

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Basic Financial Statements and Supplemental Schedules

Year Ended June 30, 2023

(With Independent Auditor's Report Thereon)

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CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Supervisors, and
San Francisco Municipal Transportation Agency Board of Directors
City and County of San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San Francisco Municipal Transportation Agency (SFMTA), an enterprise fund of the City and County of San Francisco, California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the SFMTA's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the SFMTA, as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of San Francisco Japan Center Garage Corporation and the Portsmouth Plaza Parking Corporation which represent .02% of the total assets of the SFMTA as of June 30, 2023, and 1.0% of the total revenues of the SFMTA for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities is based solely on the reports of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SFMTA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Portsmouth Plaza Parking Corporation were not audited in accordance with *Government auditing Standards*.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the SFMTA and do not purport to, and do not present fairly the financial position of the City and County of San Francisco, as of June 30, 2023, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SFMTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the SFMTA's basic financial statements. The accompanying supplemental schedules 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023 on our consideration of the SFMTA'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 SFMTA'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 SFMTA's internal control over financial reporting and compliance.



Crowe LLP

San Francisco, California
December 22, 2023

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2023

We offer readers of the San Francisco Municipal Transportation Agency's (SFMTA) financial statements this narrative overview and analysis of the financial activities of the SFMTA for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the information contained in the financial statements.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,256 million.
- Net position increased by \$158.1 million or 3.1% over the prior fiscal year.
- Net investment in capital assets was \$5,332.1 million, restricted net assets was \$278.7 million, and unrestricted net assets had a deficit of \$354.8 million.
- Operating revenues were \$350.7 million.
- Operating expenditures were \$1,423.6 million.
- The SFMTA received COVID-19 pandemic federal relief from the Federal Transit Administration of \$138.1 million, which was used for transit services. This amount represented the operating gap due to the impact of the COVID-19 pandemic.

Overview of the Financial Statements

This discussion and analysis section is intended to serve as an introduction to the SFMTA's financial statements. The SFMTA oversees transit (Muni), parking and traffic control operations, bike and pedestrian programs, and taxis in the City. The SFMTA applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The SFMTA is a major enterprise fund of the City, and its financial statements are included in the City's Annual Comprehensive Financial Report. More information regarding the SFMTA's organization and the basis of presentation are contained in Notes 1 and 2(a).

The statement of net position presents information on all the SFMTA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net position is the residual of all other four elements presented in the statement. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the SFMTA.

The statement of revenues, expenses, and changes in net position presents information showing how the SFMTA's net position changed over the course of the 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. Revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The statement of cash flows presents information about the cash receipts and payments of the SFMTA during the fiscal year. This statement shows the effect on the SFMTA's cash balances of cash flows from operating, noncapital financing, capital and related financing, and investing activities. When used with related disclosures and information in the other financial statements, the information in the statement of cash flows helps readers assess the SFMTA's ability to generate net cash flows, its ability to meet its obligations as they come due, and its needs for external financing.

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Year Ended June 30, 2023

There are no known facts, decisions, or conditions that are expected to have a significant effect on net position or results of revenues, expenses, and other changes in net position.

Notes to Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the financial statements. The notes to financial statements can be found on pages 18 through 55 of this report.

Other Information

The supplemental schedules found on pages 56 through 75 of this report are presented for the purpose of providing additional analysis and are not a required part of the financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the SFMTA, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,256 million at the close of the most recent fiscal year.

Condensed Summary of Net Position

June 30, 2023 and 2022

(In thousands)

	<u>2023</u>	<u>2022</u>
Assets:		
Current assets	\$ 1,016,541	1,084,304
Restricted noncurrent assets	301,670	368,930
Other noncurrent assets	82,081	443,498
Capital assets, net	<u>5,956,829</u>	<u>5,752,201</u>
Total assets	<u>7,357,121</u>	<u>7,648,933</u>
Deferred outflows of resources	<u>363,655</u>	<u>305,791</u>
Liabilities:		
Total current liabilities	346,480	367,624
Total noncurrent liabilities	<u>1,832,655</u>	<u>1,446,549</u>
Total liabilities	<u>2,179,135</u>	<u>1,814,173</u>
Deferred inflows of resources	<u>285,644</u>	<u>1,042,702</u>
Net position:		
Net investment in capital assets	5,332,130	5,117,969
Restricted	278,690	358,862
Unrestricted	<u>(354,823)</u>	<u>(378,982)</u>
Total net position	<u>\$ 5,255,997</u>	<u>5,097,849</u>

The SFMTA implemented GASB 96, SBITAs, in FY2023. FY2022 balances were not restated.

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Year Ended June 30, 2023

During fiscal year 2023, the net position increased by \$158.1 million or 3.1% compared to the prior year. The SFMTA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,256 million.

Current assets decreased by \$67.8 million or 6.2%. This decrease includes restricted and unrestricted cash and investments of \$111.8 million, prepaid assets of \$0.3 million, and inventories of \$0.2 million, offset by increase in receivables of \$44.5 million. The decrease was primarily attributable to reduced revenue collections from operating and capital grants.

The restricted noncurrent assets decreased by \$67.3 million or 18.2%, attributable to decreases of \$37.2 million in capital funding from revenue bonds, \$32.7 million in capital project support from the City's general obligation bonds, \$4.7 million in funds held by the trustee, and \$1.6 million in revenue collections on behalf of other agencies, offset by increases of \$6.4 million in collections levied from Transit Sustainability Fees, \$1.2 million in capital project support from the City's special tax bond and \$0.8 million in nonprofit garage reserve funds, and \$0.5 million in revenues from the Traffic Congestion Mitigation Tax.

The capital assets increased by \$204.6 million or 3.6%, mainly from procurement of new revenue vehicles of \$175.6 million and \$30.8 million from the Central Subway Project construction in progress offset by decrease of \$1.8 million in total leases and subscription IT assets.

Total noncurrent liabilities increased by \$386.1 million or 26.7%. The increase was due to increases in net pension liability of \$372.8 million mainly due to investment loss, economic assumption changes, and experience losses resulting in a net pension liability compared to a net pension asset in fiscal year 2022, net other postemployment benefits liability of \$31 million, and workers' compensation of \$14.1 million. The increases were offset by decreases in estimated claims of \$15.2 million, debt payable of \$15.2 million, and vacation and sick leave pay of \$1.4 million.

The largest portion of the \$5,256 million SFMTA's net position reflects its \$5,332.1 million net investment in capital assets (specifically land, building structure and improvements, equipment, infrastructure, intangible assets, and construction in progress). The value of these capital assets of \$8,394.2 million was offset by accumulated depreciation and amortization of \$2,437.4 million and related debt of \$624.7 million. More information on capital assets can be found in Note 4 to the financial statements. The SFMTA uses these assets to provide services.

The remainder of the SFMTA's net position is composed of restricted and unrestricted net assets. The restricted net assets include deposits, investments, and receivables, net of payables.

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Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2023

Condensed Summary of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2023 and 2022
(In thousands)

	<u>2023</u>	<u>2022</u>
Revenues:		
Total operating revenues	\$ 350,656	316,363
Total nonoperating revenues, net	385,945	402,741
Total capital contributions	<u>260,927</u>	<u>206,540</u>
Total revenues	997,528	925,644
Net transfers	<u>584,238</u>	<u>662,362</u>
Total revenues and net transfers	1,581,766	1,588,006
Expenses:		
Total operating expenses	<u>1,423,618</u>	<u>1,060,176</u>
Change in net position	158,148	527,830
Total net position – beginning	<u>5,097,849</u>	<u>4,570,019</u>
Total net position – ending	<u>\$ 5,255,997</u>	<u>5,097,849</u>

Total revenue and net transfers for the year ended June 30, 2023 were \$1,581.8 million, a decrease of \$6.2 million or 0.4% compared to the prior year. This was due to decreases in nonoperating revenues and net transfers, offset by increases in operating revenues and capital contributions.

Operating revenue increased by \$34.3 million or 10.8% compared to the prior year. This was due to increases in passenger fares revenue by \$26.8 million or 43.9%, penalties of \$5.2 million or 6.3%, parking fees of \$3 million or 3%, charges for services by \$1.6 million or 5.5%, and advertising revenue by \$1.3 million or 21.1%. These increases were offset by decreases in rental income by \$2.4 million or 15.9% and permits revenue by \$1.2 million or 5.7%. The increase in passenger fares was mainly due to increase in transit cash fare collections and improved enforcement. Penalties increased primarily from parking citations. The increase in parking fees was due to increase in parking garages revenues offset by decrease in parking meter collections. Rental income decreased mainly due to changes in minimum annual guarantee payment for advertising space as a result of lease amendment. The decrease in permits revenue was due to decline in permits issuance for residential parking.

The nonoperating revenue includes operating support received from other sources, primarily federal and state operating grants, development fees, and interest income. Nonoperating revenue decreased by \$16.8 million or 4.2%, mainly from federal grants of \$108.6 million, offset by increases in interest and investment income of \$55 million, state and other operating grants of \$24.7 million, development fees of \$7.8 million, net other nonoperating revenues of \$3 million, and loss on disposal of assets of \$1.3 million. The decrease in federal operating grants was mainly due to a significant reduction in funding from the COVID-19 Stimulus Fund.

Capital contributions consist principally of funds received or receivable from federal, state, and local grant agencies that provide funding for many of the SFMTA's capital projects. There was an increase in capital expenditures incurred and billable to the grantors in fiscal year 2023 compared to the prior year, mostly related to spending on light rail vehicle procurement and motor coach replacement projects offset by reduction in Van

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Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2023

Ness Bus Rapid Transit project. This resulted in the increase in capital contributions by \$54.4 million or 26.3% when compared to fiscal year 2022.

Net transfers decreased by \$78.1 million or 11.8% due to \$122.3 million decrease in capital project support from the City's general obligation bonds, offset by increases of \$36.7 million in transfers from the City's General Fund for revenue baseline subsidy, in lieu of parking tax and population-based allocation, \$2.7 million from other City departments, \$2.6 million in paratransit operating services support from the San Francisco County Transportation Authority, and \$2.2 million from proceeds of the Traffic Congestion Mitigation Tax.

Total operating expenses were \$1,423.6 million, an increase of \$363.4 million or 34.3% compared to the prior year. The resulting net increase comprises trend changes from various expense categories. Personnel services increased by \$318.3 million or 55.4%, primarily from significant increase in pension expenses and net other postemployment benefits (OPEB) liability based on actuarial reports. Contractual services increased by \$24.7 million or 18.9%, attributable to increases in non-capitalized project costs, facilities and equipment maintenance, and service contracts related to garage operators, citation processing, parking meters, and vehicle towing. Materials and supplies increased by \$8.3 million or 12.1% mostly from fuel and vehicle parts & supplies. Services from other City departments increased by \$8.3 million or 9.8% mainly from utilities, architectural services, and technology infrastructure offset by legal services. Depreciation and amortization expense increased by \$8 million or 3.6% while other operating expenses increased by \$1.9 million or 7.8% with higher cost recovery and paratransit costs than the prior year. These increases were offset by reduction of \$6.1 million or 158.1% in general and administrative costs mainly due to decrease in claim liability per actuarial study.

The tables below illustrate the SFMTA's operating revenues by source and expenses by category for fiscal years 2023 and 2022 as follows:

Operating Revenues Comparative
Years ended June 30, 2023 and 2022
(In thousands)

	<u>2023</u>	<u>2022</u>
Passenger fares	\$ 87,803	61,010
Parking and transportation	104,640	101,637
Fines, forfeitures, and penalties	87,739	82,524
Charges for services	30,642	29,036
Licenses, permits, and franchises	19,939	21,148
Advertising	7,287	6,016
Rents and concessions	<u>12,606</u>	<u>14,992</u>
Total operating revenues	<u>\$ 350,656</u>	<u>316,363</u>

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Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2023

Operating Expenses Comparative
Years ended June 30, 2023 and 2022
(In thousands)

	<u>2023</u>	<u>2022</u>
Personnel services	\$ 892,654	574,306
Contractual services	155,725	131,016
Materials and supplies	77,100	68,776
Depreciation and amortization	229,262	221,279
Services from other City departments	93,497	85,189
General and administrative	(2,249)	3,868
Other operating expenses	<u>(22,371)</u>	<u>(24,258)</u>
Total operating expenses	<u>\$ 1,423,618</u>	<u>1,060,176</u>

Capital Assets and Debt Administration

Capital Assets

The SFMTA's investment in capital assets amounts to \$5,956.8 million net of accumulated depreciation and amortization as of June 30, 2023. This investment includes land and land improvements, building structures and improvements, equipment, infrastructure, intangible assets, and construction in progress. The increase in capital assets was \$204.6 million or 3.6% compared to the previous year. This increase was attributed to acquisition of new revenue vehicles, continued construction for the Central Subway Project, facility upgrades, street improvements, and the Muni Forward Program.

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Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2023

Summary of Capital Assets
(In thousands)

	<u>Balance, June 30, 2023</u>	<u>Balance, June 30, 2022</u>
Capital assets not being depreciated/amortized:		
Land	\$ 59,525	52,199
Construction in progress	680,227	2,518,487
Total capital assets not being depreciated/amortized	<u>739,752</u>	<u>2,570,686</u>
Capital assets being depreciated/amortized:		
Building structures and improvements	1,105,186	1,088,760
Equipment	2,405,910	2,342,117
Infrastructure	4,143,318	2,089,707
Total capital assets being depreciated/amortized	<u>7,654,414</u>	<u>5,520,584</u>
Less accumulated depreciation/amortization for:		
Building structures and improvements	437,518	403,659
Equipment	1,118,515	1,107,708
Infrastructure	881,304	827,702
Total accumulated depreciation/amortization	<u>2,437,337</u>	<u>2,339,069</u>
Total capital assets being depreciated/amortized, net	<u>5,217,077</u>	<u>3,181,515</u>
Total capital assets, net	<u>5,956,829</u>	<u>5,752,201</u>

The SFMTA implemented GASB 96, SBITAs, in FY2023. FY2022 balances were not restated.

Construction in progress is made up of various transportation projects. The five projects that have the highest balances are the light rail vehicle procurement, street improvements, facility upgrades, Muni Forward Program, and rail replacement.

Significant capital asset additions included:

Construction in progress – A majority of the \$459.8 million in costs incurred were for the light rail vehicle procurement, Central Subway Project, facility upgrades, and street improvements.

Facilities and improvements – The total of \$16.5 million was incurred mainly for Central Subway Project, facility upgrades, and Muni Forward Program.

Equipment – The total of \$197.2 million was incurred mainly for light rail vehicles and motor buses procurement, Central Control System upgrades, and parking meters replacement.

Infrastructure – The total of \$2.1 billion was incurred mainly for Central Subway Project, Muni Forward Program, traffic signs installation & calming, street improvements, and traffic signal upgrades.

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Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2023

Debt Administration

At June 30, 2023, the SFMTA's bond debt obligations outstanding totaled \$458.4 million. The following table summarizes the balances in debt between fiscal years 2023 and 2022 (in thousands):

	<u>2023</u>	<u>2022</u>
Bonds payable	\$ 458,402	468,640

These amounts represent bonds secured by all revenues except for City General Fund allocations and restricted sources.

The SFMTA's total bond-related debt decreased by \$10.2 million or 2.2% due to principal payments and amortization of issuance premium. The SFMTA carried underlying debt ratings of A+ from Standard & Poor's Global Ratings and Aa3 from Moody's Investors Service as of June 30, 2023.

More detailed information about the SFMTA's debt activity is presented in Note 6 to the financial statements.

FY2023 and FY2024 Budget

The SFMTA's adopted two-year operating budget supports its strategic plan goals and transit-first policy principles. The approved operating budgets for fiscal years 2023 and 2024 are \$1,354.3 million and \$1,407.6 million, respectively. The budget also includes \$36.4 million in fiscal year 2023 and \$65.2 million in fiscal year 2024 for capital expenditures. The combined total appropriation for operating and capital expenditures and reserves is \$1,390.7 million in fiscal year 2023 and \$1,472.4 million in fiscal year 2024. In addition to the City's Annual Appropriation Ordinance, the SFMTA has a capital budget of \$423.6 million and \$388.1 million in fiscal years 2023 and 2024, respectively.

The budget includes 6,307 full time employees for fiscal year 2023 and 6,159 for fiscal year 2024. Salaries and fringe benefit amounts budgeted in fiscal years 2023 and 2024 total \$946.1 million and \$969.4 million, representing 69.9% and 68.9% of the operating budget, respectively.

