 2018:

Payables to the following City Department	Purpose	Total
Department of Environment	Clean Air Programs	\$ 28,554
Department of Public Health	Clean Air Programs	2,288
Department of Public Works	Street Resurfacing	5,818,993
Municipal Transportation Agency:	Balboa Park BART/MUNI Station Access Improvements	\$ 133,417
	Bicycle Circulation/Safety	157,760
	Clean Air Programs	97,093
	Guideways	7,660,100
	New Signals and Signs	326,369
	Other Transit Enhancements	19,675
	Pedestrian and Bicycle Facility Maintenance	10,546
	Pedestrian Circulation/Safety	591,263
	Pedestrian Safety	123,406
	Purchase of Additional Light Rail Vehicles for Muni Light Rail Lines	1,500,000
	Rapid Bus Network including Real Time Transit Information	907,478
	Rehabilitation, Upgrade and Replacement of Existing Facilities	2,369,527
	Signals and Signs	1,119,589
	Street Repair and Reconstruction	49,265
	Traffic Calming	560,185
	Transit Reliability and Mobility Improvements	5,845
	Transit Vehicle Replacement and Renovation	8,020,540
	Transportation/Land Use Coordination	59,997
	Upgrades to Major Arterials (including 19th Avenue)	26,975
	Total Municipal Transportation Agency	23,739,030
Office of the City Attorney	Legal Services	35,710
Planning Department	Geary Bus Rapid Transit Outreach	16,251
Port of San Francisco	Downtown Ferry Terminal Improvements	440,000
		\$ 30,080,826
Total payable to the City and County of San Francisco		

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

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

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, 2018:

Expenditures incurred by the following City Department/Agency	Total
Department of Environment	\$ 36,588
Department of Public Health	6,864
Department of Public Works	6,241,354
Mayor's Office of Housing	383,722
Municipal Transportation Agency	101,364,250
Office of the City Attorney	35,710
Planning Department	17,554
Port of San Francisco	440,000
	\$ 108,526,042

During fiscal year 2017-18, the Transportation Authority incurred capital expenditures of \$108.5 million, which were paid to departments within the City, of which \$101.4 million was expended on San Francisco Municipal Transportation Agency projects. San Francisco Municipal Transportation Agency projects include \$99.4 million on Transit Vehicle Replacement and Renovation, Paratransit, Rapid Bus Network, Guideways, Upgrade and Replacement of Existing Facilities Projects, and \$2.0 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, 2017	Additions	Deductions	Balance at June 30, 2018	Current Portion
Revenue bonds	\$ -	\$ 248,250,000	\$ -	\$ 248,250,000	\$ -
Bond premium	-	21,883,005	(1,215,723)	20,667,282	-
Revolving Credit Agreement	139,664,165	-	(115,000,000)	24,664,165	-
Compensated Absences	505,326	464,905	(389,021)	581,210	474,127
Total	\$ 140,169,491	\$ 270,597,910	\$ (116,604,744)	\$ 294,162,657	\$ 474,127

On June 11, 2015, the Transportation Authority substituted its \$200,000,000 commercial paper notes (Limited Tax Bonds), Series A and B with a \$140,000,000 tax-exempt revolving credit agreement (Revolving Credit Agreement). The commercial paper notes provided a source of financing for the Transportation Authority's voter-approved Proposition K Expenditure Plan. In June 2018, Transportation Authority entered into a new Revolving Credit (loan) Agreement with State Street Public Lending Corporation and US Bank for a total amount of \$140 million for the next 3 years and has a rate of interest equal to the sum of 80% of 1-month LIBOR plus 0.40%. As of June 30 2018, the Transportation Authority has \$24.7 million outstanding in the Revolver Credit Agreement. The interest payments are due the first business day of each month and have interest rate of 2.074%. The Revolving Credit Agreement is secured by a first lien gross pledge of the Transportation Authority's sales tax.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 7 - LONG TERM OBLIGATIONS OR DEBT (Continued)

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, 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, 2018 is \$248,250,000 with \$20,667,282 of remaining unamortized bond premiums. Debt Service Requirements to Maturity for the Sales Tax Revenue Bonds are as follows:

Fiscal Year	Principal	Interest	Annual Debt Service
2019	\$ -	\$ 8,412,250	\$ 8,412,250
2020	12,920,000	8,412,250	21,332,250
2021	13,310,000	8,024,650	21,334,650
2022	13,710,000	7,625,350	21,335,350
2023	14,125,000	7,214,050	21,339,050
2024-2028	78,780,000	27,896,100	106,676,100
2029-2033	74,580,000	10,760,050	85,340,050
2034	40,825,000	1,846,200	42,671,200
Total	<u>\$ 248,250,000</u>	<u>\$ 80,190,900</u>	<u>\$ 328,440,900</u>

Pledged Revenue Coverage

The Transportation Authority's sales tax revenue bonds outstanding are repaid and secured by the pledging of certain revenues. The amount, term of the remainder of these commitments and purposes are indicated in the descriptions and tables above. Debt service payments of \$2,079,695 as a ratio of pledged sales tax revenue of \$100,969,925, as required by the debt agreement, for the year ended June 30, 2018, was 2.06%.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 8 - PENSION PLANS

General Information about the Pension Plan

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 or 52, depending on the hire date, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. Benefit provisions and all other requirements are established by State statute and may be amended by the Transportation Authority's contract with the employees.

The Plan provisions and benefits in effect on June 30, 2018, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, 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	8.92%	6.53%
Required employer prepayment for unfunded liability	\$7,796	\$1,767

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 8 - PENSION PLANS, (Continued)

Contributions

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

For the year ended June 30, 2018, the employer contributions were \$403,317.

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

As of June 30, 2018, the Transportation Authority's reported net pension liability for its proportionate shares of the collective net pension liability is \$2,141,912.

