



SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Financial Statements and
Supplemental Schedules

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

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SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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KPMG LLP
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Independent Auditors' 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 Financial Statements

We have audited the accompanying financial statements of the San Francisco Municipal Transportation Agency (SFMTA), an enterprise fund of the City and County of San Francisco, California (the City), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the SFMTA's financial statements as listed in the tables of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the City of San Francisco Japan Center Garage Corporation and Portsmouth Plaza Parking Corporation, which represent 0.22% and 0.23%, respectively, of total assets, 0.04% and 0.05%, respectively, of net position as of June 30, 2021 and 2020, and 1.83% and 1.78%, respectively, of total revenues for the years 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 SFMTA, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Portsmouth Plaza Parking Corporation, were not audited in accordance with *Government Auditing Standards*.

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of SFMTA, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1, the financial statements of SFMTA are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the City that is attributable to the transactions of SFMTA. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4–15 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the SFMTA's financial statements. The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplemental schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental schedules are fairly stated, in all material respects, in relation to the 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 January 26, 2022 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.

KPMG LLP

San Francisco, California
January 26, 2022

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

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, 2021. We encourage readers to consider the information presented here in conjunction with the information contained in the financial statements.

The novel coronavirus (COVID-19) pandemic has had a significant impact on SFMTA's services and finances due to decreased transit service and reduced parking and traffic volumes. On March 16, 2020, the City and County of San Francisco, California (the City), enacted a shelter-in-place directive after which transit ridership declined almost 80%, as did driving and traffic. The SFMTA's revenues declined accordingly. To offset the financial hardship, the SFMTA received funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan Act (ARPA), all distributed by the Metropolitan Transportation Commission (MTC).

During the pandemic, the SFMTA acted swiftly to secure the health and safety of its workforce and riders. The transit system was redesigned to focus on a core network—a system that consolidated resources and directed them to key routes to deliver high frequencies and reliable service. The SFMTA supported its transit system by deploying 20 miles of temporary emergency transit-only lanes, which sped service and improved reliability. The Essential Trip Card was deployed to close gaps in mobility to those facing financial hardship, enrolling more than 8,000 participants in the program. To address funding shortfalls, the SFMTA halted all non-essential hiring and leveraged the City's Disaster Service Worker program to support key areas when demand outstripped agency resources. The SFMTA partnered with Golden Gate Transit and SamTrans to close service gaps and served early morning BART riders with a special shuttle.

Due to the pandemic's impact on its financials, and despite the unprecedented funding from the federal government, in January 2021 the SFMTA faced potential layoffs of 20% of its workforce. Because of the federal stimulus, the SFMTA now has a path to continue on solid footing even if the restoration of its core funding continues to lag. The funds that come to the SFMTA are used for the direct provision of transit service and will reach a disproportionate number of people of color and people from low-income backgrounds. It will reach those who have borne the brunt of this pandemic and its aftereffects.

The CARES Act was signed into law in response to the nationwide COVID-19 pandemic, which provides supplemental appropriations for Emergency Transit Operations Assistance through the Federal Transit Administration (FTA) Section 5307 Urbanized Area formula program. The SFMTA received \$373.8 million in CARES funding distributed in two allocations. The first allocation was \$197.2 million appropriated in fiscal year 2020 and the second allocation was \$176.6 million appropriated in fiscal year 2021.

On December 27, 2020, CRRSAA was signed into law, providing additional supplemental appropriations for emergency transit operations in response to the global COVID-19 pandemic. These supplemental appropriations were similarly provided via existing FTA Section 5307 formula program. SFMTA was awarded \$340.9 million in CRRSAA funding in fiscal year 2021.

The results of revenues, expenses, and changes in net position for fiscal year 2021 are not comparable to prior years given the extraordinary events.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

Financial Highlights

- The SFMTA's assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$4,570 million and \$4,264 million as of fiscal years ended June 30, 2021 and 2020, respectively.
- In fiscal years 2021 and 2020, the SFMTA received COVID-19 pandemic federal relief from FTA of \$450.2 million and \$197.2 million, respectively, which were used for transit services. These amounts represented the operating gap due to the impact of the COVID-19 pandemic.
- The SFMTA's total net position increased by \$306 million in 2021 and increased by \$214.7 million in 2020 over the prior fiscal year.
- Total net investment in capital assets was \$4,966.8 million and \$4,735.2 million at June 30, 2021 and 2020, respectively, an increase of 4.9% and 6.7% over the balance of \$4,735.2 million and \$4,438.7 million at June 30, 2020 and 2019, respectively.