The SFMTA is reliant on downtown San Francisco office workers for the generation of three primary revenue sources: passenger fares, parking fees/fines, and the City's General Fund. The slow return of office workers to downtown San Francisco continues to depress ridership, parking revenues, and the tax base underpinning General Fund allotment, likely beyond the end of fiscal year 2024. Given revenue limitations, the SFMTA will make revenue neutral changes to transit service.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2023

Requests for Information

This report is designed to provide a general overview of the SFMTA's finances for all those with a general interest. The financial statements and related disclosures in the notes to the financial statements and supplemental information are presented in accordance with U.S. generally accepted accounting principles. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial and Administrative Officer, SFMTA, One South Van Ness Avenue, 7th Floor, San Francisco, CA 94103.

Questions regarding the City and County of San Francisco or a request for a copy of the City's Annual Comprehensive Financial Report should be addressed to the Office of the Controller, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statement of Net Position

June 30, 2023

(In thousands)

Assets:

Current assets:

Cash and investments with City Treasury	\$	722,409
Cash and investments outside City Treasury		8,623
Cash on hand		85
Receivables:		
Grants		101,278
Due from the San Francisco County Transportation Authority		70,612
Due from other City departments		6,488
Charges for services (net of allowance for doubtful accounts of \$51)		4,727
Lease receivable		7,437
Interest and other		9,039
Inventories		84,716
Current prepaids and other assets		308
Restricted cash and investments with City Treasury		802
Restricted cash and investments outside City Treasury		17

Total current assets		<u>1,016,541</u>
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Noncurrent assets:

Restricted cash and investments with City Treasury, net of current portion	295,158
Restricted cash and investments outside City Treasury, net of current portion	4,555
Restricted interest and other receivables	1,957
Lease receivable, net of current portion	82,081
Capital assets not being depreciated/amortized	739,752
Capital assets being depreciated/amortized	<u>5,217,077</u>

Total noncurrent assets	<u>6,340,580</u>
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Total assets	<u>7,357,121</u>
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Deferred outflows of resources:

Unamortized loss on refunding of debt	786
Related to pensions	238,265
Related to other postemployment benefits	<u>124,604</u>

Total deferred outflows of resources	<u>\$ 363,655</u>
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SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statement of Net Position

June 30, 2023

(In thousands)

Liabilities:

Current liabilities:

Due to other funds	\$	594
Accounts payable and accrued expenses		87,188
Accrued payroll		50,364
Accrued vacation and sick leave		31,093
Accrued workers' compensation		32,236
Accrued claims		32,400
Grants received in advance		44,459
Unearned revenue and other liabilities		18,205
Payable from restricted assets		23,799
Accrued interest payable		5,447
Bonds, loans, leases, and other payables		20,695
Total current liabilities		<u>346,480</u>

Noncurrent liabilities:

Accrued vacation and sick leave, net of current portion		24,991
Accrued workers' compensation, net of current portion		140,795
Accrued claims, net of current portion		52,200
Net other postemployment benefits liability		642,513
Net pension liability		372,813
Bonds, loans, leases, and other payables, net of current portion		599,343
Total noncurrent liabilities		<u>1,832,655</u>
Total liabilities		<u>2,179,135</u>

Deferred inflows of resources:

Related to leases		79,850
Related to pensions		80,301
Related to other postemployment benefits		125,493
Total deferred inflows of resources		<u>285,644</u>

Net position:

Net investment in capital assets		5,332,130
Restricted for debt service		—
Restricted for capital projects		275,406
Restricted for other purposes		3,284
Unrestricted		<u>(354,823)</u>
Total net position	\$	<u>5,255,997</u>

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2023

(In thousands)

Operating revenues:	
Passenger fares	\$ 87,803
Parking and transportation	104,640
Fines, forfeitures, and penalties	87,739
Charges for services	30,642
Licenses, permits, and franchises	19,939
Advertising	7,287
Rents and concessions	<u>12,606</u>
Total operating revenues	<u>350,656</u>
Operating expenses:	
Personnel services	892,654
Contractual services	155,725
Materials and supplies	77,100
Depreciation and amortization	229,262
Services from other City departments	93,497
General and administrative	(2,249)
Other operating expenses	<u>(22,371)</u>
Total operating expenses	<u>1,423,618</u>
Operating loss	<u>(1,072,962)</u>
Nonoperating revenues (expenses):	
Operating assistance:	
Federal	147,596
State and other grants	202,515
Interest and investment income	27,561
Interest expense	(16,124)
Other, net	<u>24,397</u>
Total nonoperating revenues, net	<u>385,945</u>
Loss before capital contributions and transfers	<u>(687,017)</u>
Capital contributions:	
Federal	140,500
State and others	<u>120,427</u>
Total capital contributions	<u>260,927</u>
Transfers in:	
City and County of San Francisco – General Fund	556,423
San Francisco County Transportation Authority	12,554
City and County of San Francisco – Other City departments	<u>15,729</u>
Total transfers in	584,706
Transfers out:	
City and County of San Francisco – Other City departments	<u>(468)</u>
Net transfers	<u>584,238</u>
Change in net position	158,148
Net position at beginning of year	<u>5,097,849</u>
Total net position, end of year	\$ <u><u>5,255,997</u></u>

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statement of Cash Flows

Year ended June 30, 2023

(In thousands)

Cash flows from operating activities:	
Cash received from passengers and service contracts	\$ 307,254
Cash received from fines, forfeitures, and penalties	88,268
Cash received from tenants for rent	3,190
Cash paid to employees for services	(911,461)
Cash paid to suppliers for goods and services	(362,781)
Cash paid for judgments and claims	(17,608)
Net cash used in operating activities	(893,138)
Cash flows from noncapital financing activities:	
Operating grants	361,529
Transfers from the City and County of San Francisco - General Fund	556,423
Transfers from San Francisco County Transportation Authority	12,554
Transfers from the City and County of San Francisco – Other City departments	15,729
Transfers to the City and County of San Francisco – Other City departments	(468)
Other noncapital increases	26,425
Net cash provided by noncapital financing activities	972,192
Cash flows from capital and related financing activities:	
Capital grants	201,891
Proceeds from sale of capital assets	499
Acquisition of capital assets	(457,867)
Retirement of leases, bonds, and loans	(8,837)
Interest paid on long-term debt	(17,207)
Other capital financing increases	1,978
Net cash used in capital and related financing activities	(279,543)
Cash flows from investing activities:	
Interest and investment income (loss)	19,839
Net cash used in investing activities	19,839
Net increase in cash and cash equivalents	(180,650)
Cash and cash equivalents – beginning of year	1,212,299
Cash and cash equivalents – end of year	\$ 1,031,649

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statement of Cash Flows

Year ended June 30, 2023

(In thousands)

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (1,072,962)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	229,262
Provision for doubtful accounts	(54)
Changes in operating assets and liabilities:	
Receivables	3,879
Inventories	188
Prepaid and others	336
Accounts payable and accrued expenses	5,222
Accrued payroll	6,109
Accrued vacation and sick leave	171
Accrued workers' compensation	18,407
Accrued claims	(30,063)
Net other postemployment benefits liability	45,751
Net pension liability/asset	(89,497)
Due to other funds	151
Unearned revenues and other liabilities	<u>(10,038)</u>
Net cash used in operating activities	<u><u>\$ (893,138)</u></u>
Reconciliation of cash and cash equivalents to the statements of net position:	
Cash and investments with City Treasury:	
Unrestricted	\$ 722,409
Restricted	295,960
Cash and investments held outside City Treasury:	
Unrestricted	8,623
Restricted	<u>4,572</u>
Total cash and investments	1,031,564
Cash on hand	<u>85</u>
Total cash and cash equivalents, end of year	<u><u>\$ 1,031,649</u></u>

See accompanying notes to financial statements.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

(1) Description of Reporting Entity

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors, who are appointed by the Mayor and Board of Supervisors. The SFMTA's financial statements include the entire City and County of San Francisco's (the City) surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and on- and off-street parking, regulation of the taxi industry, and two nonprofit parking garage corporations operated by separate nonprofit corporations whose operations are interrelated. All significant inter-entity transactions have been eliminated. The SFMTA is an integral part of the City, and these statements are reported as a major enterprise fund in the City's Annual Comprehensive Financial Report. The accompanying financial statements present only the financial position, the changes in financial position, and cash flows of SFMTA and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position, and its cash flows in accordance with U.S. generally accepted accounting principles.

The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter of the City (the Charter) in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department and to provide the transportation system with the resources, independence, and focus necessary to improve transit service and the City's transportation system. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenue to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A), which provided \$500 million in general obligation bonds for transportation and street infrastructure; (4) in 2014 (Proposition B), which increases general fund allocation to SFMTA based on the City's population increase; and (5) in 2019 (Proposition D), which imposes tax on fares charged by commercial shared and private rides to fund transportation operations and infrastructure for traffic congestion mitigation in the City.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area, and eighth largest system in the United States. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world-famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to the City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 21 City-owned garages and 18 metered parking lots. In March 2009, the former Taxi Commission was merged with the SFMTA under the Taxis, Access and Mobility Services Division which regulates taxis and enhances mobility in the City.

Nonprofit corporations provide operational oversight to two garages, namely Japan Center Garage Corporation (Japan Center) and Portsmouth Plaza Parking Corporation (Portsmouth). Of these two garages, Portsmouth garage is owned by the Recreation and Park Department but managed by the SFMTA. The SFMTA approves and oversees the budget and capital improvements and as authorized by the City Charter, set the parking rates in garages under SFMTA's jurisdiction including the two parking garages. The financial statements of these nonprofit garages, which are audited by other auditors, are provided to the SFMTA and accounted for in the parking garages account. The nonprofit corporations' annual financial statements are publicly available.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

(2) Significant Accounting Policies

(a) *Measurement Focus and Basis of Accounting*

The activities of the SFMTA are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under this method, revenues are recorded when earned and expenses are recorded when the related liabilities are incurred. When both restricted and unrestricted resources are available for use, it is generally SFMTA's policy to use unrestricted resources first, and then use restricted resources when they are needed.

The SFMTA distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses primarily result from the public using the surface transportation system. The principal operating revenue is generated from passenger fares, meter parking, garage parking fees, fines, parking permits, and fees collected from advertisements on the SFMTA property. All other revenues such as operating assistance grants, interest income, and development fees are considered nonoperating revenues. Operating expenses of the SFMTA include costs associated with providing transportation services, including personnel costs, contractual services, materials and supplies, depreciation and amortization on capital assets, support services from other City departments, and other related expenses. All expenses not meeting this definition are reported as nonoperating expenses.

(b) *New Accounting Standards Adopted in Fiscal Year 2023*

(i) *GASB Statement No. 91*

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. The new standard is effective for periods beginning after December 15, 2021. The SFMTA adopted the provisions of this Statement, which did not have a significant impact on its financial statements.

(ii) *GASB Statement No. 94*

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

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

(iii) GASB Statement No. 96

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. GASB Statement No. 96 defines such arrangements as contracts that convey control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The standard clarifies measurement and recognition of capitalizable costs, intangible assets, and subscription liabilities for such arrangements and also requires additional disclosures related to such arrangements. The new standard is effective for periods beginning after June 15, 2022. The SFMTA implemented the provisions of GASB Statement No. 96 in fiscal year 2023. As a result of adoption, the cumulative effect of applying this Statement was recorded as SFMTA's beginning balances for the following accounts as of July 1, 2022 (in thousands):

	Total
Subscription IT asset	\$ 387
Subscription liability – current	(37)
Subscription liability – long-term	(350)

(c) Effects of Future Pronouncements

(i) GASB Statement No. 99

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. GASB Statement No. 99 addresses a variety of topics. The requirements related to extension of the use of the London Interbank Offered Rate, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance and did not have a significant impact on the SFMTA's financial statements for the year ended June 30, 2022. The requirements related to leases, public-public and public-private partnerships, and subscription-based information technology arrangements are effective for fiscal years beginning after June 15, 2022 and did not have a significant impact on the SFMTA's financial statements for the year ended June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023 and effective for the year ending June 30, 2024.

(ii) GASB Statement No. 100

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. GASB Statement No. 100 defines various types of accounting changes and prescribes accounting, reporting, and disclosure requirements for accounting changes and error corrections. The new standard is effective for periods beginning after June 15, 2023. SFMTA will implement the provisions of GASB Statement No. 100 in fiscal year 2024.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

(iii) GASB Statement No. 101

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. GASB Statement No. 101 requires that liabilities for compensated absences be recognized if the leave is attributable to services already rendered and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means and establishes definitions, guidance, and disclosure requirements related to compensated absences. The new standard is effective for periods beginning after December 15, 2023. SFMTA will implement the provisions of GASB Statement No. 101 in fiscal year 2025.

(d) Cash and Cash Equivalents and Investments

The SFMTA maintains its cash and investments and a portion of its restricted cash and investments as part of the City's pool of cash and investments pursuant to the City Charter's requirements. The SFMTA's portion of this pool is displayed on the statement of net position as "Cash and investments with City Treasury." Income earned or losses arising from pooled investments are allocated on a monthly basis to appropriate funds and entities based on their average daily cash balances.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the City reports certain investments at fair value in the statement of net position and recognizes the corresponding change in fair value of investments in the year in which the change occurred as a component of nonoperating revenues (expenses).

The SFMTA considers its pooled deposits and investments with the City Treasury to be demand deposits and, therefore, cash equivalents for the purposes of the statement of cash flows. The City also may hold nonpooled deposits and investments for the SFMTA. Nonpooled restricted deposits and highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

(e) Inventories

Inventories are valued using the average cost method. Inventories are expensed using the consumption method.

Rebuilt inventory items include motors, transmission, and other smaller parts that are removed from existing coaches that are overhauled and repaired.

(f) Capital Assets

Capital assets are stated at cost, except for lease and subscription right to use assets. All construction in progress items over \$100,000 and nonconstruction in progress items over \$5,000 are capitalized. Artifacts held for public exhibition are not capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which ranges from 1 to 80 years for building structures and improvements, infrastructure, equipment, depreciable land improvement, intangible assets, and right to use assets. Generally, no depreciation is recorded in the year of acquisition, and a full year's depreciation is taken in the year of disposal.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

	<u>Years</u>
Building structures and improvements	2 to 60
Infrastructure	1 to 75
Equipment	1 to 30
Land improvement, depreciable	5 to 50
Intangible assets	5 to 20
Right to use assets	1 to 80

(g) Construction in Progress

Construction in progress represents the design and construction costs of various uncompleted projects. As facilities are accepted by the SFMTA and become operative, they are transferred to building structures and improvements, infrastructure, and equipment accounts and depreciated in accordance with the SFMTA's depreciation policies. Costs of construction projects that are discontinued are recorded as expense in the year in which the decision is made to discontinue such projects.

(h) Bond Premium, Issuance Costs, and Refunding of Debt

Bond issuance costs related to prepaid insurance costs are capitalized and amortized using the effective interest method. Other bond issuance costs are expensed when incurred. Original issue bond discount or premium are offset against the related debt and are also amortized using the effective interest method. Deferred outflows/inflows of resources from refunding of debt are recognized as a component of interest expense using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

(i) Accrued Vacation and Sick Leave

Accrued vacation pay, which vests and may be accumulated up to 10 weeks per employee, is charged to expense as earned. Unused sick leave accumulated on or prior to December 6, 1978 is vested and payable upon termination of employment by retirement, death, or disability caused by industrial accident. Sick leave earned subsequent to that date is nonvesting and is charged to expense when used. The amount of allowable accumulation is set forth in various memorandums of understanding but is generally limited to six months per employee.

(j) Net Position

SFMTA financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Restricted category represents net assets that have external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2023, SFMTA reported \$275.4 million restricted assets related to capital projects and \$3.3 million restricted for other purposes. The net investment in capital assets category includes capital assets net of accumulated depreciation and amortization and outstanding balances of debt, including debt related deferred outflows and inflows of resources, that are attributable to the acquisition, construction, or improvement of those assets. Unrestricted is the residual amount not included in the above categories.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

(k) Capital Grants and Contributions

Capital grants and contributions from external sources are recognized as capital contribution earned when approved by the granting authority and applicable eligibility requirements are met, such as the time reimbursable expenditures related to the grants are incurred.

The U.S. Department of Transportation, through the Federal Transit Administration (FTA), provides capital assistance to the SFMTA for the acquisition and construction of transit-related property and equipment. This assistance generally approximates 80% of acquisition cost and is administered through the Metropolitan Transportation Commission (MTC). The capital assistance provided to the SFMTA by the California Transportation Commission and San Francisco County Transportation Authority (SFCTA) is generally used as a local match to the federal capital assistance. Additional capital assistance provided to the SFMTA by other agencies is administered by MTC and is also generally used as a local match for the federal capital assistance.