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, 2017, 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, 2016, rolled forward to June 30, 2017, 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, 2017, and 2018 was as follows:

Proportion - June 30, 2017	0.02040%
Proportion - June 30, 2018	0.02161%
Change	<u>0.00121%</u>

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 8 - PENSION PLANS, (Continued)

For the year ended June 30, 2018, the Transportation Authority recognized pension expense of \$670,840. On June 30, 2018, 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	\$ 403,317	\$ -
Contributions in excess of proportionate share	41,678	(17,667)
Changes in assumptions	439,498	(33,512)
Difference in expected and actual experience	3,542	(50,748)
Adjustment due to differences in proportions	303,339	(30,314)
Net differences between projected and actual earnings on plan investments	99,396	-
Total	\$ 1,290,770	\$ (132,241)

Reported as deferred outflows of resources related to contributions subsequent to the measurement date is \$403,317, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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
2019	\$ 290,327
2020	314,841
2021	209,057
2022	(59,013)
	\$ 755,212

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 8 - PENSION PLANS, (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation (3)	2.75%
Projected Salary Increase	Varies by Entry-Age and Service
Investment Rate of Return	7.15%
Mortality (1)	(2)

- (1) The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.
- (2) Derived using CalPERS' Membership Data for all Funds.
- (3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study reports can be accessed on the CalPERS website.

Change of Assumptions - The discount rate of 7.15% used for the June 30, 2017 measurement date was decreased from 7.65% used for the June 30, 2016 measurement date.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

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.

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.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 8 - PENSION PLANS, (Continued)

Asset Class	Current Target Allocation	(1) Real Return Years 1 - 10	(2) Real Return Years 11+
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	4.50%	5.36%
Liquidity	2.0%	0.40%	-0.90%
	<u>100.0%</u>		

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

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

The following presents the Transportation Authority’s proportionate share of the net pension liability, as well as what the Transportation Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.15%	7.15%	8.15%
Net Pension Liability	\$ 3,590,622	\$ 2,141,912	\$ 942,064

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, 2018

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

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

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

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the healthcare plan:

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS, (Continued)

Contributions

The contribution requirements of plan members and the Transportation Authority are established and may be amended by the Board. The Transportation Authority makes contributions on an actuarial basis, funding the full Actuarially Determined Contributions (ADC). Employees of the Transportation Authority are not required to contribute to the plan. As of June 30, 2018, the Transportation Authority contributed \$143,300 to the CERBT plan. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Significant Assumptions

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

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

Discount Rate

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS, (Continued)

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

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

Changes in the OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2017	\$ 1,573,000	\$ 1,268,400	\$ 304,600
Changes for the year:			
Service Cost	122,500	-	122,500
Interest	116,600	-	116,600
Contributions:			
Trust deposits	-	101,187	(101,187)
Employer - explicit subsidy	-	52,600	(52,600)
Employer - implicit subsidy	-	11,700	(11,700)
Benefit payments	(64,300)	(64,300)	-
Administrative expenses	-	(652)	652
Expected Investment Return	-	95,999	(95,999)
Investment Experience (Loss)/Gain	-	37,966	(37,966)
Net changes	174,800	234,500	(59,700)
Balance at June 30, 2018	\$ 1,747,800	\$ 1,502,900	\$ 244,900

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS, (Continued)

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

The following presents the net OPEB liability of the Transportation Authority as of the measurement date, calculated using the discount rate of 7.28 percent, as well as what the Transportation Authority's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.28%	7.28%	8.28%
Net OPEB Liability	\$ 510,200	\$ 244,900	\$ 28,700

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

	1% Decrease	Current Healthcare Trend Cost Rate	1% Increase
	6% Medicare, 8% Spouse and 3.5% Non-Medicare grading to 3%	7% Medicare, 9% Spouse and 4.5% Non-Medicare grading to 4%	8% Medicare, 10% Spouse and 5.5% Non-Medicare grading to 5%
Net OPEB Liability	\$ 500	\$ 244,900	\$ 554,300

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

For the fiscal year ended June 30, 2018, the Transportation Authority recognized OPEB credit of \$7,140. As of fiscal year ended June 30, 2018, 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	\$ 143,300	\$ -
Net differences between projected and actual earnings on plan investments	-	30,373
Total	\$ 143,300	\$ 30,373

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS, (Continued)

Reported as deferred outflows of resources related to contributions subsequent to the measurement date is \$143,300, which will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. 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
2019	\$ 7,593
2020	7,593
2021	7,593
2022	7,594
Total	\$ 30,373

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, 2018, the Transportation Authority expended \$809,682 towards its office lease and recorded an office lease expense of \$793,836 and an amortization expense of \$15,846 on the statement of activities.

The Transportation Authority also leases two copier machines under an operating lease agreement. The Transportation Authority entered into a 3-year lease agreement with monthly payments of \$1,970, plus applicable taxes, commencing on May 11, 2017. During the year ended June 30, 2018, total copier expenses were \$25,650.

The following is a schedule of future minimum lease obligations as of June 30, 2018:

Year Ending June 30,	Office Lease	Copier Leases	Total
2019	\$ 834,156	\$ 23,640	\$ 857,796
2020	858,630	19,700	878,330
2021	883,104	-	883,104
2022	907,578	-	907,578
2023	932,052	-	932,052
2024-2025	1,935,486	-	1,935,486
Total future minimum lease obligations	\$ 6,351,006	\$ 43,340	\$ 6,394,346

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

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, 2018, revenues, staff salaries, and fringe benefits for administering the Proposition K Expenditure Plan for the Sales Tax Program were as follows:

Revenues	\$ 100,969,925
Expenditures:	
Salaries	732,262
Fringe benefits	24,843
Total	<u>\$ 757,105</u>
Percentage of revenue	0.75%

Personnel expenditures of \$3,200,164 were reported in the Sales Tax Program, of which \$757,105 was related to general administration of the Proposition K Expenditure Plan, and \$2,443,059 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, 2018

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, 2018, the Transportation Authority has \$356,148 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 \$564,920,247 at June 30, 2018. This amount is comprised of \$538,905,140 in remaining capital project appropriations. Sponsors receive appropriations for the entire project (awards), but cannot be reimbursed faster than the amount allocated annually. At June 30, 2018, the Transportation Authority has \$12,144,899, \$12,453,923, and \$1,416,285 encumbered in the Sales Tax Program, the Congestion Management Agency Programs, and the Treasure Island Mobility Management Agency Program, respectively, on various Transportation Authority contracts held with private consulting and construction companies, and cooperative agreements with governmental entities.

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75 – In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEB and requires additional OPEB disclosures. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017. The cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017. As of July 1, 2017, the Transportation Authority restated its net position to record beginning OPEB liabilities and beginning deferred outflows as disclosed in Note 16.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS, (Continued)

GASB Statement No. 85 – In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The new standard is effective for periods beginning after June 15, 2017. Application of this statement did not have a significant impact on the Transportation Authority for the year ended June 30, 2018.