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 an integral part of the City, and these 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) (found on pages 21 and 22).

The statements of net position (found on pages 16 and 17) present 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 statements of financial position. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the SFMTA. The information of the SFMTA's financial position is presented as of June 30, 2021 and 2020.

The statements of revenues, expenses, and changes in net position (found on page 18) present information showing how the SFMTA's net position changed during the fiscal years ended June 30, 2021 and 2020. 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 these statements for some items that will result in cash flows in future fiscal periods.

The statements of cash flows (found on pages 19 and 20) present information about the cash receipts and payments of the SFMTA during the fiscal years ended June 30, 2021 and 2020. These statements show the effects 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 statements 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.

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.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

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 21 through 67 of this report.

Other Information

The supplemental schedules found on pages 68 through 87 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 \$4,570 million at the close of the most recent fiscal year.

Condensed Summary of Net Position

June 30, 2021, 2020, and 2019

(In thousands)

	2021	2020	2019
Assets:			
Total current assets	\$ 996,570	1,061,760	1,053,983
Total restricted assets	310,435	138,163	191,905
Capital assets, net	5,456,099	5,101,798	4,814,772
Total assets	\$ 6,763,104	6,301,721	6,060,660
Deferred outflows of resources	\$ 333,903	304,903	248,179
Liabilities:			
Total current liabilities	\$ 305,244	310,517	308,259
Total noncurrent liabilities	2,104,955	1,851,351	1,776,173
Total liabilities	\$ 2,410,199	2,161,868	2,084,432
Deferred inflows of resources	\$ 116,789	180,749	175,105
Net position:			
Net investment in capital assets	\$ 4,966,793	4,735,223	4,438,717
Restricted	307,110	133,197	182,232
Unrestricted	(703,884)	(604,413)	(571,647)
Total net position	\$ 4,570,019	4,264,007	4,049,302

Fiscal Year 2021

During fiscal year 2021, the net position increased by \$306 million or 7.2% compared to the prior year. The SFMTA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,570 million and \$4,264 million as of June 30, 2021 and 2020, respectively.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

Current assets decreased by \$65.2 million or 6.1%. This decrease includes receivables of \$41 million, deposits and investments of \$20.2 million, inventories of \$3.9 million, and prepaid assets of \$0.1 million. The decrease was attributable to reduced capital project billings to grantors and general fund subsidy, and significant decrease in revenue collections caused by the COVID-19 pandemic.

The restricted assets increased by \$172.3 million or 124.7%, attributable to increases of \$116.3 million in capital funding from revenue bonds, \$101.7 million in capital project support from the City's general obligation bonds, \$1.9 million in Traffic Congestion Mitigation Tax fund, \$0.3 million in revenue collections on behalf of other agencies, offset by decreases of \$35.5 million in collections levied from Transit Sustainability Fees, \$11.2 million in funds held by the trustee, and \$1.2 million in nonprofit garage capital improvement account.

The capital assets increased by \$354.3 million or 6.9%, mainly from Central Subway Project construction in progress of \$290.6 million and Muni Forward program of \$61 million. The remaining \$2.7 million was mainly from the procurement of new revenue vehicles.

Total noncurrent liabilities increased by \$253.6 million or 13.7%. The increase was due to net pension liability of \$137.4 million primarily due to the investment losses and experience losses on the total pension liability, debt payable of \$129.6 million mainly due to the issuance of new revenue bonds offset with refunding of old bonds, estimated claims of \$16.5 million, and vacation and sick leave pay of \$8.2 million. The increase was offset by reduction in other postemployment benefits liability of \$34.7 million and workers' compensation of \$3.4 million.