(l) Operating Assistance Grants

Operating assistance grants are recognized as revenue when approved by the granting authority and/or when related expenditures are incurred.

The SFMTA receives operating assistance from federal and various state and local sources. Transportation Development Act funds are received from the City to meet, in part, the SFMTA's operating requirements based on annual claims filed with and approved by the MTC. Sales tax represents an allocation by the MTC of the one-half cent transactions and use tax collected within San Francisco County for transit services.

Additionally, the SFMTA receives funding from the U.S. Department of Transportation through the Federal Highway Administration, California Transportation Commission, and the MTC to provide safe, accessible, clean, and environmentally sustainable service through transportation programs.

(m) Development Fees

Development fees to fund transportation projects are derived from three main sources. These include the following:

The Transportation Sustainability Fee (TSF) is a citywide transportation fee placed on new development in the City. The TSF, established in November 2015, expanded the previous Transportation Impact Development Fee to include market-rate residential development and certain large institutions. The fee was established so developers pay their share for transportation impacts from new residents and workers. TSF funds transit capital maintenance, transit capital facilities, and complete streets infrastructure. The fees are assessed by the Planning Department and collected by the Department of Building Inspection on behalf of the SFMTA.

The City imposes community improvement impact fees on specific development projects in order to help address the impacts caused by new development on public services, infrastructure, and facilities citywide and in certain neighborhoods. Fees are collected by the Planning Department, and a portion is directed to the SFMTA depending on the area from which the fees are collected. These fees are administered by the Interagency Plan Implementation Committee (IPIC), established by the Board of

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

Supervisors, and the SFMTA is a member. The IPIC makes recommendations for area plans with respect to capital project funding.

Developer exactions are specific developer contributions to transportation infrastructure as defined in negotiated development agreements. Development agreements are contracts entered into by the City and a developer to expressly define a development project's rules, regulations, commitments, and policies for a specific period of time. These contributions can be in addition to or in lieu of community improvement impact fees and TSF.

Development fees of \$21.6 million are recorded as nonoperating revenue in the accompanying statement of revenues, expenses, and changes in net position.

(n) Pensions

Information about the fiduciary net position of the San Francisco City and County Employees' Retirement System plan (SFERS Plan) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Contributions are recognized in the period in which they are due pursuant to legal requirements. Investments are reported at fair value.

(o) Other Postemployment Benefits (OPEB)

As prescribed under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense are actuarially determined on a citywide basis. Net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees attributed to those employees' past service, less the amount of the Retiree Healthcare Trust Fund investments measured at fair value.

(p) Leases and Subscription-Based Information Technology Arrangements

Leases

Leases are defined as a contract that conveys control of the right to use another entity's underlying asset for a specified period. The SFMTA is a lessee and lessor for various noncancellable leases of land, building, equipment, advertising space, easement, etc.

Subscription-Based Information Technology Arrangements

Subscription-based information technology arrangements (SBITAs) are defined as a contract that conveys control of the right to use another entity's IT software, alone or in combination with tangible capital assets for a specified period. The SFMTA has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (SBITAs).

Short-term Leases or SBITAs

Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

Leases or SBITAs Other Than Short-term

For all other leases or SBITAs that are not short-term, the SFMTA recognizes a lease/SBITA liability and intangible right to use lease asset for the SFMTA as lessee leases and subscription asset, or lease receivable and deferred inflow of resources for SFMTA as lessor leases.

Measurement of Lease Amounts (Lessee or Subscriber)

The SFMTA's lease liability or subscription liability is recorded at the present value of future minimum lease or subscription payments as of the date of inception. Subsequently, the lease liability or subscription liability is reduced by the principal portion of lease or subscription payments made. The lease asset or subscription asset is initially measured as the initial amount of the lease liability or subscription liability, plus lease or subscription payments made at or before the lease or subscription commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease or subscription incentives received at or before the lease or subscription commencement date. For SBITAs, subscription assets also include qualified software implementation costs. Subsequently, the lease asset or subscription asset is amortized into depreciation and amortization expense on a straight-line basis over the shorter of the lease/subscription term or the useful life of the underlying asset. If the City is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Measurement of Lease Amounts (Lessor)

The SFMTA's lease receivable is measured at the present value of payments expected to be received during the lease term, reduced by any provision of estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments collected. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, plus any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term, plus lease payments received from the lease at or before the commencement of the lease term that related to future periods. Subsequently, the deferred inflow of resources is recognized as lease revenue on a straight-line basis over the lease term.

Key Estimates and Judgments

Key estimates and judgments include how the SFMTA determines (a) the discount rate it uses to calculate the present value of the expected lease/subscription payments, (b) lease/subscription terms, (c) lease/subscription payments, and (d) materiality threshold.

- The SFMTA generally uses its estimated incremental borrowing rate (IBR) as the discount rate for leases or SBITAs unless the rate is implicit in the agreement. The City's IBR is established using the average of Municipal Market Data (MMD) AAA benchmark interest rate index by maturity date (year 1 to 30+), plus the average credit spread based on City's Aa/AA, COP, Tax-exempt to generate the yield curve and discount rate table. The City's IBR for leases is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease payments under similar terms at the commencement or remeasurement date.
- The lease or subscription term includes the noncancellable period of the lease or SBITA, plus any additional periods covered by either lessee or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be

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exercised. Periods in which both the lessee and lessor have an option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term.

- Payments are evaluated by the SFMTA to determine if they should be included in the measurement of the lease receivables or lease liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.
- Leases or SBITAs have a capitalization threshold of \$100,000. 70% below market rent and/or ground leases determined to be below market rent (BMR) are excluded from lease capitalization.

Remeasurement of Lease or SBITA

The SFMTA monitors changes in circumstances that may require remeasurement of a lease or SBITA. When certain changes occur that are expected to significantly affect the amount of the lease receivable or lease/subscription liability, the receivable or liability is remeasured and a corresponding adjustment is made to the deferred inflow of resources or lease asset or subscription asset, respectively.

Presentation in Statement of Net Position

Lease assets and subscription assets are reported with capital assets. Lease liabilities and subscription liabilities are reported with current and long-term debt in the statement of net position.

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(3) Cash and Investments

Pursuant to the City Charter, the SFMTA maintains its cash and investments with the City Treasury and a portion of its restricted asset deposits as part of the City's pool of cash and investments. The City's investment pool is an unrated pool pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The Annual Comprehensive Financial Report of the City categorizes the level of common deposits and investment risks associated with the City's pooled cash and investments. As of June 30, 2023, the SFMTA's unrestricted and restricted cash and investments with City Treasury totaled \$1,018.4 million, which represents 6.4% of the City's investment pool.

The unrestricted cash and investments outside the City Treasury are cash held by an independent trustee of \$4.7 million, taxi medallion collateral sale of \$1.9 million, cash held by two nonprofit parking garage corporations totaling \$1.8 million, and revolving fund of \$0.2 million. The SFMTA had restricted cash and investments of \$1.5 million held by an independent trustee outside the City's investment pool and \$3.1 million held at commercial banks covered by depository insurance.

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The following table shows the percentage distribution of the City's pooled investments by maturity:

Investment maturities (in months)			
Under 1	1 to less than 6	6 to less than 12	12–60
21.5%	18%	14.5%	46%

The following table shows the restricted and unrestricted cash and investments outside City Treasury as of June 30, 2023 (in thousands):

Cash and investments outside City Treasury			
Investment	Fair value measurement	Maturities	Fair value
Money market funds	Exempt	Less than 1 month	\$ 6,126
Cash and cash equivalents	Exempt		7,069
			<u>\$ 13,195</u>

Fair Value Hierarchy – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities.

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(4) Capital Assets

Capital asset balances and their movements as of and for the year ended June 30, 2023 are as follows (in thousands):

	* Balance, July 1, 2022	Increases	Decreases	Balance, June 30, 2023
Capital assets not being depreciated/amortized:				
Land	\$ 52,199	7,326	—	59,525
Construction in progress	2,518,487	459,843	(2,298,103)	680,227
Total capital assets not being depreciated/amortized	2,570,686	467,169	(2,298,103)	739,752
Capital assets being depreciated/amortized:				
Building structures and improvements	1,088,760	16,540	(114)	1,105,186
Equipment	2,342,504	197,188	(133,782)	2,405,910
Infrastructure	2,089,707	2,054,518	(907)	4,143,318
Total capital assets being depreciated/amortized	5,520,971	2,268,246	(134,803)	7,654,414
Less accumulated depreciation/amortization for:				
Building structures and improvements	403,659	33,973	(114)	437,518
Equipment	1,107,708	141,687	(130,880)	1,118,515
Infrastructure	827,702	53,602	—	881,304
Total accumulated depreciation/ amortization	2,339,069	229,262	(130,994)	2,437,337
Total capital assets being depreciated/amortized, net	3,181,902	2,038,984	(3,809)	5,217,077
Total capital assets, net	\$ 5,752,588	2,506,153	(2,301,912)	5,956,829

* Balance restated to reflect the implementation of GASB 96, SBITAs in FY2023.

Certain buses, light rail vehicles, vans, trucks, and other equipment were sold, disposed, and retired in fiscal year 2023. The net loss on disposal or retirement is \$1 million.

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Construction in progress consists of the following projects as of June 30, 2023 (in thousands):

Light Rail Vehicle Procurement	\$ 203,825
Street Improvements	128,075
Facility Upgrades	88,413
Muni Forward Program	57,628
Rail Replacement	44,137
Traffic Signal Upgrades	34,280
New Asset Management System	24,891
Trolley Bus Procurement	22,820
New Flyer Midlife Overhaul	18,247
Customer Information System	17,551
Traffic Sign Installation/Traffic Calming	11,989
Cable Car Gearbox Rehab	7,502
Central Control System Upgrades	7,100
Electric Bus Procurement	2,829
Motor Bus Hybrid Procurement	2,140
Security Projects	1,010
Islais Creek-Woods Annex	868
Historic Street Car Renovation	695
Central Subway	608
Trolley Overhead Reconstruction	473
Electric Vehicle Charge Station	413
Paratransit Vehicles	141
Others	4,592
	<u>\$ 680,227</u>

(5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses was \$87.2 million at June 30, 2023. This category consists of liabilities for goods and services either evidenced by vouchers approved for payment but not paid as of June 30, accrued expenses for amount owed to private persons or organizations for goods and services, and construction contracts retainage payable.

As of June 30, 2023, accounts payable and accrued expenses consisted of the following (in thousands):

Vouchers payable	\$ 2,380
Accruals	78,284
Contracts retainage	6,524
	<u>6,524</u>
Total accounts payable and accrued expenses	<u>\$ 87,188</u>

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(6) Long-Term Debt and Loans

In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors.

(a) Series 2021A and B Revenue Refunding Bonds

In February 2021, the SFMTA issued Revenue Refunding Bonds, Series 2021A and B in the total amount of \$175 million to refund all outstanding Series 2012A and B, Series 2013, and Series 2014 revenue bonds. The net proceeds of \$176.3 million (consisting of the \$170.5 million of the Series 2021A bonds, plus \$4.5 million par amount and \$1.3 million original issue premium of the Series 2021B bonds) were used to pay \$0.4 million underwriter discount and \$0.6 million in costs of issuance and deposit \$175.3 million into irrevocable escrow funds with the trustee to defease and refund \$156.2 million in revenue bonds. The refunding resulted in the recognition of a deferred accounting loss of \$0.9 million and an economic gain of \$24.5 million or 15.7% of the refunded bonds. The Series 2021A bonds bear interest at fixed rates between 0.249% and 2.804% and have a final maturity on March 1, 2044. The Series 2021B bonds bear interest at a fixed rate of 4% and have a final maturity on March 1, 2031.

(b) Series 2021C Revenue Bonds

In March 2021, the SFMTA issued its Revenue Bonds, Series 2021C in the total amount of \$104.3 million. The net proceeds of \$123.3 million (consisting of \$104.3 million of the Series 2021C bonds plus original issue premium of \$19 million) were used to pay \$0.2 million underwriter discount, \$0.6 million in costs of issuance, \$4.5 million in capitalized interests, and fund \$118 million for various transit and parking capital projects for the SFMTA. The Series 2021C bonds bear interest at fixed rates between 4% and 5% and have a final maturity on March 1, 2051.

(c) Series 2017 Revenue Bonds

In June 2017, the SFMTA issued its Revenue Bonds, Series 2017 in the total amount of \$177.8 million. The net proceeds of \$192.1 million (consisting of \$177.8 million of the Series 2017 bonds plus original issue premium of \$14.3 million) were used to pay \$1.1 million underwriter discount and \$1 million in costs of issuance and fund \$190 million for various transit and parking capital projects for the SFMTA. The Series 2017 bonds bear interest at fixed rates between 3% and 5% and have a final maturity on March 1, 2047.

The following table is a summary of long-term obligations on bonds for the SFMTA (in thousands):

	Final maturity date	Remaining interest rate	Balance
Revenue Bonds Series 2017	2047	3%–5%	\$ 165,289
Revenue Refunding Bonds Series 2021A	2044	0.389%–2.804%	165,300
Revenue Refunding Bonds Series 2021B	2031	4%	5,521
Revenue Bonds Series 2021C	2051	4%–5%	122,292
Total long-term obligations			<u>\$ 458,402</u>

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The bond debt service requirements are as follows (in thousands):

	<u>Principal</u>	<u>Bond interest</u>	<u>Total</u>
Year ending June 30:			
2024	\$ 13,945	13,983	27,928
2025	14,180	13,751	27,931
2026	14,445	13,481	27,926
2027	14,745	13,183	27,928
2028	15,080	12,846	27,926
2029–2033	81,740	57,904	139,644
2034–2038	61,725	48,044	109,769
2039–2043	71,670	37,785	109,455
2044–2048	83,920	23,925	107,845
2049–2051	58,915	5,390	64,305
	<u>\$ 430,365</u>	<u>240,292</u>	<u>670,657</u>

The SFMTA's debt policy is that the aggregate annual debt service on long-term debt cannot exceed 5% of SFMTA's annual operating expenses. SFMTA met these requirements for the fiscal year ended 2023. The SFMTA sets aside operational reserves to cover for contingencies and to provide liquidity in connection with its outstanding debt. The debt reserve is maintained at an amount equal to at least one year of its annual debt service requirement. The operational debt reserve was \$32.9 million in fiscal year 2023. The SFMTA also maintains reserved contingency funds at 10% of operating expenditures of each year's Board approved budget. The contingency reserve was \$140.6 million in fiscal year 2023.

Events of default, under the indenture of trust, include failure to pay the principal amount and any installment of interest, failure to pay the purchase price of any bond tendered for optional or mandatory purchase, failure to comply with certain covenants, or either SFMTA or the City files for bankruptcy. In an event of default, the trustee may declare the principal amount of all the bonds outstanding and interest accrued thereon to be due and payable immediately. In case any proceeding taken by the trustee on account of an event of default is discontinued, the SFMTA, trustee, and bondholders shall be restored to their former positions and rights as if no such proceeding had been taken.

The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and refunded previously issued bonds. These bonds are payable from all SFMTA operating revenues except for City General Fund allocations and restricted sources and are payable through fiscal year 2051.

Annual principal and interest payments for fiscal year 2023 were 62.4% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining,

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principal and interest paid during fiscal year 2023, applicable net revenues, and funds available for bond debt service are as follows (in thousands):

Bonds issued with revenue pledge	\$	457,065
Principal and interest remaining due at the end of the year		670,657
Principal and interest paid during the year		22,838
Net revenues for the year		13,744
Funds available for revenue bond debt service		36,582

On October 1, 2016, Portsmouth entered into a loan agreement with First Republic Bank in a total principal amount of up to \$12.5 million for the garage renovation project. The loan agreement was amended on February 1, 2019 to reduce the maximum loan amount to \$12 million. The drawdowns are limited to once a month for a minimum of \$250 thousand each disbursement. The loan has a term of 30 years at 3.3% per annum and is secured with the collateral of all the garage's business assets. The loan agreement requires the corporation to maintain a reserve account restricted for repayment of the loan. As of June 30, 2023, the reserve account held by the lender totaled \$0.8 million. In an event of default, any outstanding amounts become immediately due if the garage is unable to make payment and fails to comply with the debt service coverage ratio of 1.25:1 for each fiscal year. The loan balance was \$10.9 million as of June 30, 2023.

The SFMTA is not responsible for loan repayments and any aspect of loan performance other than reporting on behalf of another government entity.