GASB Statement No. 86 – In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 86 clarifies accounting and financial reporting for in-substance defeasance of debt using existing resources other than proceeds of refunding debt. The new standard is effective for periods beginning after June 15, 2017. Application of this statement did not have a significant impact on the Transportation Authority for the year ended June 30, 2018.

GASB Statement No. 83 – In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations (ARO)*. GASB Statement No. 83 addresses accounting and financial reporting for asset retirement obligations. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires disclosures of methods and assumptions used. The new standard is effective for periods beginning after June 15, 2018. Application of this statement is effective for the Transportation Authority's year ending June 30, 2019.

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS, (Continued)

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

GASB Statement No. 88 – In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 establishes a definition of debt for purposes of disclosure, requires that information provided for direct borrowings and direct placements of debt be reported separately from other debt, and requires more extensive disclosures about unused lines of credit, assets pledged as collateral, and terms related to default, termination, and acceleration. The new standard is effective for periods beginning after June 15, 2018. Application of this statement is effective for the Transportation Authority's year ending June 30, 2019.

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and no longer included in the historical cost of capital assets. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the Transportation Authority's year ending June 30, 2021.

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

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Financial Statements

June 30, 2018

NOTE 16 - RESTATEMENT OF BEGINNING BALANCES

The Transportation Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective July 1, 2017. Refer to Note 9 for further disclosures related to the plan and related balances. As a result of the implementation, the Transportation Authority restated beginning net position for governmental activities as noted below:

	Governmental Activities
Net Position, beginning of year, as previously reported	\$ (102,027,081)
Deferred outflows of resources related to OPEB	165,487
Other Postemployment Benefit (OPEB) Liability	(304,600)
Net Position, beginning of year, as restated	<u>\$ (102,166,194)</u>

This page is intentionally blank.

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, 2018

	Budget Amounts			Positive (Negative) Variance Final to Actual
	Original	Final	Actual	
Revenues and Transfers In				
Sales tax	\$ 106,530,189	\$ 104,271,926	\$ 103,263,191	\$ (1,008,735)
Investment income	201,748	627,418	1,696,893	1,069,475
Program revenues				
Federal	-	-	3,654	3,654
Regional and other	-	1,342,655	1,342,655	-
Other revenues	2,000	43,460	45,919	2,459
Transfers in from other funds	-	-	567,036	567,036
Total Revenues and Transfers In	106,733,937	106,285,459	106,919,348	633,889
Expenditures and Transfers Out				
Administrative operating costs	6,486,127	6,072,690	5,477,663	595,027
Transportation improvement	250,472,242	251,112,187	130,199,684	120,912,503
Debt service				
Principal	68,335,835	115,000,000	115,000,000	-
Interest	7,105,133	3,479,696	3,464,487	15,209
Cost of issuance	2,150,000	2,051,579	2,179,667	(128,088)
Transfers out to other funds	1,308,155	1,064,862	-	1,064,862
Total Expenditures and Transfers Out	335,857,492	378,781,014	256,321,501	122,459,513
Other Financing Sources (Uses)				
Proceeds from debt	329,939,491	270,133,005	270,133,005	-
Change in Fund Balance	100,815,936	(2,362,550)	120,730,852	123,093,402
Fund Balance - Beginning	19,004,989	19,004,989	19,004,989	-
Fund Balance - Ending	\$ 119,820,925	\$ 16,642,439	\$ 139,735,841	\$ 123,093,402

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, 2018

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		Final to Actual
Revenues and Transfers In				
Program revenues				
Federal	\$ 15,636,242	\$ 11,516,535	\$ 7,702,846	\$ (3,813,689)
State	2,041,929	1,217,582	1,176,171	(41,411)
Regional and other	718,419	1,228,693	1,189,572	(39,121)
Transfers in from other funds	1,050,787	1,064,862	-	(1,064,862)
Total Revenues and Transfers In	19,447,377	15,027,672	10,068,589	(4,959,083)
Expenditures and Transfers Out				
Administrative operating costs	2,954,049	4,204,720	2,479,662	1,725,058
Transportation improvement	16,493,328	10,822,952	6,352,063	4,470,889
Transfers out to other funds	-	-	1,236,864	(1,236,864)
Total Expenditures and Transfers Out	19,447,377	15,027,672	10,068,589	4,959,083
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, 2018

	Budgeted Amounts		Actual	Positive (Negative) Variance Final to Actual
	Original	Final		
Revenues and Transfers In				
Investment income	\$ 1,698	\$ 1,683	\$ 1,682	\$ (1)
Program revenues				
Regional and other	737,931	737,931	751,352	13,421
Total Revenues and Transfers In	739,629	739,614	753,034	13,420
Expenditures and Transfers Out				
Administrative operating costs	46,003	46,003	46,042	(39)
Transportation improvement	645,660	933,921	589,047	344,874
Total Expenditures and Transfers Out	691,663	979,924	635,089	344,835
Change in Fund Balance	47,966	(240,310)	117,945	358,255
Fund Balance - Beginning	430,670	430,670	430,670	-
Fund Balance - Ending	\$ 478,636	\$ 190,360	\$ 548,615	\$ 358,255

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, 2018

	Budget Amounts		Actual	Positive (Negative) Variance
	Original	Final		Final to Actual
Revenues and Transfers In				
Vehicle registration fee	\$ 4,834,049	\$ 4,834,049	\$ 4,907,713	\$ 73,664
Investment income	84,125	3,853	5,089	1,236
Total Revenues and Transfers In	4,918,174	4,837,902	4,912,802	74,900
Expenditures and Transfers Out				
Administrative operating costs	197,772	241,702	74,341	167,361
Transportation improvement	5,757,300	3,488,603	1,847,346	1,641,257
Total Expenditures and Transfers Out	5,955,072	3,730,305	1,921,687	1,808,618
Change in Fund Balance	(1,036,898)	1,107,597	2,991,115	1,883,518
Fund Balance - Beginning	9,095,341	9,095,341	9,095,341	-
Fund Balance - Ending	\$ 8,058,443	\$ 10,202,938	\$ 12,086,456	\$ 1,883,518

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, 2018

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final		Final to Actual
Revenues and Transfers In				
Program revenues				
Federal	\$ 1,828,168	\$ 24,928	\$ 12,995	\$ (11,933)
Regional and other	1,575,000	1,497,242	287,245	(1,209,997)
Transfers in from other funds	257,368	-	669,828	669,828
Total Revenues and Transfers In	<u>3,660,536</u>	<u>1,522,170</u>	<u>970,068</u>	<u>(552,102)</u>
Expenditures and Transfers Out				
Administrative operating costs	1,040,987	596,219	466,584	129,635
Transportation improvement	2,619,549	925,951	503,484	422,467
Total Expenditures and Transfers Out	<u>3,660,536</u>	<u>1,522,170</u>	<u>970,068</u>	<u>552,102</u>
Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to required supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