The changes in long-term debt for the SFMTA for year ended June 30, 2023 are as follows (in thousands):

	July 1, 2022	Additional obligations, interest accretion, and net increases	Current maturities, retirements, and net decreases	June 30, 2023	Amounts due within one year
Bonds payable:					
Revenue bonds	\$ 439,230	—	(8,865)	430,365	13,945
Add/less unamortized amounts:					
For issuance premiums	29,410	—	(1,373)	28,037	—
Total bonds payable	468,640	—	(10,238)	458,402	13,945
Notes, loans, leases, and other payables	161,221	8,215	(7,800)	161,636	6,750
Total long-term debt and loans	\$ 629,861	8,215	(18,038)	620,038	20,695

(7) Leases and Subscription-Based Information Technology Arrangements

(a) The SFMTA as Lessee and Similar Subscription-Based Information Technology

The SFMTA has entered into long-term leases for land, office space, communication site, data processing, machinery, and other equipment. The terms and conditions for these leases vary, which

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range between 1 and 80 years. The SFMTA also has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (SBITAs).

A summary of intangible right to use leases and subscription IT assets during the year ended June 30, 2023 is as follows (in thousands):

	* Balance, July 1, 2022	Increases	Decreases	Remeasurements	Balance, June 30, 2023
Right-to-use assets:					
Land	\$ 23,424	—	—	—	23,424
Building/Facility	129,777	5,301	(114)	—	134,964
Equipment	3,039	2,771	(3,039)	—	2,771
Total lease assets	<u>156,240</u>	<u>8,072</u>	<u>(3,153)</u>	<u>—</u>	<u>161,159</u>
Less accumulated amortization for:					
Right-to-use assets:					
Land	339	339	—	—	678
Building/Facility	7,389	7,865	(114)	—	15,140
Equipment	1,900	1,706	(3,039)	—	567
Total accumulated amortization	<u>9,628</u>	<u>9,910</u>	<u>(3,153)</u>	<u>—</u>	<u>16,385</u>
Total lease assets, net	\$ <u>146,612</u>	<u>(1,838)</u>	<u>—</u>	<u>—</u>	<u>144,774</u>
Subscription IT assets	387	—	—	—	387
Less accumulated amortization:	<u>—</u>	<u>167</u>	<u>—</u>	<u>—</u>	<u>167</u>
Total lease assets, net	\$ <u><u>146,999</u></u>	<u><u>(2,005)</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>144,994</u></u>

A summary of changes in the related lease liabilities and subscription IT liabilities during the year ended June 30, 2023 is as follows (in thousands):

	* Balance, July 1, 2023	Additions	Remeasurements	Deductions	Balance, June 30, 2023	Amounts due within one year
Lease liabilities \$	149,983	7,828	—	7,459	150,352	6,258
SBITA liabilities	<u>387</u>	<u>—</u>	<u>—</u>	<u>37</u>	<u>350</u>	<u>172</u>
Total \$	<u><u>150,370</u></u>	<u><u>7,828</u></u>	<u><u>—</u></u>	<u><u>7,496</u></u>	<u><u>150,702</u></u>	<u><u>6,430</u></u>

* Balance restated to reflect the implementation of GASB 96, SBITAs in FY2023.

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Future annual lease and subscription payments are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2024	\$ 6,430	2,648	9,078
2025	6,774	2,536	9,310
2026	5,925	2,417	8,342
2027	6,166	2,321	8,487
2028	5,550	2,224	7,774
2029–2033	25,544	9,751	35,295
2034–2038	31,483	7,177	38,660
2039–2043	38,898	3,916	42,814
2044–2048	725	2,154	2,879
2049–2053	—	2,495	2,495
2054–2058	—	2,893	2,893
2059–2063	—	3,354	3,354
2064–2068	—	3,888	3,888
2069–2073	—	4,507	4,507
2074+	23,207	11,824	35,031
	<u>\$ 150,702</u>	<u>64,105</u>	<u>214,807</u>

Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. Such amounts are recognized as lease expenses in the period in which the obligation for those payments is incurred.

Certain equipment or facility rental leases require the SFMTA to make variable lease payments that based on usage, index, and insurance payments made by the lessor; these amounts are generally determined annually. The amounts recognized as expense for variable lease payments not included in the measurement of the lease liability were \$307 thousand during the year ended June 30, 2023.

As of June 30, 2023, no variable subscription payments were noted for the SFMTA's subscription IT arrangements.

(b) SFMTA as Lessor

The SFMTA has leased facilities, easements, communication site, and equipment to various tenants. The terms and conditions for these leases vary, which range between 1 and 65 years.

Variable payments include percentage of sales, or payments depended on an index made by the lessee; these amounts are generally determined periodically. The SFMTA did not incur revenue related to residual value guarantees or lease termination penalties. The amounts recognized as revenue for variable lease payments not included in the measurement of the lease receivable were \$26 thousand during the year ended June 30, 2023.

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In fiscal year 2023, the SFMTA recognized \$10 million in lease revenue and \$2.1 million in interest income for the related leases.

Principal and interest requirements to maturity for the lease receivable at June 30, 2023 are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2024	\$ 7,437	2,026	9,463
2025	8,079	1,866	9,945
2026	10,176	1,651	11,827
2027	9,506	1,392	10,898
2028	9,698	1,128	10,826
2029–2033	12,292	3,587	15,879
2034–2038	3,114	3,136	6,250
2039–2043	3,447	2,803	6,250
2044–2048	3,816	2,434	6,250
2049–2053	4,224	2,026	6,250
2054–2058	4,676	1,574	6,250
2059–2063	5,176	1,074	6,250
2064–2068	5,730	520	6,250
2069–2073	2,147	40	2,187
2074+	—	—	—
	<u>\$ 89,518</u>	<u>25,257</u>	<u>114,775</u>

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(8) Other Long-Term Liabilities

The changes in other long-term obligations for the SFMTA for year ended June 30, 2023 are as follows (in thousands):

	<u>July 1, 2022</u>	<u>Net increases</u>	<u>Net decreases</u>	<u>June 30, 2023</u>	<u>Amounts due within one year</u>
Accrued vacation and sick leave	\$ 55,913	1,650	(1,479)	56,084	31,093
Accrued workers' compensation	154,624	51,128	(32,721)	173,031	32,236
Accrued claims	114,663	17,608	(47,671)	84,600	32,400
Net other postemployment benefits liability	611,518	30,995	—	642,513	—
Unearned revenue and other liabilities	15,217	10,884	(7,896)	18,205	18,205
Net pension liability	<u>—</u>	<u>372,813</u>	<u>—</u>	<u>372,813</u>	<u>—</u>
Total other long-term liabilities	<u>\$ 951,935</u>	<u>485,078</u>	<u>(89,767)</u>	<u>1,347,246</u>	<u>113,934</u>

(9) Employee Benefit Plans

(a) Pensions – City and County of San Francisco

The SFMTA participates in the City's retirement plan. The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension plan (SFERS Plan). For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the SFERS Plan, and additions to/deductions from the SFERS Plan's fiduciary net position have been determined on the same basis as they are reported by the SFERS Plan. Contributions are recognized in the period in which they are due pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Replacement Benefits Plan – The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code (IRC) Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Plan. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415(b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

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GASB Statements No. 68 and No. 73 require that the SFERS Plan and RBP reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2021 updated to June 30, 2022
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

SFERS Plan – The City is an employer of the plan with a proportionate share of 94.87% as of June 30, 2022 (measurement date), 0.23% increased from prior year. The SFMTA's allocation percentage was determined based on the SFMTA's employer contributions divided by the City's total employer contributions for fiscal year 2022. The SFMTA's net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows, and pension expense are based on the SFMTA's allocated percentage. The SFMTA's allocation of the City's proportionate share was 14.58% as of the measurement date June 30, 2022 and June 30, 2021.

Replacement Benefits Plan – The SFMTA's allocation percentage was determined based on the SFMTA's total pension liabilities divided by the City's total pension liabilities for fiscal year 2022. The SFMTA's total pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows, and pension expense are based on the SFMTA's allocated percentage. The SFMTA's allocation of the City's proportionate share was 0.37% and 0.50% as of the measurement date June 30, 2022 and June 30, 2021, respectively.

SFERS Plan Description

The Plan provides basic service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and the Administrative Code are the authorities which establish and amend the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained on the Retirement System's website or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

SFERS Benefits

The Retirement System provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and annual cost-of-living adjustments (COLA) after retirement. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City and County. The four main categories of Plan members are:

- **Miscellaneous Non-Safety Members** – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.

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- Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's Department, and miscellaneous safety employees hired on and after January 7, 2012.
- Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are included in the Notes to the Basic Financial Statements of San Francisco Employees' Retirement System.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in Consumer Price Index (CPI) with increases capped at 2%. The Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5%, including the Basic COLA. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provisions of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012, members who retired before November 6, 1996 will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the "full funding" requirement does not apply to members who retired on or after November 6, 1996 and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

Funding and Contribution Policy

SFERS Plan – Contributions are made by both the City and other participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates varied from 7.5% to 12.0% in fiscal year 2023. Most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2021 actuarial report, the required employer contribution rate for fiscal year 2023 range from 17.85% to 21.35%.

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Employer contributions and employee contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. The City's proportionate share of employer contributions recognized by the Retirement System in fiscal year ended June 30, 2022 (measurement year) was \$729.6 million. The SFMTA's allocation of employer contributions for fiscal year 2022 was \$106.3 million and \$117.4 million for fiscal year 2021.

Replacement Benefits Plan – The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid \$4.5 million replacement benefits in the year ended June 30, 2023. The SFMTA's allocated portion was \$16.8 thousand in the year ended June 30, 2023.

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

SFERS Plan – As of June 30, 2023, the City reported net pension liability for its proportionate share of the net pension liability of the Plan of \$2.6 billion. The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022 (measurement date), 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, 2021 rolled forward to June 30, 2022 using standard update procedures. The City's proportion of the net pension liability for the Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Replacement Benefits Plan – As of June 30, 2023, the City reported total pension liability of \$156 million. The measurement date for the RBP is June 30, 2022. The City's total pension liability for the RBP measurements is based on the total pension liability as of the valuation date, June 30, 2021 rolled forward to June 30, 2022 using standard update procedures.

As of June 30, 2023, the SFMTA's proportionate share and net pension liability/ (net pension asset) of each plan were as follows:

	June 30, 2022 (Measurement Date)		June 30, 2021 (Measurement Date)	
	SFMTA Proportionate Share	Share of Net Pension Liability (Asset)	SFMTA Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan	14.5801%	\$ 372,230	14.5761%	\$ (356,614)
Replacement Benefits Plan	0.3748%	584	0.5033%	1,105
Total		<u>\$ 372,814</u>		<u>\$ (355,509)</u>

For the year ended June 30, 2023, the City's recognized pension expense was \$1.8 million, including amortization of deferred outflow/inflow of resources related pension items. The SFMTA's allocation of

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pension expense, including amortization of deferred outflows/inflows of resources related pension items as follows:

	Pension Expenses/ (Benefits)
SFERS Plan	\$ 3,907
Replacement Benefits Plan	(383)
Total	<u>\$ 3,524</u>

At June 30, 2023, the SFMTA's reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources (in thousands):

	SFERS Plan		Replacement Benefits Plan	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	\$ 93,021	—	—	—
Differences between expected and actual experience	33,975	—	77	74
Changes in assumptions	96,721	29,023	95	126
Net difference between projected and actual earnings on pension plan investments	—	46,269	—	—
Changes in employer's proportion	<u>14,223</u>	<u>4,637</u>	<u>153</u>	<u>172</u>
Total	<u>\$ 237,940</u>	<u>79,929</u>	<u>325</u>	<u>372</u>

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense as follows (in thousands):

		Deferred outflows (inflows) of resources	
		SFERS Plan	Replacement Benefits Plan
Year ending June 30:			
2024	\$	(16,045)	(15)
2025		(24,852)	(4)
2026		(53,877)	(17)
2027		<u>159,764</u>	<u>(11)</u>
	\$	<u>64,990</u>	<u>(47)</u>

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At June 30, 2023, the SFMTA reported \$93 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net pension liability/(asset) in the reporting year ended June 30, 2024.

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability for both SFERS Plan and RBP as of June 30, 2022 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2021 actuarial valuation. Refer to the July 1, 2021 actuarial valuation report for a complete description of all other assumptions for SFERS Plan, which can be found on the Retirement System's website <http://mysfers.org>.

Key Actuarial Assumptions	SFERS Plan			
Valuation Date	June 30, 2021 updated to June 30, 2022			
Measurement Date	June 30, 2022			
Actuarial Cost Method	Entry-Age Normal Cost			
Expected Rate of Return	7.20% net of investment expenses			
Municipal Bond Yield	3.54% as of June 30, 2022			
	Bond Buyer 20-Bond GO Index, June 24, 2021 and June 30, 2022			
Inflation	2.50%			
Projected Salary Increases	3.25% plus merit component based employee classification and years of service			
Discount Rate	7.20% as of June 30, 2022			
Administrative Expenses	0.60% of payroll as of June 30, 2022			
	Old Miscellaneous and all New Plans	Old Police & Fire, Pre 7/1/75	Old Police & Fire, Charters A8.595 and A8.596	Old Police & Fire, Charters A8.559 and A8.585
Basic COLA				
June 30, 2022	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions SFERS Plan – For the measurement period ended June 30, 2022, the discount rate decreased from 7.40% to 7.20%. The municipal bond yield increased from 2.16% to 3.54%.

Key Actuarial Assumptions	Replacement Benefits Plan			
Valuation Date	June 30, 2021 updated to June 30, 2022			
Measurement Date	June 30, 2022			
Actuarial Cost Method	Entry-Age Normal Cost			
Municipal Bond Yield	3.54% as of June 30, 2022			
	Bond Buyer 20-Bond GO Index, June 24, 2021 and June 30, 2022			
Inflation	2.50%			
Projected Salary Increases	3.25% plus merit component based employee classification and years of service			
Discount Rate	3.54% as of June 30, 2022			
Administrative Expenses	0.60% of payroll as of June 30, 2022			
	Old Miscellaneous	Old Police & Fire	Old Police & Fire Charters	Old Police & Fire Charters
Basic COLA				
June 30, 2022	2.00%	1.90%	2.50%	3.60%

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Changes of Assumptions RBP – For the measurement period ended June 30, 2022, the discount rate increased from 2.16% to 3.54%. The municipal bond yield increased from 2.16% to 3.54%.

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2022 measurement date was based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2021.

Discount Rate

SFERS Plan – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.20% as of June 30, 2022 (measurement date).

The discount rate used to measure the total pension liability as of June 30, 2022 was 7.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2021 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. The full amortization payment for the 2015 assumption changes is phased in over a period of 5 years. For the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 is amortized over 17 years and 5 years, respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed (Post 97 Retirees), a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who did not work after November 6, 1996 and before Proposition C passed, the

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market value of assets must also exceed the actuarial liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the Basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System for certain members, an assumption was developed as of June 30, 2022 for the probability and amount of Supplemental COLA for each future year. A full Supplemental COLA will be paid to all retired members, and their beneficiaries, who were retired effective July 1, 2022. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

**Assumed Supplemental COLA
for Members with a 2.00% Basic COLA**

FYE	96 – Prop C	Before 11/6/96 or after Prop C
2024	0.75%	0.70%
2025	0.75	0.60
2026	0.75	0.60
2027+	0.75	0.50

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.54% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2022 is 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were 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. Target allocation and best estimates of geometric long-term expected real

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rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	37.0%	4.8%
Treasuries	8.0	0.6
Liquid credit	5.0	3.5
Private credit	10.0	5.8
Private equity	23.0	7.9
Real assets	10.0	4.7
Hedge funds/absolute return	10.0	3.4
Leverage	(3.0)	0.6
	<u>100.0%</u>	

Replacement Benefits Plan – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 3.54% as of June 30, 2022. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 24, 2021 and June 30, 2022. These are the rates used to determine the total pension liability as of June 30, 2022.

The inflation assumption of 2.50% compounded annually was used for projecting the annual IRC Section 415(b) limitations. The actual IRC Section 415(b) limitations published by the IRS of \$245 thousand for 2022 was used for the 2022 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

On June 30, 2023, City's membership in the RBP had a total of 327 active members and 160 retirees and beneficiaries currently receiving benefits. The SFMTA has 2 active members and 2 retirees and beneficiaries currently receiving benefits.

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

The following presents the SFMTA's allocation of the employer's proportionate share of the net pension liability/(asset) for the SFERS Plan, calculated using the discount rate, as well as what the SFMTA's allocation of the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate (in thousands).

<u>Employer</u>		<u>1% decrease share of NPL @ 6.20%</u>	<u>Share of NPL/(NPA) @ 7.20%</u>	<u>1% increase share of NPL/(NPA) @ 8.20%</u>
SFMTA	\$	1,019,303	372,229	(161,205)

The following presents the SFMTA's allocation of the employer's proportionate share of the total pension liability for the Replacement Benefits Plan, calculated using the discount rate, as well as what the SFMTA's allocation of the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate (in thousands).