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

	2018
Changes in total OPEB liability	
Service Cost	\$ 122,500
Interest	116,600
Benefit payments, including refunds of employee contributions	(64,300)
Net changes	174,800
Total OPEB liability, beginning	1,573,000
Total OPEB liability, ending	1,747,800
Changes in plan fiduciary net position	
Employer Contributions	165,487
Benefit payments, including refunds of employee contributions	(64,300)
Administrative expenses	(652)
Expected Investment Return	95,999
Investment Experience (Loss)/Gain	37,966
Net changes	234,500
Plan fiduciary net position, beginning	1,268,400
Plan fiduciary net position, ending	1,502,900
Net OPEB liability	\$ 244,900
Plan fiduciary net position as a percentage of the total OPEB liability	85.99%
Covered employee payroll	3,945,800
Net OPEB Liability as a percentage of covered employee payroll	6.21%
Measurement Date	June 30, 2017

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

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

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

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Proportion of the net pension liability	0.04834%	0.01877%	0.02040%	0.02161%
Proportionate share of the net pension liability	\$ 1,299,087	\$ 1,288,393	\$ 1,765,415	\$ 2,141,912
Covered payroll	\$ 3,263,808	\$ 3,684,025	\$ 3,643,778	\$ 4,202,141
Proportionate share of the net pension liability as a percentage of covered payroll	39.80%	34.97%	48.45%	50.97%
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%
Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017

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

See notes to required supplementary information.

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

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

* 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, 2018

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 – SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Changes in assumptions: The discount rate was changed from 7.65% to 7.15% in fiscal year 2018.

This page is intentionally blank.

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, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS				
Deposits with escrow agent	\$ 356,148	\$ -	\$ -	\$ 356,148
LIABILITIES				
Due to City and County of San Francisco	\$ 356,148	\$ -	\$ -	\$ 356,148

See notes to supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Program Description	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures July 1, 2017 through June 30, 2018	Amount Provided to Subrecipients
U.S. Department of Transportation				
Federal Highway Administration:				
Highway Research and Development Program				
<i>Passed through - Metropolitan Transportation Commission</i>				
Strategic Highway Research Plan	20.200	SHRP2L-6084(192)	\$ 112,419	\$ -
Total Highway Research and Development Program			112,419	-
Highway Planning and Construction Cluster				
<i>Passed through - Metropolitan Transportation Commission</i>				
Surface Transportation Plan (STP): Transportation				
Planning and Programming	20.205	STPL-6084(175)	942,640	-
STP: Transportation Planning and Programming	20.205	STPL-6084(206)	490,991	-
<i>Passed through - State of California Department of Transportation</i>				
BART Travel Smart Rewards	20.205	VPPL-6272(043)	48,131	3,506
eFleet: Carsharing Electrified	20.205	CML-6272(033)	(126,684)	(126,584)
Yerba Buena Island - Reconstruct Existing				
Westbound On and Off Ramps on East Side of				
Yerba Buena Island	20.205	BRLS-6272(023)	3,202,858	-
Yerba Buena Island Viaduct Structure #1	20.205	STPLZ-6272(024)	101,591	-
Yerba Buena Island Viaduct Structure #2	20.205	STPLZ-6272(026)	415,838	-
Yerba Buena Island Viaduct Structure #4	20.205	STPLZ-6272(028)	151,306	-
Yerba Buena Island Viaduct Structure #7B	20.205	STPLZ-6272(031)	13,899	-
Yerba Buena Island Viaduct Structure #8	20.205	STPLZ-6272(032)	21,093	-
Total Highway Planning and Construction Cluster			5,261,663	(123,078)
Total Federal Highway Administration			5,374,082	(123,078)
Federal Transit Administration:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research				
<i>Passed through - State of California Department of Transportation</i>				
South of Market Freeway Ramp Intersection				
Safety Improvement Study	20.505	74A0921	96,133	-
Total Federal Transit Administration			96,133	-
Total U.S. Department of Transportation			5,470,215	(123,078)
Total Expenditures of Federal Awards			\$ 5,470,215	\$ (123,078)

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, 2018

	Agency-wide			Positive (Negative) Variance Final to Actual
	Budget Amounts		Actual	
	Original	Final		
Revenues and Transfers In				
Sales tax	\$ 106,530,189	\$ 104,271,926	\$ 103,263,191	\$ (1,008,735)
Vehicle registration fee	4,834,049	4,834,049	4,907,713	73,664
Investment income	287,571	632,954	1,703,664	1,070,710
Program revenues				
Federal	17,464,410	11,541,463	7,719,495	(3,821,968)
State	2,041,929	1,217,582	1,176,171	(41,411)
Regional and other	3,031,350	4,806,521	3,570,824	(1,235,697)
Other revenues	2,000	43,460	45,919	2,459
Transfers in from other funds	1,308,155	1,064,862	1,236,864	172,002
Total Revenues and Transfers In	<u>135,499,653</u>	<u>128,412,817</u>	<u>123,623,841</u>	<u>(4,788,976)</u>
Expenditures and Transfers Out				
Administrative operating costs	10,724,938	11,161,334	8,544,292	2,617,042
Transportation improvement	275,988,079	267,283,614	139,491,624	127,791,990
Debt service				
Principal	68,335,835	115,000,000	115,000,000	-
Interest	7,105,133	3,479,696	3,464,487	15,209
Cost of issuance	2,150,000	2,051,579	2,179,667	(128,088)
Transfers out to other funds	1,308,155	1,064,862	1,236,864	(172,002)
Total Expenditures and Transfers Out	<u>365,612,140</u>	<u>400,041,085</u>	<u>269,916,934</u>	<u>130,124,151</u>
Other Financing Sources (Uses)				
Proceeds from debt	329,939,491	270,133,005	270,133,005	-
Change in Fund Balance	99,827,004	(1,495,263)	123,839,912	125,335,175
Fund Balance - Beginning	28,531,000	28,531,000	28,531,000	-
Fund Balance - Ending	<u>\$ 128,358,004</u>	<u>\$ 27,035,737</u>	<u>\$ 152,370,912</u>	<u>\$ 125,335,175</u>

See notes to supplementary information.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Notes to Supplementary Information

For the Year Ended June 30, 2018

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

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

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

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Transportation Authority, a component unit of the City and County of San Francisco California, under programs of the federal government for the year ended June 30, 2018. Funds received under the various grant programs have been recorded in the CMA programs and TIMMA special revenues funds of the Transportation Authority. The Transportation Authority utilizes the modified accrual basis of accounting for governmental funds. The Schedule has been prepared accordingly. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Transportation Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Transportation Authority. The Transportation Authority has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

In FY 2017-18, the Transportation Authority returned federal grant funds to our pass-through entity, which was previously used to purchase equipment for the eFleet: Carsharing Electrified Project. This was due to the disposition of equipment from our subrecipient. As a result, the Transportation Authority reduced federal expenditures for the grant program and closed out the grant with our pass-through entity.