<u>Employer</u>		<u>1% decrease share @ 2.54%</u>	<u>Measurement date @ 3.54%</u>	<u>1% increase share @ 4.54%</u>
SFMTA	\$	693	584	499

(b) Deferred Compensation Plan

The City offers its employees, including the SFMTA employees, a deferred compensation plan created in accordance with IRC Section 457. The plan is available to all active employees to voluntarily invest a portion of their pretax regular earnings in a diverse selection of investment funds. Withdrawals from the deferred compensation plan, by employees or other beneficiaries, are allowed only upon termination, retirement, death, or for unforeseeable emergency.

The deferred compensation plan is managed by the Retirement System and is administered by a third-party administrator. The SFMTA has no administrative involvement and does not perform the investing function. SFMTA has no fiduciary accountability for the plan, and accordingly, the plan assets and related liabilities to the plan participants are not included in these financial statements.

(c) Other Postemployment Benefits

The SFMTA participates in a single-employer defined benefit other postemployment benefits plan (the Plan). The Plan is maintained by the City and administered through the City's Health Service System. It provides postemployment medical, dental, and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The City does not issue a separate report on its other postemployment benefit plan.

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GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

San Francisco Health Service System Retiree Plan – Single-Employer

Valuation Date (VD)	June 30, 2022
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

The SFMTA's proportionate share percentage of the Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the year ended June 30, 2022. The SFMTA's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows, and OPEB expense are based on the SFMTA's allocated percentage. The SFMTA's proportionate share of the City's OPEB elements was 17.15% and 16.57% as of the measurement date June 30, 2022 and June 30, 2021, respectively.

Benefits

Permanent full-time and elected employees are eligible to retire and receive postretirement health insurance benefits when they are eligible for retirement benefits from the Retirement System. The eligibility requirements are as follows:

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service ¹ Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement ²		Any age with 10 years of credited service
Terminated Vested		5 years of credited service at separation

¹ Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012 under Charter Section 8.603.

² No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses/domestic partners of those killed in the line of duty.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical:	PPO – Blue Shield (self-insured) and UHC Medicare Advantage (fully-insured) HMO – Kaiser (fully-insured), Blue Shield (flex-funded) and Health Net (flex-funded)
Dental:	Delta Dental & DeltaCare USA and UnitedHealthcare Dental
Vision:	Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

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Contributions

Benefits provided under the Plan are currently paid through “pay-as-you-go” funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the Retiree Health Care Trust Fund (Trust Fund) a percentage of compensation not to exceed 2% of pretax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City’s GASB Actuary has determined that the City’s portion of the Trust Fund is fully funded. At that time, the City’s 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pretax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pretax compensation into the Trust Fund. Beginning on July 1 of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pretax compensation up to a maximum of 1%. Starting July 1, 2016, the City shall contribute 0.25% of compensation into the Trust Fund for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1 of each subsequent year, the City shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City’s actuary has determined that the City’s portion of the Trust Fund is fully funded, the City’s 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pretax compensation.

Additional or existing contribution requirements may be established or modified by amendment to the City’s Charter.

For the fiscal year ended June 30, 2023, the City’s funding was based on “pay-as-you-go” plus a contribution of \$45.2 million to the Retiree Healthcare Trust Fund. The “pay-as-you-go” portion paid by the City was \$215.4 million for a total contribution of \$260.6 million for the fiscal year ended June 30, 2023. The SFMTA’s proportionate share of the City’s contributions for fiscal year 2023 was \$44.7 million.

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

As of June 30, 2023, the City reported net OPEB liabilities related to the Plan of \$3.7 billion. The SFMTA’s proportionate share of the City’s net OPEB liability as of June 30, 2023 was \$642.5 million.

For the year ended June 30, 2023, the City’s recognized OPEB expense was \$257 million. Amortization of the City’s deferred outflows and inflows is included as a component of OPEB expense. The SFMTA’s proportionate share of the City’s OPEB expense was \$90.5 million.

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As of June 30, 2023, the SFMTA reported its proportionate share of the City's deferred outflows/inflows of resources related to OPEB from the following sources (in thousands):

Schedule of Deferred Inflows and Outflows of Resources

	Deferred outflows of resources	Deferred inflows of resources
Contributions subsequent to measurement date	\$ 44,705	—
Differences between expected and actual experience	14,264	106,970
Changes in assumptions	27,430	—
Net difference between projected and actual earnings on plan investments	10,343	—
Change in proportion	27,862	18,523
Total	\$ <u>124,604</u>	<u>125,493</u>

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense (benefit) as follows (in thousands):

	Deferred outflows (inflows) of resources
Year ending June 30:	
2024	\$ (12,083)
2025	(11,913)
2026	(5,459)
2027	(7,196)
Thereafter	(8,943)
	\$ <u>(45,594)</u>

At June 30, 2023, the SFMTA reported \$44.7 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net OPEB liability/(asset) in the reporting year ending June 30, 2024.

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Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2022 (measurement date) is provided below:

Key actuarial assumptions:

Valuation date	June 30, 2022
Measurement date	June 30, 2022
Actuarial cost method	The Entry Age Actuarial Cost Method is used to measure the Plan's total OPEB liability
Healthcare cost trend rates	Pre-Medicare trend starts at 7.74% trending down to ultimate rate of 3.93% in 2076 Medicare trend starts at 7.74% trending down to ultimate rate of 3.94% in 2076 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2076 Vision and expenses trend remains a flat 3.0% for all years
Expected rate of return on plan assets	7.00%
Salary increase rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc: 0.30% - 5.50%
Inflation rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually
Mortality tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2019.

		Adjustment Factor	
	Published Table	Male	Female
Non-Annuitants			
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979
Healthy Retirees			
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044
Disabled Retirees			
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995
Beneficiaries			
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

Change in Assumption – For the measurement date June 30, 2022, the healthcare cost trend rates change as follow:

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

Healthcare Cost Trend	June 30, 2022 (MD)	June 30, 2021 (MD)
Pre-Medicare	starts at 7.74% trending down to ultimate rate of 3.93% in 2076	starts at 6.74% trending down to ultimate rate of 4.04% in 2075
Medicare	starts at 7.74% trending down to ultimate rate of 3.94% in 2076	starts at 7.24% trending down to ultimate rate of 4.04% in 2075
10-County average	starts at 5.00% trending down to ultimate rate of 3.94% in 2076	starts at 5.50% trending down to ultimate rate of 4.04% in 2075

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

Sensitivity of Liabilities to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents the SFMTA's proportionate share of the City's net OPEB liability calculated using the healthcare cost trend rate, as well as what the SFMTA's allocation of the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate (in thousands):

	<u>1% decrease</u>	<u>Healthcare trend</u>	<u>1% increase</u>
\$	549,660	642,513	757,687

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2022 was 7%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation. Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	28.0%	6.8%
U.S. Small Cap	3.0	7.4
Developed market equity (non-U.S.)	15.0	7.5
Emerging market equity	13.0	8.4
Credit		
Bank loans	3.0	4.0
High yield bonds	3.0	4.4
Emerging market bonds	3.0	4.2
Rate Securities		
Investment grade bonds	9.0	2.4
Long-term government bonds	4.0	2.8
Short-term Treasury Inflation-Protected Securities	4.0	1.9
Private Markets		
Private equity	5.0	10.0
Core private real estate	5.0	6.1
Risk Mitigating Strategies		
Global macro	5.0	5.0
Total	100.0%	

The following presents the SFMTA's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what the SFMTA's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate (in thousands):

	1% decrease 6.00%	Discount rate 7.00%	1% increase 8.00%
\$	748,010	642,513	555,961

The City issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City's postemployment health care obligations. The report may be obtained by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102, or by calling (415) 554-7500.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

(10) Peninsula Corridor Joint Powers Board

The City is a participant in the Peninsula Corridor Joint Powers Board (PCJPB), along with the Santa Clara Valley Transportation Authority and the San Mateo County Transit District (SMCTD). The PCJPB is governed by a separate board composed of nine members, three from each participating agency. The PCJPB was formed in October 1991 to plan, administer, and operate Caltrain rail service. The PCJPB began operating Caltrain on July 1, 1992. Prior to that time, such rail service was operated by the California Department of Transportation. The agreement establishing the PCJPB continues until two participants withdraw, and then would continue until the end of the fiscal year following expiration of a one-year notice given by the second party to withdraw.

The SFMTA has contributed to the net operating costs and administrative expenses of the PCJPB. However, in November 2020, voters approved a new 1/8th cent sales tax in the three counties for Caltrain that replaces the contribution Caltrain gets each year from the three PCJPB agencies. The revenues from that tax now satisfy the SFMTA's obligation to contribute to Caltrain's operating needs.

In 2022, the JPB governance structure was changed to ensure all participating counties are equally involved in decision-making and oversight authority at the highest levels while SMCTD continues as the managing agency for Caltrain. Under the agreement to implement these changes, the City through SFMTA agreed to pay \$6.1 million to complete the reimbursement of SMCTD for its 1991 funding of the acquisition of the PCJPB's real property. This payment was made by the SFMTA in August 2023.

The City is required to participate in funding Caltrain's capital projects under the agreement that established the PCJPB. In September 2022, Caltrain invoiced the SFMTA for a \$2.3 million payment to fund Caltrain's capital program. This payment will be made in fiscal year 2024.

The PCJPB's annual financial statements are publicly available.

(11) Risk Management

The SFMTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; transit and general liability; injuries to employees; and natural disasters. The SFMTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division and, in some specific cases, directly by the agency. Self-insurance is when the City manages risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. The City's and SFMTA's general policy is to first evaluate self-insurance for the risk of loss to which it is

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

Risks	Coverage
a. General/Transit liability	Self-insured
b. Workers' compensation	Self-insured
c. Property	Self-insured and purchase insurance
d. Employee (transit operators)	Purchase insurance
e. Directors and officers	Purchase insurance
f. Active assailant	Purchase insurance

(a) General/Transit Liability

The SFMTA is self-insured. Through coordination with the Controller and City Attorney's Office, the SFMTA's general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately \$3 million. As of June 30, 2023, the reserve was \$36.5 million. In addition, the annual budget for claims was \$8.6 million for fiscal year 2023. Claim liabilities are estimated based on anticipated claims and projected timing of disbursement, considering recent claim settlement trends and other economic social factors.

The changes in general/transit liability for year ended June 30, 2023 and 2022 are as follows (in thousands):

	Beginning of year	Claims and changes in estimates	Claim payments	End of year
2023	\$ 114,663	(12,455)	(17,608)	84,600
2022	129,594	(8,048)	(6,883)	114,663

(b) Workers' Compensation

The workers' compensation payments are addressed through pay-as-you-go funding as part of the budgetary process. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering open claims' future exposure based on current costs, and estimation for injuries that may have occurred but not yet reported. The workers' compensation claims and payouts are handled by the City's third-party administrator. SFMTA continues to develop and implement programs to mitigate growth of costs such as the transitional work programs that bring injured workers back to work on modified duty. Other programs include injury prevention, back care, injury investigation, and medical treatment bills review.

Workers' compensation expense is part of personnel services, while claims expense is part of general and administrative under operating expenses in the accompanying statement of revenues, expenses, and changes in net position.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

The changes in workers' compensation liability for year ended June 30, 2023 and 2022 are as follows (in thousands):

	<u>Beginning of year</u>	<u>Claims and changes in estimates</u>	<u>Claim payments</u>	<u>End of year</u>
2023	\$ 154,624	51,128	(32,721)	173,031
2022	139,021	43,854	(28,251)	154,624

(c) Property

The SFMTA purchases property insurance on its facilities, light rail cars, and personal property.

Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. For SFMTA contractors, SFMTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to the City and SFMTA's property.

(d) Employee Benefits (Transit Operators) Insurance

SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance for transit operators per the memorandum of understanding.

(e) Directors and Officers Insurance

SFMTA has purchased insurance to cover errors and omissions of its Board members and senior management.

(f) Active Assailant Insurance

SFMTA has purchased insurance to cover third-party bodily injury, property damage, business interruption, and crisis management.

See the changes in workers' compensation and general liabilities for claims paid and incurred claims and changes in estimate in Note 8 to the financial statements.

(12) General Fund Contributions

The amount of operating allocation provided to the SFMTA each year is limited to the amount set by the City Charter and budgeted by the City. Such allocation is recognized as revenue in the year received.

The amount of General Fund subsidy to the SFMTA reflected in the accompanying financial statements was \$556.4 million in fiscal year 2023. The General Fund support from the City includes total revenue baseline transfer of \$427.1 million and \$66.2 million allocation in lieu of parking tax.

Proposition B, approved by the voters in November 2014, provides additional City General Funds to address transportation needs tied to the City's population growth. The SFMTA received \$58 million from this source, of which \$30 million was allocated for operations and \$28 million for capital projects.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

The SFMTA also received an additional General Fund allocation of \$4.8 million for the Chase Event Center and mixed-use development project and \$0.3 million for the Community Building Program.

(13) Federal, State, and Local Assistance

The SFMTA receives capital grants from various federal, state, and local agencies to finance transit-related property and equipment purchases. As of June 30, 2023, the SFMTA had approved capital grants with unused balances amounting to \$608.4 million while capital grants receivable totaled \$151.7 million.

The SFMTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds, diesel fuel, and sales tax allocations. As of June 30, 2023, the SFMTA had various operating grants receivable of \$20.2 million. The SFMTA received operating assistance from BART's Americans with Disability Act related support of \$1.9 million, and other federal, state, and local grants of \$4.7 million, to fund project expenses that are operating in nature.

The operating assistance from federal sources includes funds received from FTA in response to the COVID-19 pandemic. The American Rescue Plan Act (ARPA) was signed into law on March 11, 2021, which provided the SFMTA with supplemental appropriation for emergency transit operations. The SFMTA received \$138.1 million in fiscal year 2023 while \$339.5 million remains to be accessed in fiscal year 2024.

The capital and operating grants identified above include funds received and due from the SFCTA. The SFCTA approved \$46.4 million in new capital grants and the SFMTA received payments totaling \$45.9 million. Similarly, the SFMTA receives operating grants from SFCTA mostly for paratransit support. The SFCTA approved \$14.1 million in new operating grants and SFMTA received payments totaling \$14 million. As of June 30, 2023, the SFMTA had \$66.2 million in capital grants and \$4.4 million in operating grants due from the SFCTA.

Proposition 1B is a \$20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure is composed of several funding programs including the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Program. The original legislation required funds to be obligated within three years of the date awarded. The Budget Act of 2019 reappropriated the remaining balances of PTMISEA appropriations, which are available for encumbrance and liquidation until June 30, 2023. PTMISEA funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, bus and rail car procurement, rehabilitation, or replacement. The SFMTA did not receive cash in the fiscal year 2023 from PTMISEA. During fiscal year 2023, drawdowns for various eligible projects costs were made from PTMISEA funds for \$11.9 million. All PTMISEA appropriations other than interest earned were fully spent during the year.

(14) Commitments and Contingencies

(a) Grants and Subventions

Receipts from federal and state grants and other similar programs are subject to audit to determine if the funds were expended in accordance with appropriate statutes, grant terms, and regulations. The SFMTA believes that no significant liabilities will result from any such audits.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2023

(b) Other Commitments

As of June 30, 2023, the SFMTA has outstanding commitments of approximately \$353 million with third parties for various capital projects. Grant funding is available for the majority of this amount. The SFMTA also has outstanding commitments of approximately \$75 million with third parties for noncapital expenditures. Various local funding sources are used to finance these expenditures.