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.

This page is intentionally blank.



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 Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities:										
Investment in capital assets	\$ 1,713,049	\$ 1,923,785	\$ 2,224,413	\$ 2,518,580	\$ 2,804,523	\$ 3,007,890	\$ 3,149,433	\$ 395,515	\$ 623,499	\$ 869,503
Restricted										
Debt service	12,645,404	-	-	-	342,674	300,214	311,431	309,352	313,059	302,030
Capital projects	17,499,296	16,189,389	15,656,533	13,486,451	12,153,268	10,623,833	6,393,430	1,076,453	1,652,482	2,213,169
Unrestricted deficit	<u>(173,430,826)</u>	<u>(120,140,255)</u>	<u>(80,561,178)</u>	<u>(37,049,305)</u>	<u>(51,234,240)</u>	<u>(75,081,998)</u>	<u>(53,659,568)</u>	<u>(15,011,862)</u>	<u>(41,801,210)</u>	<u>(13,502,741)</u>
Total Governmental										
Activities Net Position (Deficit)	<u>\$ (141,573,077)</u>	<u>\$ (102,027,081)</u>	<u>\$ (62,680,232)</u>	<u>\$ (21,044,274)</u>	<u>\$ (35,933,775)</u>	<u>\$ (61,150,061)</u>	<u>\$ (43,805,274)</u>	<u>\$ (13,230,542)</u>	<u>\$ (39,212,170)</u>	<u>\$ (10,118,039)</u>

Source: Finance and Administration Division

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

	Fiscal Year Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
EXPENSES										
Governmental activities:										
Transportation improvement	\$ 148,566,289	\$ 160,954,620	\$ 246,207,732	\$ 130,290,251	\$ 90,771,643	\$ 119,740,927	\$ 158,484,831	\$ 125,790,164	\$ 128,498,012	\$ 99,726,154
Interest	7,933,535	1,098,535	794,172	1,468,189	1,354,423	1,483,229	2,685,265	2,626,206	1,271,876	1,924,902
Total Expenses	156,499,824	162,053,155	247,001,904	131,758,440	92,126,066	121,224,156	161,170,096	128,416,370	129,769,888	101,651,056
REVENUES										
Program revenues:										
Operating grants and contributions	9,330,091	15,255,413	97,263,152	42,080,284	17,587,975	12,703,163	42,020,095	50,558,540	30,115,787	16,383,343
Total Revenues	9,330,091	15,255,413	97,263,152	42,080,284	17,587,975	12,703,163	42,020,095	50,558,540	30,115,787	16,383,343
Net (Expense) / Revenue	(147,169,733)	(146,797,742)	(149,738,752)	(89,678,156)	(74,538,091)	(108,520,993)	(119,150,001)	(77,857,830)	(99,654,101)	(85,267,713)
GENERAL REVENUES										
Governmental activities:										
Sales tax	100,969,925	101,922,012	102,136,600	100,278,511	93,930,566	85,753,558	81,164,517	75,172,298	68,164,315	71,132,080
Vehicle Registration	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	1,703,664	773,032	383,456	462,845	637,677	20,730	1,823,823	1,358,730	2,395,155	4,027,239
Other	181,548	205,367	220,688	315,222	304,466	677,510	725,381	26,616,677	500	3,347
Total General Revenues	107,762,850	107,450,893	108,102,794	105,918,641	99,754,377	91,176,206	88,575,269	103,839,458	70,559,970	75,162,666
Governmental Activities Change in Net Position (Deficit)	\$ (39,406,883)	\$ (39,346,849)	\$ (41,635,958)	\$ 16,240,485	\$ 25,216,286	\$ (17,344,787)	\$ (30,574,732)	\$ 25,981,628	\$ (29,094,131)	\$ (10,105,047)

Source: Finance and Administration Division

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

	Fiscal Year Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011*	2010	2009
Sales Tax Program										
Nonspendable	\$ 81,580	\$ 81,580	\$ 81,580	\$ 136,760	\$ 249,102	\$ 81,580	\$ 912,451	\$ -	\$ -	\$ -
Restricted	16,150,508	-	32,929,667	99,455,392	342,674	300,214	311,431	309,352	-	-
Reserved	-	-	-	-	-	-	-	-	12,997,521	4,094,619
Unassigned	123,503,753	18,923,409	-	-	(56,765,333)	(78,892,781)	(84,181,113)	(35,505,050)	-	-
Unreserved	-	-	-	-	-	-	-	-	(83,020,361)	(29,241,584)
Total Sales Tax Program	139,735,841	19,004,989	33,011,247	99,592,152	(56,173,557)	(78,510,987)	(82,957,231)	(35,195,698)	(70,022,840)	(25,146,965)
All Other Governmental Funds										
Restricted	12,635,071	9,526,011	7,371,688	8,418,895	11,782,031	10,623,833	6,393,430	1,076,453	-	-
Reserved	-	-	-	-	-	-	-	-	6,431,281	6,770,398
Unassigned	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	(4,778,799)	(4,959,871)
Total All Other Governmental Funds	\$ 12,635,071	\$ 9,526,011	\$ 7,316,508	\$ 8,531,237	\$ 11,614,509	\$ 11,454,704	\$ 6,393,430	\$ 1,076,453	\$ 1,652,482	\$ 1,810,527