In addition, the SFMTA is involved in various lawsuits, claims, and disputes that have arisen in SFMTA's routine conduct of business. In the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of the SFMTA.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Supplemental Schedule – Combining Schedule of Net Position

June 30, 2023

(In thousands)

	<u>Transit</u>	<u>Sustainable Streets</u>	<u>Parking Garages</u>	<u>Total</u>
Assets:				
Current assets:				
Cash and investments with City Treasury	\$ 568,196	154,213	—	722,409
Cash and investments outside City Treasury	4,345	2,449	1,829	8,623
Cash on hand	67	18	—	85
Receivables:				
Grants	95,049	6,229	—	101,278
Due from the San Francisco County Transportation Authority	60,835	9,777	—	70,612
Due from other City departments	6,488	—	—	6,488
Charges for services, net	1,876	2,824	27	4,727
Lease receivable	4,145	3,292	—	7,437
Interest and other	6,627	2,412	—	9,039
Inventories	84,716	—	—	84,716
Current prepaids and other assets	251	30	27	308
Restricted cash and investments with City Treasury	802	—	—	802
Restricted cash and investments outside City Treasury	—	—	17	17
Total current assets	<u>833,397</u>	<u>181,244</u>	<u>1,900</u>	<u>1,016,541</u>
Noncurrent assets:				
Restricted cash and investments with City Treasury, net of current portion	152,587	142,571	—	295,158
Restricted cash and investments outside City Treasury, net of current portion	1,448	—	3,107	4,555
Restricted interest and other receivables	1,041	916	—	1,957
Lease receivable, net of current portion	75,272	6,809	—	82,081
Capital assets not being depreciated/amortized	598,998	140,754	—	739,752
Capital assets being depreciated/amortized	<u>4,722,391</u>	<u>483,578</u>	<u>11,108</u>	<u>5,217,077</u>
Total noncurrent assets	<u>5,551,737</u>	<u>774,628</u>	<u>14,215</u>	<u>6,340,580</u>
Total assets	<u>6,385,134</u>	<u>955,872</u>	<u>16,115</u>	<u>7,357,121</u>
Deferred outflows of resources:				
Unamortized loss on refunding of debt	786	—	—	786
Related to pensions	207,083	31,182	—	238,265
Related to other postemployment benefits	<u>107,988</u>	<u>16,616</u>	<u>—</u>	<u>124,604</u>
Total deferred outflows of resources	<u>\$ 315,857</u>	<u>47,798</u>	<u>—</u>	<u>363,655</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Supplemental Schedule – Combining Schedule of Net Position

June 30, 2023

(In thousands)

	<u>Transit</u>	<u>Sustainable Streets</u>	<u>Parking Garages</u>	<u>Total</u>
Liabilities:				
Current liabilities:				
Due to other funds	\$ 105	489	—	594
Accounts payable and accrued expenses	70,188	15,546	1,454	87,188
Accrued payroll	44,027	6,312	25	50,364
Accrued vacation and sick leave	26,652	4,441	—	31,093
Accrued workers' compensation	27,311	4,925	—	32,236
Accrued claims	17,500	14,900	—	32,400
Grants received in advance	44,459	—	—	44,459
Unearned revenue and other liabilities	13,109	5,096	—	18,205
Payable from restricted assets	12,417	11,382	—	23,799
Accrued interest payable	4,731	716	—	5,447
Bonds, loans, leases, and other payables	15,583	4,792	320	20,695
Total current liabilities	<u>276,082</u>	<u>68,599</u>	<u>1,799</u>	<u>346,480</u>
Noncurrent liabilities:				
Accrued vacation and sick leave, net of current portion	21,299	3,570	122	24,991
Accrued workers' compensation, net of current portion	115,572	25,223	—	140,795
Accrued claims, net of current portion	15,750	36,450	—	52,200
Net other postemployment benefits liability	556,826	85,687	—	642,513
Net pension liability	323,922	48,891	—	372,813
Bonds, loans, leases, and other payables, net of current portion	431,466	157,263	10,614	599,343
Total noncurrent liabilities	<u>1,464,835</u>	<u>357,084</u>	<u>10,736</u>	<u>1,832,655</u>
Total liabilities	<u>1,740,917</u>	<u>425,683</u>	<u>12,535</u>	<u>2,179,135</u>
Deferred inflows of resources:				
Related to leases	70,367	9,483	—	79,850
Related to pensions	68,788	11,513	—	80,301
Related to other postemployment benefits	108,759	16,734	—	125,493
Total deferred inflows of resources	<u>247,914</u>	<u>37,730</u>	<u>—</u>	<u>285,644</u>
Net position:				
Net investment in capital assets	4,870,395	461,561	174	5,332,130
Restricted for debt service	—	—	—	—
Restricted for capital projects	143,301	132,105	—	275,406
Restricted for other purposes	160	—	3,124	3,284
Unrestricted	(301,696)	(53,409)	282	(354,823)
Total net position	<u>\$ 4,712,160</u>	<u>540,257</u>	<u>3,580</u>	<u>5,255,997</u>

See accompanying independent auditor's report.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Supplemental Schedule – Combining Schedule of Revenues, Expenses,
and Changes in Net Position

Year ended June 30, 2023

(In thousands)

	Transit	Sustainable Streets	Parking Garages	SFMTA Eliminations	Total
Operating revenues:					
Passenger fares	\$ 87,803	—	—	—	87,803
Parking and transportation	—	97,527	7,113	—	104,640
Fines, forfeitures, and penalties	—	87,739	—	—	87,739
Charges for services	1,465	29,177	—	—	30,642
Licenses, permits, and franchises	—	19,939	—	—	19,939
Advertising	7,287	—	—	—	7,287
Rents and concessions	8,751	3,839	16	—	12,606
Total operating revenues	105,306	238,221	7,129	—	350,656
Operating expenses:					
Personnel services	782,385	109,052	1,217	—	892,654
Contractual services	87,556	67,050	1,119	—	155,725
Materials and supplies	70,152	6,756	192	—	77,100
Depreciation and amortization	201,079	27,791	392	—	229,262
Services from other City departments	81,893	11,604	—	—	93,497
General and administrative	958	(3,532)	325	—	(2,249)
Other operating expenses	(38,070)	14,824	875	—	(22,371)
Total operating expenses	1,185,953	233,545	4,120	—	1,423,618
Operating loss	(1,080,647)	4,676	3,009	—	(1,072,962)
Nonoperating revenues (expenses):					
Operating assistance:					
Federal	145,665	1,931	—	—	147,596
State and other grants	202,222	293	—	—	202,515
Interest and investment income	20,087	7,448	26	—	27,561
Interest expense	(11,987)	(3,766)	(371)	—	(16,124)
Other, net	23,571	826	—	—	24,397
Total nonoperating revenues, net	379,558	6,732	(345)	—	385,945
Loss before capital contributions and transfers	(701,089)	11,408	2,664	—	(687,017)
Capital contributions:					
Federal	139,921	579	—	—	140,500
State and others	101,647	18,780	—	—	120,427
Total capital contributions	241,568	19,359	—	—	260,927
Transfers in:					
City and County of San Francisco – General Fund	424,870	131,553	—	—	556,423
San Francisco County Transportation Authority	10,694	1,860	—	—	12,554
City and County of San Francisco – Other City departments	10,506	5,223	—	—	15,729
SFMTA operating transfers in	205,150	1,314	—	(206,464)	—
Total transfers in	651,220	139,950	—	(206,464)	584,706
Transfers out:					
City and County of San Francisco – Other City departments	—	—	(468)	—	(468)
SFMTA operating transfers out	—	(205,150)	(1,314)	206,464	—
Net transfers	651,220	(65,200)	(1,782)	—	584,238
Change in net position	191,699	(34,433)	882	—	158,148
Net position at beginning of year	4,520,461	574,690	2,698	—	5,097,849
Total net position, end of year	\$ 4,712,160	540,257	3,580	—	5,255,997

See accompanying independent auditor's report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Supplemental Schedule of Grants – Federal

Year ended June 30, 2023

(In thousands)

	Authorized grants as of July 1, 2022	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2023	Amounts not expended as of June 30, 2023	Grants receivable as of June 30, 2023
Capital grants:							
FY 2016 Section 5307 Urban Area Formula	\$ 451	—	—	—	451	451	—
FY 2013 Section 5307 CMAQ & Surface Transportation Program	2,953	—	(203)	—	2,750	1,715	1,035
FY 2018 Section 5307 Van Ness Avenue BRT	—	—	—	—	—	—	—
FY 2019 Section 5307 Geary Rapid	2,002	—	(579)	—	1,423	850	573
FY 2019 Section 5307 Formula Fund	31,745	—	(482)	—	31,263	30,330	933
FY 2021 Section 5307 Motor Coach & Trolley Coach Replacement	20,528	—	—	—	20,528	20,525	3
FY 2022 Section 5307 Formula Funds	—	24,595	—	(5,331)	19,264	19,264	—
FY 2013 Section 5309 Bus Livability	213	—	—	—	213	—	213
FY 2021 Section 5309 ARP Central Subway	8,757	—	(8,757)	—	—	—	—
FY 2015 Section 5337 State of Good Repair	1,056	—	(740)	—	316	166	150
FY 2016 Section 5337 State of Good Repair	8,963	—	(5,028)	—	3,935	2,090	1,845
FY 2017 Section 5337 State of Good Repair	1	—	(1)	—	—	—	—
FY 2018 Section 5337 State of Good Repair	21,524	—	(2,960)	—	18,564	16,155	2,409
FY 2019 Section 5337 State of Good Repair	50,037	—	(1,680)	—	48,357	44,405	3,952
FY 2019 Section 5337 State of Good Repair - LRV	—	13,220	(13,220)	—	—	—	—
FY 2020 Section 5337 State of Good Repair	4,288	—	—	—	4,288	4,288	—
FY 2021 Section 5337 State of Good Repair	42,070	—	(584)	—	41,486	41,295	191
FY 2022 Section 5337 State of Good Repair	—	144,252	(60,771)	—	83,481	37,535	45,946
FY 2019 Section 5339 Bus and Bus Facilities	58	—	(58)	—	—	—	—
FY 2021 Section 5339 New Starts, Small Starts, Core Capacity (ARPA)	6,986	—	(6,132)	—	854	502	352
FY 2022 Section 5339 Cable Car Traction Power & Guideway	—	2,000	—	—	2,000	2,000	—
Total capital grants	\$ 201,632	184,067	(101,195)	(5,331)	279,173	221,571	57,602
Operating grants:							
FY 2013 Section 5307 CMAQ & Surface Transportation Program	\$ 54	—	1	—	55	55	—
FY 2021 Section 5307 Urbanized Area Formula	2,088	—	(1,088)	—	1,000	1,000	—
FY 2021 Section 5307 Essential Trip Card Program	1,127	—	(833)	—	294	82	212
FY 2022 Section 5307 American Rescue Plan Phase 1 (ARP)	362,500	—	(138,053)	—	224,447	224,447	—
FY 2022 Section 5307 ARP Additional Assistance	—	115,076	—	—	115,076	115,076	—
FY 2022 Section 5307 Formula Funds	—	—	(5,331)	5,331	—	—	—
FY 2021 Section 5310 Mobility Management	421	—	(406)	—	15	15	—
FY 2021 Section 5312 Research and Evaluation projects	450	—	(168)	—	282	282	—
Total operating grants	\$ 366,640	115,076	(145,878)	5,331	341,169	340,957	212

See accompanying independent auditor's report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Supplemental Schedule of Grants – California Transportation Commission

Year ended June 30, 2023

(In thousands)

	Authorized grants as of July 1, 2022	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2023	Amounts not expended as of June 30, 2023	Grants receivable as of June 30, 2023
Capital grants:							
FY 2008 Prop 1B: 3rd St. Light Rail	\$ 1,412	—	(1,412)	—	—	—	—
FY 2008 Prop 1B: Operator Restrooms	683	—	(683)	—	—	—	—
FY 2009 Prop 1B: New Central Subway	856	—	(856)	—	—	—	—
FY 2010 Prop 1B: Balboa Park Eastside Connection	85	—	(85)	—	—	—	—
FY 2013 Prop 1B: Mission Mobility Maximization	179	—	(179)	—	—	—	—
FY 2013 Prop 1B: 8X Mobility Maximization	1,205	—	(1,105)	(100)	—	—	—
FY 2014 Prop 1B: LRV Procurement	1,072	—	(1,089)	17	—	—	—
FY 2014 Prop 1B: Flynn Lifts	770	—	(770)	—	—	—	—
FY 2017 Prop 1B: 31 Balboa Project	725	—	(725)	—	—	—	—
Total Prop 1B	6,987	—	(6,904)	(83)	—	—	—
FY 2019 Low Carbon Transit Operations Grant - LRV	\$ 4,116	—	—	—	4,116	4,116	—
FY 2020 Low Carbon Transit Operations Grant Electric Bus Procurement	4,767	—	(4,767)	—	—	—	—
FY 2020 Low Carbon Transit Operations Grant Bryant Project	3,141	—	(1,849)	—	1,292	1,292	—
FY 2021 Low Carbon Transit Operations Grant 5 Fulton Project	1,134	—	(177)	—	957	957	—
Total Low Carbon	13,158	—	(6,793)	—	6,365	6,365	—
FY 2022 Clean California Local Grant Program South of Market	\$ —	1,824	—	—	1,824	1,811	13
FY 2022 CA 20201 AB 174 - 5 Fulton	—	1,630	—	—	1,630	1,630	—
FY 2023 Greenhouse Gas Reduction - Bayview-Hunters Point	—	1,941	—	—	1,941	1,682	259
Total Other	—	5,395	—	—	5,395	5,123	272
Total capital grants	\$ 20,145	5,395	(13,697)	(83)	11,760	11,488	272
Operating grants:							
FY 2017 Low Carbon Transit Operations Grant	\$ 7,235	—	—	—	7,235	7,235	—
FY 2019 Low Carbon Transit Operations Grant - Prototype Battery Conv.	5,600	—	—	—	5,600	5,600	—
FY 2021 Low Carbon Transit Operations Grant Free Muni for Seniors and People with Disabilities	3,105	—	(3,105)	—	—	—	—
FY 2022 Low Carbon Transit Operations Grant Free Muni for Seniors and People with Disabilities	—	17,489	(13,789)	—	3,700	3,700	—
Total Low Carbon	15,940	17,489	(16,894)	—	16,535	16,535	—
FY 2021 Prop 1B: Presidio Bus Yard Planning Study	\$ 290	—	(102)	—	188	23	165
Total operating grants	\$ 16,230	17,489	(16,996)	—	16,723	16,558	165

See accompanying independent auditor's report.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT
Supplemental Schedule of Grants – Metropolitan Transportation Commission
Year ended June 30, 2023
(In thousands)

	Authorized grants as of July 1, 2022	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2023	Amounts not expended as of June 30, 2023	Grants receivable as of June 30, 2023
Capital grants:							
Bridge Toll	\$ 46,959	—	(7,113)	—	39,846	24,821	15,025
FY 2021 Bridge Toll	24,300	—	(1,950)	—	22,350	15,594	6,756
FY 2021 Bridge Toll - Light Rail Vehicle Replacement	14,728	—	(14,728)	—	—	—	—
FY 2021 BATA	4,283	—	(34)	—	4,249	3,271	978
FY 2021 BATA - Light Rail Vehicle Replacement	5,993	—	(5,993)	—	—	—	—
FY 2022 BATA Fleet Replacement	5,000	—	(5,000)	—	—	—	—
State Transit Assistance:							
State of Good Repair	15,478	—	(8,109)	—	7,369	7,369	—
FY 2021 State of Good Repair	10,706	—	(1,208)	(315)	9,183	9,130	53
FY 2021 State of Good Repair - Facilities Projects	10,689	—	(684)	(58)	9,947	9,947	—
FY 2023 State of Good Repair - Fixed Guideway Projects	—	11,009	—	—	11,009	11,009	—
Total capital grants	\$ 138,136	11,009	(44,819)	(373)	103,953	81,141	22,812
Operating grants:							
AB1107 Sales Tax	\$ 3,868	50,000	(54,494)	4,555	3,929	—	3,929
State Transit Assistance	14,952	81,332	(88,913)	—	7,371	—	7,371
Transportation Development Act	—	44,489	(44,489)	—	—	—	—
RM2:							
Owl Service	159	163	(159)	(13)	150	—	150
T-Third Light Rail	2,125	2,189	(2,125)	(167)	2,022	—	2,022
Lifeline Cycle 5:							
Expanded Late Night Transit	521	—	(521)	—	—	—	—
Bayview Transit Assistance	—	183	(183)	—	—	—	—
Total operating grants	\$ 21,625	178,356	(190,884)	4,375	13,472	—	13,472

See accompanying independent auditor's report.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT
Supplemental Schedule of Grants – San Francisco County Transportation Authority
Year ended June 30, 2023
(In thousands)