* 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 Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
REVENUES										
Sales tax	\$ 103,263,191	\$ 102,237,230	\$ 99,528,116	\$ 100,278,511	\$ 93,930,566	\$ 85,753,558	\$ 81,164,517	\$ 75,172,298	\$ 68,164,315	\$ 71,132,080
Vehicle registration fee	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	1,703,664	773,032	383,456	462,845	637,677	20,730	1,823,823	1,028,840	2,065,265	3,697,349
Program revenues	12,466,490	17,402,180	94,091,288	43,576,403	15,469,707	36,535,228	30,020,895	58,839,489	14,162,505	6,514,366
Project Funds and other revenues	45,919	69,738	85,059	179,593	168,837	541,881	725,381	26,616,677	500	3,347
Leasehold incentives	-	-	-	-	-	1,763,180	-	-	-	-
Total Revenues	122,386,977	125,032,662	199,449,969	149,359,415	115,088,455	129,338,985	118,596,164	162,349,057	84,392,585	81,347,142
EXPENDITURES										
Current - transportation improvement										
Personnel expenditures	5,917,828	5,483,832	5,321,186	5,687,882	5,211,708	5,106,574	4,920,019	4,566,167	4,299,005	3,604,137
Non-personnel expenditures	2,626,464	2,384,250	2,175,819	2,308,971	1,984,933	1,838,738	1,647,628	2,109,618	1,723,030	2,810,782
Capital project costs	139,400,940	152,869,532	238,735,052	122,103,000	82,846,542	112,066,150	148,669,765	118,795,953	122,132,594	93,331,287
Capital outlay	90,684	48,448	51,852	52,965	195,221	167,647	3,118,043	-	-	-
Debt service										
Principal	115,000,000	21,000,000	20,000,000	-	-	-	-	-	-	-
Interest and fiscal charges	5,644,154	1,098,535	794,172	1,468,189	1,354,423	1,483,229	2,685,265	2,626,206	1,271,876	1,924,902
Total Expenditures	268,680,070	182,884,597	267,078,081	131,621,007	91,592,827	120,662,338	161,040,720	128,097,944	129,426,505	101,671,108
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(146,293,093)	(57,851,935)	(67,628,112)	17,738,408	23,495,628	8,676,647	(42,444,556)	34,251,113	(45,033,920)	(20,323,966)
OTHER FINANCING SOURCES (USES)										
Transfers in	1,236,864	804,813	5,494,966	1,299,593	8,849,095	2,741,417	3,094,318	2,071,598	1,880,959	11,350,455
Transfers out	(1,236,864)	(804,813)	(5,494,966)	(1,299,593)	(8,849,095)	(2,741,417)	(3,094,318)	(2,071,598)	(1,880,959)	(11,350,455)
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	123,839,912	(11,851,935)	(67,628,112)	152,402,573	23,495,628	8,676,647	(42,444,556)	34,251,113	(45,033,920)	(20,323,966)
Fund Balances - Beginning	28,531,000	40,382,935	108,011,047	(44,391,526)	(67,887,154)	(76,563,801)	(34,119,245)	(68,370,358)	(23,336,438)	(3,012,472)
Fund Balances - Ending	\$ 152,370,912	\$ 28,531,000	\$ 40,382,935	\$ 108,011,047	\$ (44,391,526)	\$ (67,887,154)	\$ (76,563,801)	\$ (34,119,245)	\$ (68,370,358)	\$ (23,336,438)
Debt Service as a Percentage of										
Noncapital Expenditures	81.50%	13.74%	8.44%	1.13%	1.50%	1.24%	1.70%	2.09%	0.99%	1.93%

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	Annual Growth	Total Taxable Sales in San Francisco County (in thousands)
2018	0.5%	\$ 100,969,925	-0.93%	* \$ 20,193,985
2017	0.5%	101,922,012	-0.21%	* 20,384,402
2016	0.5%	102,136,600	1.85%	19,397,303
2015	0.5%	100,278,511	6.76%	18,871,834
2014	0.5%	93,930,566	9.54%	18,469,729
2013	0.5%	85,753,558	5.65%	17,094,163
2012	0.5%	81,164,517	7.97%	15,953,605
2011	0.5%	75,172,298	10.28%	14,890,527
2010	0.5%	68,164,315	-4.17%	13,443,121
2009	0.5%	71,132,080	-7.51%	12,633,575

* Amount was estimated based on the sales tax collected.

Source: California Board of Equalization taxable sales on a calendar basis. Effective July 1, 2017, the CDTFA became the successor to the Board of Equalization and became vested with nearly all of the duties, powers and responsibilities of the Board of Equalization.

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

		2016 *	
		Total	
Principal Revenue Payers	Rank	Taxable Sales in San Francisco County (in thousands)	Percentage of Taxable Sales
All Other Outlets	1	\$ 6,174,841	31.83%
Food Services and Drinking Places	2	4,670,360	24.08%
Other Retail Group	3	2,223,654	11.46%
Clothing and Clothing Accessories Stores	4	2,132,167	10.99%
Home Furnishings and Appliance Stores	5	965,919	4.98%
Food and Beverage Stores	6	843,717	4.35%
General Merchandise Stores	7	797,833	4.11%
Building Material and Garden Equipment and Supplies Dealers	8	586,373	3.02%
Motor Vehicle and Parts Dealers	9	573,965	2.96%
Gasoline Stations	10	428,473	2.21%
		\$ 19,397,303	
		2007	
		Total	
Principal Revenue Payers	Rank	Taxable Sales in San Francisco County (in thousands)	Percentage of Taxable Sales
All Other Outlets	1	\$ 3,606,692	26.49%
Eating and Drinking Places	2	2,589,892	19.02%
Other Retail Stores	3	2,421,574	17.79%
General Merchandise Stores	4	1,349,158	9.91%
Apparel Stores	5	1,028,602	7.56%
Home Furnishings and Appliances	6	608,766	4.47%
Service Stations	7	565,749	4.16%
Automotive	8	502,912	3.69%
Food Stores	9	480,587	3.53%
Building Materials	10	459,332	3.37%
		\$ 13,613,264	

* Most recent information available.