	Authorized grants as of July 1, 2022	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2023	Amounts not expended as of June 30, 2023	Grants receivable as of June 30, 2023
Capital grants:							
3rd Street Light Rail Projects	\$ 4,169	—	—	—	4,169	4,169	—
Islais Creek Facility Improvements	485	—	—	—	485	485	—
Radio Communications System & CAD	3,890	—	—	—	3,890	395	3,495
Central Train Control & Communication	3,716	—	(143)	—	3,573	3,499	74
Bus Rapid Transit (Geary & Van Ness)	17,262	—	(664)	—	16,598	4,078	12,520
Motor Coach NABI Replacement	3,193	—	—	—	3,193	3,193	—
Central Subway Phase 3 Initial Study	913	—	(1)	—	912	912	—
60 Foot Trolley Coach Replacement	3,953	—	—	—	3,953	3,758	195
Phelan Plaza Development	91	—	—	—	91	91	—
Muni Forward	1,241	—	—	—	1,241	1,241	—
New Light Rail Vehicles	78,630	—	(26,831)	—	51,799	26,533	25,266
Geneva-Harvey Bus Rapid Transit Study	3,084	—	—	—	3,084	3,084	—
Muni Metro East (MME) Phase II	1,217	—	—	—	1,217	1,217	—
Fall Protection System	3,422	—	(920)	—	2,502	1,870	632
Replace M-Line Curve Tracks	809	—	—	—	809	809	—
Procurement of 30, 40 & 60 Ft Hybrid Buses	17,104	—	(56)	—	17,048	17,048	—
Fire Life Safety Upgrade	392	—	(187)	—	205	179	26
1570 Burke Facility Renovation	846	—	56	—	902	902	—
Rail Grinding Project	137	—	—	—	137	71	66
Cable Car Drive Reduction Gearbox Rehab	367	—	—	—	367	367	—
Elevator Safety & Reliability Project	116	—	—	—	116	72	44
Paratransit Van Replacement Project	89	—	—	—	89	89	—
Twin Peaks Tunnel Rail Replacement-Rev	4,221	—	—	—	4,221	4,221	—
Track Support System	1,505	—	—	—	1,505	1,440	65
Track Replacement & Upgrade	2,811	—	—	—	2,811	2,811	—
Alternative Fuel Taxicab In	195	—	(54)	—	141	49	92
Cable Car Sheave Rebuild	235	—	—	—	235	235	—
Replacement Manual Switch S	287	—	—	—	287	287	—
MF Corridors PL & CE	3,026	—	(264)	—	2,762	1,947	815
Local Bus Transit Signal Priority	1,319	—	(416)	—	903	799	104
Paratransit Replacement	487	—	—	—	487	487	—
Presidio Bus Lifts	305	—	(137)	—	168	168	—
LRV 2&3 HVAC Refurbish	3,053	—	—	—	3,053	3,053	—
LRV2 & LRV3 Overhauls	6,743	—	—	—	6,743	6,094	649
Streetcar Extension to Fort Mason	920	—	—	—	920	920	—
Muni Metro Expansion	2,920	6,620	(749)	—	8,791	6,612	2,179
Rehab of Historic Street Cars	1,051	—	(17)	—	1,034	1,034	—
Muni Forward 22 Fillmore	5,600	—	(295)	—	5,305	4,882	423
New Flyer Midlife Overhaul	17,937	—	—	—	17,937	17,937	—
Light Rail Vehicle Procurement	60,732	—	—	—	60,732	60,732	—
New Castro Station Elevator	335	—	(127)	—	208	138	70
Wheelchair Accessible Taxi	50	—	—	—	50	50	—
3rd Street Transit and Safety Improvements	381	—	—	—	381	381	—
Replace 28 Paratransit Vehicles	—	—	(945)	1,156	211	195	16
Muni Metro Station Enhancement Phase I	1,070	—	—	—	1,070	1,070	—
L-Taraval Transit Enhancements (Segment B)	3,664	15,295	—	—	18,959	17,735	1,224
Replace 30-foot Hybrid Motor Coaches	15,883	—	—	—	15,883	8,718	7,165
Potrero Yard Modernization	5,773	—	(706)	—	5,067	2,167	2,900
Transit Stop Signage Enhancement Program	1,044	—	(4)	—	1,040	839	201
Bus Transit Signal Priority	1,351	—	—	—	1,351	1,345	6
Geary/19th Ave Subway Strategic Case	170	—	—	—	170	145	25
FY2023 Paratransit Replacement	—	2,274	—	—	2,274	2,274	—
Paratransit Cutaway Expansion (47 vehicles)	—	1,874	(16)	—	1,858	1,851	7
Muni Metro Core Capacity	—	1,000	—	—	1,000	763	237
Kirkland Yard Electrification	—	1,073	—	—	1,073	1,063	10
30 Stockton: 3rd Street	—	—	—	381	381	378	3
29 Sunset Muni Forward	—	1,000	—	—	1,000	1,000	—
Total capital grants	\$ 288,194	29,136	(32,476)	1,537	286,391	227,882	58,509

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT
Supplemental Schedule of Grants – San Francisco County Transportation Authority
Year ended June 30, 2023
(In thousands)

	Authorized grants as of July 1, 2022	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2023	Amounts not expended as of June 30, 2023	Grants receivable as of June 30, 2023
Operating grants:							
FY2023 Paratransit	\$ 3,431	—	(3,431)	—	—	—	—
FY2024 Paratransit	—	13,300	(8,368)	808	5,740	3,431	2,309
Transit Corridor Investment Study	1,020	—	—	—	1,020	1,020	—
N-Judah Customer First	215	—	—	—	215	215	—
66 Quintara Reconfiguration Study	4	—	—	—	4	4	—
Van Gough Shuttles	113	—	(46)	—	67	50	17
Ramp Taxi Incentives	125	—	—	—	125	125	—
Replace 28 Paratransit V	1,156	—	—	(1,156)	—	—	—
Total operating grants	\$ 6,064	13,300	(11,845)	(348)	7,171	4,845	2,326

See accompanying independent auditor's report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Supplemental Schedule of Grants – Others

Year ended June 30, 2023

(In thousands)

	Authorized grants as of July 1, 2022	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2023	Amounts not expended as of June 30, 2023	Grants receivable as of June 30, 2023
Capital grants:							
BART Better Market Street	\$ 306	635	(112)	—	829	829	—
Total capital grants	\$ 306	635	(112)	—	829	829	—
Operating grants:							
FY 2020 Federal Homeland Security – TSA K9 Project	22	—	—	—	22	18	4
FY 2021 Federal Homeland Security – TSA K9 Project	742	—	(288)	—	454	435	19
Total Federal Homeland Security	764	—	(288)	—	476	453	23
FY 2019 Transit Security Program	2,333	—	(230)	—	2,103	1,612	491
FY 2021 Transit Security Program	1,498	—	—	—	1,498	1,498	—
FY 2022 Transit Security Program	—	2,003	—	—	2,003	2,003	—
Total Transit Security Program	3,831	2,003	(230)	—	5,604	5,113	491
Total operating grants	\$ 4,595	2,003	(518)	—	6,080	5,566	514

See accompanying independent auditor's report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SUSTAINABLE STREETS**

Supplemental Schedule of Grants – Federal

Year ended June 30, 2023

(In thousands)

	Authorized grants as of July 1, 2022	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2023	Amounts not expended as of June 30, 2023	Grants receivable as of June 30, 2023
Capital grants:							
FY 2009 CMAQ - SF Park	\$ 398	—	—	—	398	398	—
FY 2013 Highway Safety Improvements - Continental Crosswalks	15	—	—	—	15	15	—
FY 2013 Highway Safety Improvements - Masonic Signals Project	58	—	—	—	58	58	—
FY 2013 Highway Safety Improvement - Rail Signals	562	—	—	—	562	562	—
FY 2013 Surface Transportation - Mansell Corridor Complete Streets	44	—	—	—	44	4	40
FY 2014 Highway Safety Improvement - Polk Street Signals	463	—	—	—	463	463	—
FY 2015 State Transportation Improvement - Crosswalks	11	—	—	—	11	6	5
FY 2015 State Transportation Improvement - Twin Peaks Connectivity	16	—	—	—	16	16	—
FY 2015 Section 5307 Formula Fund - Embarcadero Enhancement Project	22	—	—	—	22	22	—
FY 2016 Surface Transportation - Eddy and Ellis Traffic Calming Projects	117	—	—	—	117	117	—
FY 2016 & 2017 Highway Safety Improvement - South Van Ness Pedestrian Signals Projects	208	—	—	—	208	208	—
FY 2018 Advanced Transportation and Congestion Management Technologies Deployment Initiatives	7,854	—	(47)	—	7,807	7,263	544
FY 2018 SFGO Van Ness Corridor Management - TSP/BRT	2,452	—	(889)	—	1,563	1,356	207
Total capital grants	\$ 12,220	—	(936)	—	11,284	10,488	796
Operating grants:							
FY 2007 Safe Routes to School	29	—	—	—	29	29	—
FY 2008 Safe Routes to School - Chinatown	25	—	—	—	25	25	—
FY 2012 Safe Routes to School - Tenderloin	96	—	—	—	96	96	—
FY 2013 Safe Routes to School - Denman	4	—	—	—	4	4	—
FY 2018 Safe Routes to School - Alamo School	86	—	—	—	86	86	—
FY 2022 Safe Routes to School - Non Infrastructure	2,485	—	(1,254)	—	1,231	81	1,150
FY 2023 Safe Routes to School - Non Infrastructure	—	7,082	—	—	7,082	7,082	—
FY 2018 Section 5303 Short Range Transit Plan	43	—	—	—	43	43	—
FY 2008 Tenderloin Pedestrian Improvements	279	—	—	—	279	279	—
FY 2008 Golden Gate Park Pedestrian Improvements	63	—	—	—	63	63	—
FY 2010 & 2011 State Transportation Improvement Program - SF Pedestrian Safety & Encouragement	6	—	—	—	6	6	—
FY 2012 Pedestrian Safety Program	4	—	—	—	4	4	—
FY 2012 State Transportation Improvement - Church & Duboce	24	—	—	—	24	7	17
FY 2013 Linked Price Electric Bike Sharing	724	—	—	—	724	622	102
FY 2013 Regional Priority Development Area -Various Projects	110	—	—	—	110	103	7
FY 2013 Highway Safety Improvements - Masonic Signals Project	45	—	—	—	45	45	—
FY 2018 SF Bicycle Parking Program	12	—	—	—	12	12	—
FY 2017 California Office of Traffic Safety - Vision Zero Three Year Motorcycle Education Campaign Pilot	127	—	—	—	127	127	—
FY 2020 California Office of Traffic Safety - Vision Zero Three Year Motorcycle Education Campaign Pilot	252	—	—	—	252	252	—
FY 2021 California Office of Traffic Safety - Vision Zero Motorcycle Safety Program	7	—	—	—	7	7	—
FY 2022 California Office of Traffic Safety - Vision Zero Motorcycle Safety Program	75	—	(12)	—	63	33	30
FY 2023 California Office of Traffic Safety - Vision Zero Motorcycle Safety Program	—	60	—	—	60	50	10
Total operating grants	\$ 4,496	7,142	(1,266)	—	10,372	9,056	1,316

See accompanying independent auditor's report.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SUSTAINABLE STREETS
Supplemental Schedule of Grants – California Transportation Commission
Year ended June 30, 2023
(In thousands)

	Authorized grants as of July 1, 2022	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2023	Amounts not expended as of June 30, 2023	Grants receivable as of June 30, 2023
Capital grants:							
FY 2009 & FY2010 Prop 1B: Persia Triangle Improvements	\$ —	—	(140)	140	—	—	—
FY 2013 Prop 1B: 8X Mobility Maximization	220	—	(64)	(156)	—	—	—
FY 2014 Prop 1B: LRV Procurement	17	—	—	(17)	—	—	—
Total Prop 1B	\$ 237	—	(204)	(33)	—	—	—
Safer Intersections Program	41	—	(36)	—	5	5	—
6th St Pedestrian Safety Project	5,779	—	(1,947)	—	3,832	1,940	1,892
Visitation Valley Project	255	—	(255)	—	—	—	—
FY2020 Vision Zero Project	2,241	—	(1,780)	—	461	47	414
Vision Zero Signal	337	1,663	(337)	—	1,663	1,513	150
Mission St. Geneva Ave Pedestrian and Bike Path	8,700	—	—	—	8,700	7,582	1,118
Western Addition Area Traffic Signal Upgrades	—	3,180	—	—	3,180	3,001	179
Total capital grants	\$ 17,590	4,843	(4,559)	(33)	17,841	14,088	3,753
Operating grants:							
Randolph/Farallones/Orizaba Transit Access							
Pedestrian Safety	\$ 3	—	(3)	—	—	—	—
Class II & III Bikeways	15	—	—	—	15	—	15
Jean Parker Safe Routes to School	15	—	—	—	15	—	15
HSIP SSARP Bicycle Safety	52	—	(1)	—	51	51	—
Active Communities Plan (Citywide Bike Plan)	600	—	(161)	—	439	300	139
Total operating grants	\$ 685	—	(165)	—	520	351	169

See accompanying independent auditor's report.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SUSTAINABLE STREETS
Supplemental Schedule of Grants - Metropolitan Transportation Commission
Year ended June 30, 2023
(In thousands)

	Authorized grants as of July 1, 2022	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2023	Amounts not expended as of June 30, 2023	Grants receivable as of June 30, 2023
Capital grants:							
TDA:							
TDA FY 2021 Allocation	\$ 484	—	(484)	—	—	—	—
TDA FY 2023 Allocation	—	832	—	—	832	832	—
Total capital grants	<u>\$ 484</u>	<u>832</u>	<u>(484)</u>	<u>—</u>	<u>832</u>	<u>832</u>	<u>—</u>
Operating grants:							
TDA:							
FY 2015 Long Term Bike Parking	\$ 20	—	—	—	20	20	—
Total operating grants	<u>\$ 20</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20</u>	<u>20</u>	<u>—</u>

See accompanying independent auditor's report.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SUSTAINABLE STREETS
Supplemental Schedule of Grants – San Francisco County Transportation Authority
Year ended June 30, 2023
(In thousands)

	Authorized grants as of July 1, 2022	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2023	Amounts not expended as of June 30, 2023	Grants receivable as of June 30, 2023
Capital grants:							
Bicycle Program Projects	\$ 2,967	4,987	(2,222)	—	5,732	5,336	396
Pedestrian Safety Program Projects	5,648	1,971	(357)	—	7,262	5,467	1,795
Traffic Calming Program Projects	15,794	4,184	(6,395)	—	13,583	11,956	1,627
Traffic Signal/Traffic Sign Projects	12,427	3,300	(1,237)	—	14,490	11,971	2,519
Transit Study & Street Improvement Projects	1,284	—	(269)	—	1,015	849	166
Transportation/Land Use Coordination	41	—	(36)	—	5	1	4
Transportation Demand/Parking Management	458	—	(134)	—	324	324	—
Total capital grants	<u>\$ 38,619</u>	<u>14,442</u>	<u>(10,650)</u>	<u>—</u>	<u>42,411</u>	<u>35,904</u>	<u>6,507</u>
Pass-through capital grants:							
Bicycle Program Projects	32	847	(190)	—	689	335	354
Taxi Vehicle Alternative Fuel Program	214	—	—	—	214	214	—
Traffic Calming Program Projects	4,966	2,000	(2,610)	—	4,356	3,508	848
Total pass-through capital grants	<u>\$ 5,212</u>	<u>2,847</u>	<u>(2,800)</u>	<u>—</u>	<u>5,259</u>	<u>4,057</u>	<u>1,202</u>
Operating grants:							
Bicycle Program Projects	2,005	310	(962)	—	1,353	1,018	335
Pedestrian Safety Program Projects	138	—	—	—	138	91	47
Traffic Calming Program Projects	2,254	280	(606)	—	1,928	483	1,445
Traffic Signal/Traffic Sign Projects	504	190	—	—	694	571	123
Transit Study & Street Improvement Projects	157	—	—	—	157	157	—
Transportation/Land Use Coordination	564	—	(368)	—	196	78	118
Transportation Demand/Parking Management	242	—	(242)	—	—	—	—
Total operating grants	<u>\$ 5,864</u>	<u>780</u>	<u>(2,178)</u>	<u>—</u>	<u>4,466</u>	<u>2,398</u>	<u>2,068</u>
Pass-through operating grants:							
Bicycle Program Projects	7	—	—	—	7	7	—
Total pass-through operating grants	<u>\$ 7</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7</u>	<u>7</u>	<u>—</u>

See accompanying independent auditor's report.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SUSTAINABLE STREETS
Supplemental Schedule of Grants – Others
Year ended June 30, 2023
(In thousands)

	Authorized grants as of July 1, 2022	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2023	Amounts not expended as of June 30, 2023	Grants receivable as of June 30, 2023
Capital grants:							
Electronic Bicycle Lockers	\$ 50	—	—	(50)	—	—	—
FY 2021 5th Street Improvement Project	415	—	(69)	—	346	151	195
TFCA Short Term Bike Parking	612	—	—	(612)	—	—	—
Total capital grants	\$ 1,077	—	(69)	(662)	346	151	195

See accompanying independent auditor's report.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
Schedule of Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA)
Year ended June 30, 2023
(In thousands)