Source: California State Board of Equalization. Effective July 1, 2017, the CDTFA became the successor to the Board of Equalization and became vested with nearly all of the duties, powers and responsibilities of the Board of Equalization.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Debt Capacity – Ratios of Outstanding Debt

Last Ten Fiscal Years

Fiscal Year Ended June 30:	Revolving Credit Agreement	Commercial Papers	Sales Tax Revenue Bonds	Debt of Per- Capita	Total Debt as a % of Personal Income
2018	\$ 24,664,165	\$ -	\$ 268,917,282	\$ 332	276.95%
2017	139,664,165	-	-	159	139.93%
2016	114,664,165	-	-	132	122.70%
2015	134,664,165	-	-	158	158.04%
2014	-	135,000,000	-	160	177.90%
2013	-	150,006,000	-	181	202.42%
2012	-	150,000,000	-	184	225.01%
2011	-	150,000,000	-	186	242.55%
2010	-	150,000,000	-	187	257.51%
2009	-	150,000,000	-	190	249.08%

Source: Finance and Administration Division

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Debt Capacity – Legal Debt Margin Information

Last Ten Fiscal Years

The Transportation Authority does not have a legal debt limit.

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

Fiscal Year Ended June 30:	Available Revenue	Annual Debt Service			Coverage
	Sales Tax Revenue	Principal	Interest	Total	
2018	\$ 100,969,925	\$ 115,000,000	\$ 3,464,487	\$ 118,464,487	0.9
2017	101,922,012	21,000,000	1,098,535	22,098,535	4.6
2016	102,136,600	20,000,000	794,172	20,794,172	4.9
2015	100,278,511	-	1,468,189	1,468,189	68.3
2014	93,930,566	-	1,354,423	1,354,423	69.4
2013	85,753,558	-	1,483,229	1,483,229	57.8
2012	81,164,517	-	2,685,265	2,685,265	30.2
2011	75,172,298	-	2,626,206	2,626,206	28.6
2010	68,164,315	-	1,271,876	1,271,876	53.6
2009	71,132,080	-	1,924,902	1,924,902	37.0

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
2017	884,363	\$ 106,006,635	\$ 119,868	2.9%
2016	876,103	99,810,356	113,925	3.3%
2015	866,320	93,448,207	107,868	3.6%
2014	853,258	85,206,730	99,860	4.4%
2013	841,270	75,883,761	90,201	5.5%
2012	830,406	74,104,605	89,239	6.8%
2011	816,294	66,662,295	81,665	8.1%
2010	805,770	61,842,188	76,749	8.9%
2009	801,922	58,250,297	72,638	8.7%
2008	791,152	60,222,416	76,120	5.3%

Source: U.S. Census Bureau midyear population estimates. Estimates for 2010-2017 reflect county population estimates available as of March 2018. U.S. Bureau of Labor Statistics, Labor force data by county, 2008-17 annual averages.

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

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

* Most recent information available.

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

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

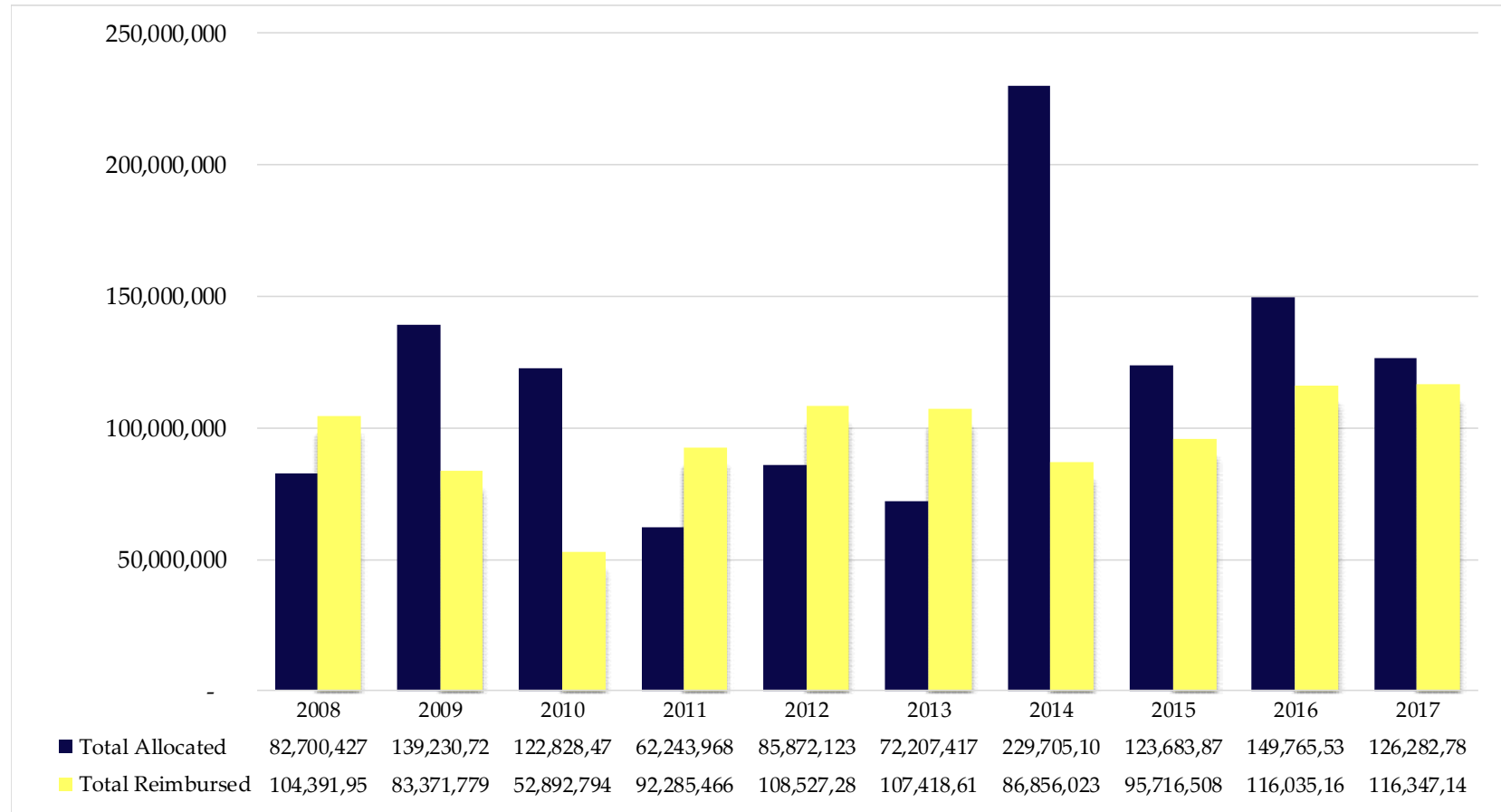
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY
Operating Information – Full-Time Equivalent Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Capital Project	3.00	4.00	4.00	4.00	4.00	3.00	4.00	4.00	2.00	2.00
Executive	7.00	6.00	6.00	6.00	5.00	3.00	3.00	3.00	3.00	3.00
Finance and Administration	9.00	8.00	6.00	8.00	5.00	6.00	6.00	6.00	5.00	7.00
Planning	8.00	8.00	7.00	9.00	8.00	7.00	9.00	8.00	9.00	7.00
Policy and Programming	8.00	8.00	7.00	6.00	8.00	9.00	9.00	10.00	8.00	9.00
Technology, Data and Analysis	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00
Total Employees	39.00	38.00	34.00	37.00	33.00	31.00	34.00	34.00	30.00	31.00

Source: Finance and Administration Division

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Operating Information – Operating Indicators by Function – Project Fund Allocations and Reimbursements Last Ten Fiscal Years



Source: San Francisco County Transportation Authority's Annual Report from 2008 to 2017. Calendar year basis for data presented.

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

	Fiscal Year Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Capital assets										
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Leasehold improvements	3,023,624	3,023,624	3,023,624	3,023,624	3,023,624	2,992,404	2,933,570	1,230,985	1,230,985	1,230,985
Furniture and equipment	856,146	890,753	890,753	961,989	909,024	770,577	703,027	518,554	510,479	789,130
Total capital assets	3,879,770	3,914,377	3,914,377	3,985,613	3,932,648	3,762,981	3,636,597	1,749,539	1,741,464	2,020,115
Less accumulated depreciation										
Leasehold improvements	1,393,325	1,160,425	927,525	694,626	461,727	230,185	-	904,952	729,097	553,242
Furniture and equipment	773,396	825,211	762,439	772,407	666,398	524,906	487,164	449,072	388,868	597,370
Total accumulated depreciation	2,166,721	1,985,636	1,689,964	1,467,033	1,128,125	755,091	487,164	1,354,024	1,117,965	1,150,612
Total capital assets, net	\$ 1,713,049	\$ 1,928,741	\$ 2,224,413	\$ 2,518,580	\$ 2,804,523	\$ 3,007,890	\$ 3,149,433	\$ 395,515	\$ 623,499	\$ 869,503

Source: Finance and Administration Division



Compliance Section



This page is intentionally blank.



**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, 2018, and the related notes to the financial statements, which collectively comprise Transportation Authority's basic financial statements, and have issued our report thereon dated January 29, 2019. Our report included an emphasis of matter regarding the Transportation Authority's adoption of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Vavrnick, Trine, Day & Co. LLP

Palo Alto, California

January 29, 2019



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

**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, 2018. 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, 2018.

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.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
January 29, 2019

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

**I. Summary of Auditor's Results
For the Year Ended June 30, 2018**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

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:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

**II. Financial Statement Findings
For the Year Ended June 30, 2018**

None reported.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

III. Federal Awards Findings and Questioned Costs

For the Year Ended June 30, 2018

None reported.

SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2018

None reported.

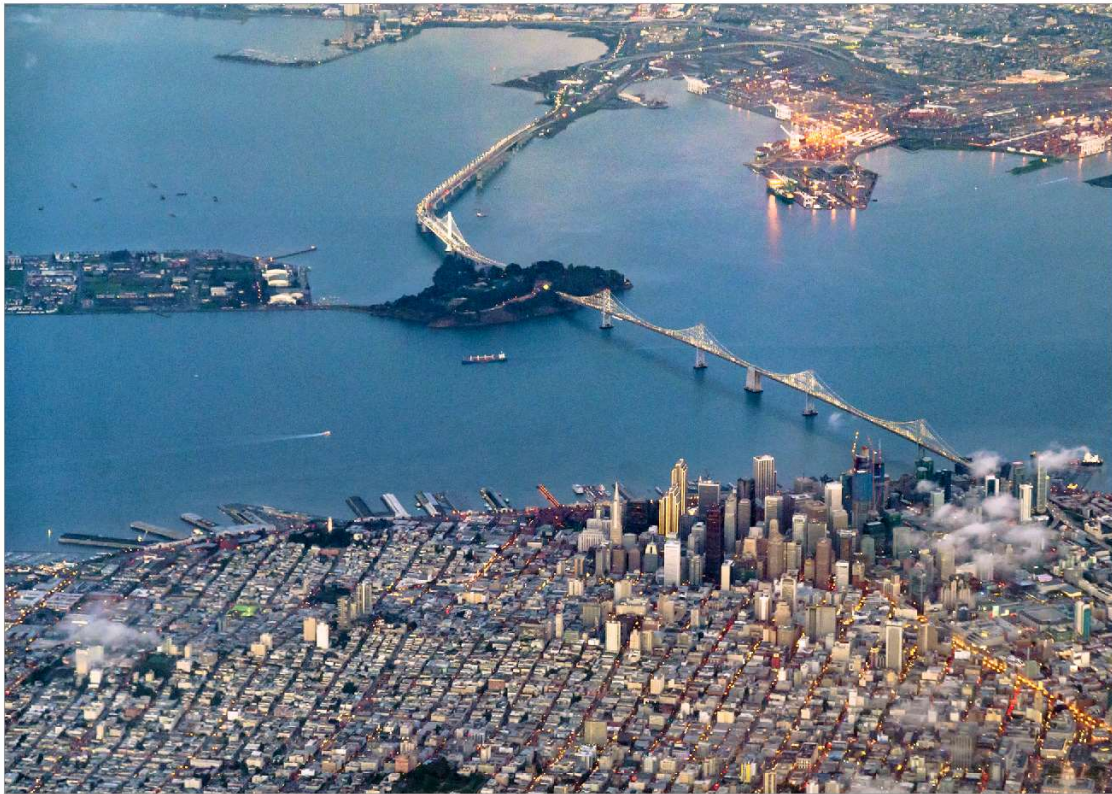


PHOTO CREDITS

Uncredited photos are from the SFCTA photo library. Photos with links are made available via Flickr Commons. Follow URL for use and licensing information.

INTRODUCTORY SECTION: Victor Solano, <https://flic.kr/p/hQxYKR>
FINANCIAL SECTION: Sergio Ruiz, <https://flic.kr/p/z1A7Wx>
COMPLIANCE SECTION: Sergio Ruiz, <https://flic.kr/p/XaKn6U>
BACK COVER: Sergio Ruiz, <https://flic.kr/p/NKsXGC>



San Francisco County Transportation Authority
1455 Market Street, 22nd Floor, San Francisco, CA 94103
415.522.4800 | www.sfcta.org