Project title	Allocation	Beginning balance July 1, 2022	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2023
First Allocation Fiscal Year 2007-2008:	\$							
Third Street Light Rail Interest	—	133	—	—	9	(142)	—	—
Third Street/Metro East CP/Other Direct	1,383	288	—	(288)	—	—	—	—
LRV4 VCC Support	2,200	1,121	—	(1,121)	—	—	—	—
Elevator Safety & Reliability Project	117	4	—	—	—	—	(4)	—
New Central Subway	—	—	—	1,409	—	142	(1,551)	—
Subtotal PTSB01	3,700	1,546	—	—	9	—	(1,555)	—
Auto Passenger Count	1,200	—	—	—	—	—	—	—
New Central Subway	1,300	—	—	—	—	—	—	—
Subtotal PTSB02	2,500	—	—	—	—	—	—	—
Trolley Overhead Reconstruction	2,267	—	—	—	—	—	—	—
Mid-Life Rehabilitation of Neoplan Buses	733	—	—	—	—	—	—	—
Subtotal PTSB03	3,000	—	—	—	—	—	—	—
Operator-Restroom	27	—	—	—	—	—	—	—
Farebox Rehabilitation	19,590	—	—	—	—	—	—	—
Neoplan Life Cycle Rehabilitation	223	—	—	—	—	—	—	—
Vehicle Video Surveillance Replacement	80	—	—	—	—	—	—	—
14 Mission Customer First	80	—	—	—	—	—	—	—
Subtotal PTSB04	20,000	—	—	—	—	—	—	—
Historic Streetcar Shed	6,092	—	—	—	—	—	—	—
New Central Subway	1,200	—	—	—	—	—	—	—
14 Mission Customer First	208	—	—	—	—	—	—	—
Subtotal PTSB05	7,500	—	—	—	—	—	—	—
Subtotal Allocation	36,700	1,546	—	—	9	—	(1,555)	—
Second Allocation Fiscal Year 2007-2008:								
New Third Street Light Rail	8,052	—	—	—	—	—	—	—
FY10 TSGP Subway CCTV Surveillance System	822	—	—	—	—	—	—	—
Vehicle Video Surveillance Replacement	485	—	—	—	—	—	—	—
Capital Program Controls System Procurement	—	6	—	—	—	(6)	—	—
14 Mission Customer First	341	—	—	—	—	—	—	—
Green Center Rail Replacement	—	55	—	—	—	—	(55)	—
New Central Subway	—	—	—	—	—	6	(6)	—
Subtotal PTSB06	9,700	61	—	—	—	—	(61)	—

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
Schedule of Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA)
Year ended June 30, 2023
(In thousands)

Project title	Allocation	Beginning balance July 1, 2022	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2023
STA Prop 1B; FY0708; Operator Restrooms	\$ —	55	—	—	9	(64)	—	—
Operator-Restroom	2,164	—	—	—	—	—	—	—
Woods Lifts Heavy Maintenance Shop	10	—	—	—	—	—	—	—
Cable Car Safety and Reliability Improvement	422	313	—	(290)	—	—	(23)	—
Transportation Capital Infrastructure	200	200	—	(200)	—	—	—	—
Transportation Capital CPT995	1	1	—	(1)	—	—	—	—
Special Trackwork Replacement	168	168	—	(168)	—	—	—	—
New Central Subway	—	—	—	369	—	64	(433)	—
Van Ness Bus Rapid Transit	—	—	—	290	—	—	(290)	—
Subtotal PTSB07	2,965	737	—	—	9	—	(746)	—
STA Prop 1B; PTSB08 Interest Earnings	—	1	—	—	—	(1)	—	—
Wayside Fare Collection	1,000	—	—	—	—	—	—	—
New Central Subway	—	—	—	—	—	1	(1)	—
Subtotal PTSB08	1,000	1	—	—	—	—	(1)	—
Subtotal Allocation	13,665	799	—	—	9	—	(808)	—
First Allocation Fiscal Year 2008-2009:								
STA Prop 1B; FY0910; Central Subway	—	103	—	—	9	(112)	—	—
Operator-Restroom	19	—	—	—	—	—	—	—
New Central Subway	20,001	—	—	—	—	112	(112)	—
Wayside/Central Train Control System	3,345	759	—	—	—	—	(759)	—
Mid-Life Rehabilitation of Neoplan Buses	1,404	—	—	—	—	—	—	—
Subway CCTV Surveillance System	1,169	—	—	—	—	—	—	—
Vehicle Video Surveillance Replacement	689	39	—	—	—	—	(39)	—
14 Mission Customer First	882	3	—	—	—	—	(3)	—
Fall Protection Scaffolding	773	—	—	—	—	—	—	—
8X Customer First	562	—	—	—	—	—	—	—
Safer Market Street	649	—	—	—	—	—	—	—
Flynn Lift	20	—	—	—	—	—	—	—
L Taraval Early Implementation Project	455	—	—	—	—	—	—	—
Potrero Facility Vehicle Lifts	32	32	—	—	—	—	(32)	—
Subtotal PTSB11	30,000	936	—	—	9	—	(945)	—
Central Control and Communications Program	400	—	—	—	—	—	—	—
Subtotal PTSB12	400	—	—	—	—	—	—	—
STA Prop 1B; PTSB13 Interest Earnings	—	2	—	—	—	(2)	—	—
Central Control and Communications Program	1,300	—	—	—	—	—	—	—
New Central Subway	—	—	—	—	—	2	(2)	—
Subtotal PTSB13	1,300	2	—	—	—	—	(2)	—
STA Prop 1B; FY0809; Persia Triangle	—	8	—	—	—	(8)	—	—
Persia Triangle Improvements	127	49	—	(49)	—	—	—	—
New Central Subway	—	—	—	49	—	8	(57)	—
Subtotal PKSB01	127	57	—	—	—	—	(57)	—
Randolph/Farallones/Orizaba	81	—	—	—	—	—	—	—
Van Ness Corridor Improvements	4	4	—	(4)	—	—	—	—
New Central Subway	—	—	—	4	—	—	(4)	—
Subtotal PKSB02	85	4	—	—	—	—	(4)	—
Subtotal Allocation	31,912	999	—	—	9	—	(1,008)	—

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
Schedule of Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA)
Year ended June 30, 2023
(In thousands)

Project title	Allocation	Beginning balance July 1, 2022	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2023
Third Allocation Fiscal Year 2007-2008 and Second Allocation 2008-2009:								
LRV Safety Mods and Overhaul Project	\$	3,638	—	—	—	—	—	—
Subtotal PTSB14		3,638	—	—	—	—	—	—
New Central Subway		352	—	—	—	—	—	—
Subtotal PTSB15		352	—	—	—	—	—	—
STA Prop 1B; FY0910; High Speed Connectivity		—	—	—	—	—	—	—
Central Control and Communications Program		817	—	—	—	—	—	—
New Central Subway		—	—	—	—	—	—	—
Subtotal PTSB16		817	—	—	—	—	—	—
Subtotal Allocation		4,807	—	—	—	—	—	—
Third Allocation Fiscal Year 2008-2009:								
Islais Creek Facility Improvements		—	116	—	—	—	(116)	—
LRV Safety Mods and Overhaul Project		5,262	—	—	—	—	—	—
Capital Program Controls System Procurement		—	60	—	—	(60)	—	—
New Central Subway		—	—	—	—	60	(60)	—
Subtotal PTSB18		5,262	176	—	—	—	(176)	—
STA Prop 1B; PTSB19 Interest Earnings		—	2	—	—	(2)	—	—
LRV Collision Repairs		3,831	—	—	—	—	—	—
New Central Subway		—	—	—	—	2	(2)	—
Subtotal PTSB19		3,831	2	—	—	—	(2)	—
New Central Subway		719	—	—	—	—	—	—
Subtotal PTSB20		719	—	—	—	—	—	—
Subtotal Allocation		9,812	178	—	—	—	(178)	—
First Allocation Fiscal Year 2009-2010:								
STA Prop 1B; FY2009-2010 PTMISEA Funds		13	19	—	1	(20)	—	—
Hunters View Revitalize Transit Stop Connection		497	—	—	—	—	—	—
New Central Subway		20,216	—	—	—	121	(121)	—
LRV Collision Repairs		770	—	—	—	—	—	—
Mid-Life Rehabilitation of Neoplan Buses		700	—	—	—	—	—	—
Balboa Park Station Eastside Connection		864	85	(85)	—	—	—	—
Capital Program Controls System Procurement		—	101	—	—	(101)	—	—
New Central Subway		—	—	85	—	—	(85)	—
Subtotal PTSB22		23,060	205	—	1	—	(206)	—
Subtotal Allocation		23,060	205	—	1	—	(206)	—

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
Schedule of Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA)
Year ended June 30, 2023
(In thousands)

Project title	Allocation	Beginning balance July 1, 2022	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2023
Second Allocation Fiscal Year 2009-2010:								
New Central Subway	\$	16,045	—	—	—	53	(53)	—
Green Center Rail Replacement		—	147	—	—	—	(147)	—
Capital Program Controls System Procurement		—	53	—	—	(53)	—	—
Subtotal PTSB23		16,045	200	—	—	—	(200)	—
Randolph/Farallones/Orizaba		395	—	—	—	—	—	—
Subtotal PKSB03		395	—	—	—	—	—	—
Subtotal Allocation		16,440	200	—	—	—	(200)	—
Third Allocation Fiscal Year 2009-2010:								
STA Prop1B; Central Subway and Persia		—	12	—	—	(12)	—	—
Persia Triangle Improvements		676	88	—	—	—	(88)	—
New Central Subway		48,400	—	—	—	81	(81)	—
Central Subway Goodwill		—	55	—	—	(55)	—	—
Capital Program Controls System Procurement		—	14	—	—	(14)	—	—
Subtotal PTSB24		49,076	169	—	—	—	(169)	—
Subtotal Allocation		49,076	169	—	—	—	(169)	—
First Allocation Fiscal Year 2010-2011:								
STA Prop1B; PTSB26 Interest Earnings		—	22	—	6	(28)	—	—
Islais Creek Facility Improvement		—	156	—	—	—	(156)	—
Traffic Signal Battery Backup System		—	133	—	—	—	(107)	26
New Central Subway		117,681	—	—	—	28	(28)	—
Subtotal PTSB26		117,681	311	—	6	—	(291)	26
Subtotal Allocation		117,681	311	—	6	—	(291)	26
Second Allocation Fiscal Year 2010-2011:								
STA Prop1B; FY13 PTMISEA Mission Mobility		—	165	—	5	(170)	—	—
Islais Creek Facility Improvement		—	124	—	—	—	(124)	—
14 Mission Customer First		836	129	(129)	—	—	—	—
Muni Forward - West Portal/St Francis Circle		1,743	—	—	—	—	—	—
Cable Car Safety and Reliability Improvement		978	—	—	—	—	—	—
Muni Forward - Lower Haight Street (71)		1,500	43	(42)	—	—	(1)	—
New Central Subway		—	—	42	—	170	(212)	—
Van Ness Bus Rapid Transit		—	—	129	—	—	(129)	—
Subtotal PTSB27		5,057	461	—	5	—	(466)	—

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
Schedule of Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA)
Year ended June 30, 2023
(In thousands)

Project title	Allocation	Beginning balance July 1, 2022	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2023
STA Prop 1B; PTSB28 Interest Earnings	\$ —	152	—	—	24	(174)	6	8
Potrero Hill Ped Safety & Transit Improvement	216	63	—	(63)	—	—	—	—
Operator-Restroom	186	—	—	—	—	—	—	—
FY10 TSGP Subway CCTV Surveillance System	1,060	—	—	—	—	—	—	—
Balboa Park Station Area & Plaza Improvement	1,460	—	—	—	—	—	—	—
Mission Bay Transit Loop	448	—	—	—	—	—	—	—
8X Customer First	1,763	1,206	—	(1,086)	—	—	(120)	—
Transportation Capital Infrastructure	152	—	—	—	—	—	—	—
New Central Subway	—	—	—	63	—	174	(237)	—
Van Ness Bus Rapid Transit	—	—	—	1,086	—	—	(1,086)	—
Subtotal PTSB28	5,285	1,421	—	—	24	—	(1,437)	8
STA Prop1B; FY13 PTMISEA Mission Bay Loop	—	6	—	—	—	(6)	—	—
Mission Bay Transit Loop	1,382	69	—	—	—	—	(69)	—
New Central Subway	—	—	—	—	—	6	(6)	—
Subtotal PTSB29	1,382	75	—	—	—	—	(75)	—
Subtotal Allocation	11,724	1,957	—	—	29	—	(1,978)	8
First Allocation Fiscal Year 2013-2014:								
STA Prop1B; FY14 LRV Procurement	—	160	—	—	37	(340)	150	7
Van Ness Bus Rapid Transit	639	350	—	—	—	—	(350)	—
Mission Bay Transit Loop	2,197	—	—	—	—	—	—	—
Muni Forward	1,008	208	—	(208)	—	—	—	—
Elevator Safety & Reliability Project	2,200	1,062	—	(599)	—	—	(463)	—
Muni Metro Subway Station Enhancement	287	—	—	—	—	—	—	—
MS Arguello Traffic Signal	249	18	—	(16)	—	—	(2)	—
New Central Subway	—	—	—	703	—	340	(1,043)	—
MT L Taraval Track Rail & OH	—	—	—	32	—	—	(32)	—
MT14 Mission Customer 1ST CPT688	—	—	—	88	—	—	(88)	—
Subtotal PTSB31	6,580	1,798	—	—	37	—	(1,828)	7
STA Prop1B; FY14 Central Subway	—	1,698	—	—	17	(1,715)	—	—
Islais Creek Facility Improvements	—	194	—	—	—	—	(194)	—
New Central Subway	81,880	—	—	—	—	1,930	(1,930)	—
Transportation Capital CPT995	—	215	—	—	—	(215)	—	—
Subtotal PTSB33	81,880	2,107	—	—	17	—	(2,124)	—
Subtotal Allocation	88,460	3,905	—	—	54	—	(3,952)	7
First Allocation Fiscal Year 2015-2016:								
STA Prop 1B; PTSB36 Interest Earnings	—	14	—	—	—	(14)	—	—
Van Ness Bus Rapid Transit	5,550	—	—	—	—	—	—	—
New Central Subway	—	—	—	—	—	14	(14)	—
Subtotal PTSB36	5,550	14	—	—	—	—	(14)	—
Subtotal Allocation	5,550	14	—	—	—	—	(14)	—

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
Schedule of Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA)
Year ended June 30, 2023
(In thousands)

Project title	Allocation	Beginning balance July 1, 2022	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2023
First Allocation Fiscal Year 2016-2017:	\$							
Balboa Transit Project Improvements	—	—	—	—	—	—	—	—
Transportation Capital CPT995	—	—	—	—	—	—	—	—
Flynn Lifts	725	725	—	(725)	—	—	—	—
New Central Subway	—	—	—	458	—	—	(458)	—
Van Ness Bus Rapid Transit	—	—	—	267	—	—	(267)	—
Subtotal CTR25	725	725	—	—	—	—	(725)	—
Subtotal Allocation	725	725	—	—	—	—	(725)	—
Residual Allocation Fiscal Year 2008-2009 and 2009-2010:								
Central Subway	17	17	—	(17)	—	—	—	—
Flynn Lifts	753	753	—	(753)	—	—	—	—
New Central Subway	—	—	—	487	—	—	(487)	—
Mission Bay Transit Loop	—	—	—	273	—	—	(273)	—
8X Customer First	—	—	—	10	—	—	(10)	—
Subtotal CTR1055	770	770	—	—	—	—	(770)	—
Subtotal Allocation	770	770	—	—	—	—	(770)	—
Grant Total \$	410,382	11,778	—	—	117	—	(11,854)	41

See accompanying independent auditor's report.

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

The Honorable Mayor and Board of Supervisors, and
San Francisco Municipal Agency Board of Directors
City and County of San Francisco

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 San Francisco Municipal Transportation Agency (SFMTA), an enterprise fund of the City and County of San Francisco, California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SFMTA's basic financial statements, and have issued our report thereon dated December 22, 2023. As discussed in Note 1, the financial statements present only the SFMTA and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position, or where applicable, its cash flows in accordance with accounting principles generally accepted in the United States of America.

Our report includes a reference to other auditors who audited the financial statements of the City of San Francisco Japan Center Garage Corporation (Japan Center) and Portsmouth Plaza Parking Corporation (Portsmouth), as described in our report on SFMTA's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. The financial statements of Portsmouth were not audited in accordance with Government Auditing Standards.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SFMTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SFMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of SFMTA'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 entity's 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SFMTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Crowe LLP", is positioned above the printed name.

Crowe LLP

San Francisco, California
December 22, 2023