The largest portion of the \$4,570 million SFMTA's net position as of June 30, 2021 reflects its \$4,966.8 million net investment in capital assets (specifically land, building structure and improvements, equipment, infrastructure, intangibles, and construction in progress). The value of these capital assets of \$7,662.8 million was offset by accumulated depreciation of \$2,206.7 million and related debt of \$489.3 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.

Fiscal Year 2020

During fiscal year 2020, the net position increased by \$214.7 million or 5.3% compared to the prior year. The SFMTA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,264 million and \$4,049.3 million as of June 30, 2020 and 2019, respectively.

Current assets increased by \$7.8 million or 0.7%. This increase was in deposits and investments of \$29.7 million, inventories of \$8.3 million, and prepaid assets of \$0.3 million, offset by a decrease in receivables of \$30.5 million. The increase was mainly due to the CARES Act allocation received from FTA despite significant reduction in revenue collections.

The restricted assets decreased by \$53.7 million or 28%, attributable to decreases of \$50.5 million in capital project support from the City's general obligation bonds, \$10.5 million in capital funding from revenue bonds, \$0.6 million in revenue collections on behalf of other agencies, \$0.5 million in nonprofit garage capital improvement account, and \$0.3 million in funds held by trustee, offset by an increase of \$8.7 million in collections levied from Transit Sustainability Fees.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

The capital assets increased by \$287 million or 6%, mainly from Central Subway Project construction in progress of \$184 million and for the procurement of new revenue vehicles of \$100 million. The remaining \$3 million was mainly from Muni Forward program and facility upgrades.

Total noncurrent liabilities increased by \$75.2 million or 4.2%. The increase was due to other postemployment benefits liability of \$54.9 million, net pension liability of \$11.3 million primarily due to the projected returns exceeding actual investment returns on pension plan assets, estimated claims of \$8.8 million, workers' compensation of \$4.7 million, and vacation and sick leave pay of \$3.5 million. The increase was offset by debt payable reduction of \$8 million.

The largest portion of the \$4,264 million SFMTA's net position as of June 30, 2020 reflects its \$4,735.2 million net investment in capital assets (specifically land, building structure and improvements, equipment, infrastructure, intangibles, and construction in progress). The value of these capital assets of \$7,148.6 million was offset by accumulated depreciation of \$2,046.8 million and related debt of \$366.6 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.

Condensed Summary of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2021, 2020, and 2019

(In thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues:			
Total operating revenues	\$ 207,288	390,673	506,613
Total nonoperating revenues, net	608,678	403,149	247,453
Total capital contributions	<u>210,459</u>	<u>355,527</u>	<u>532,927</u>
Total revenues	1,026,425	1,149,349	1,286,993
Net transfers	<u>596,660</u>	<u>495,962</u>	<u>539,371</u>
Total revenues and net transfers	1,623,085	1,645,311	1,826,364
Expenses:			
Total operating expenses	<u>1,317,073</u>	<u>1,430,606</u>	<u>1,298,715</u>
Change in net position	306,012	214,705	527,649
Total net position – beginning	<u>4,264,007</u>	<u>4,049,302</u>	<u>3,521,653</u>
Total net position – ending	<u>\$ 4,570,019</u>	<u>4,264,007</u>	<u>4,049,302</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

Fiscal Year 2021

Total revenue and net transfers for the year ended June 30, 2021 were \$1,623.1 million, a decrease of \$22.2 million or 1.4% compared to the prior fiscal year. This was due to decreases in operating revenues and capital contributions, offset by increases in nonoperating revenues and net transfers.

Operating revenue decreased by \$183.4 million or 46.9% compared to the prior year. This was due to decreases in passenger fares revenue by \$135.2 million or 88.4%, parking fees of \$20.9 million or 22.7%, advertising revenue by \$14.8 million or 69%, charges for services by \$10 million or 36.3%, and penalties of \$8.3 million or 11.2%, other revenues by \$1.9 million or 151.7%, and rental income by \$1.1 million or 16.2%. These decreases were offset by increase in permits revenue by \$8.8 million or 59.8%. The decrease in passenger fares was mainly due to significant decline in ridership caused by severe impacts of the COVID-19 pandemic. Parking revenues were heavily impacted by the quarantine and shelter-in-place orders causing a major decrease in collections as a result of the decline in parking activities.

The nonoperating revenue includes operating support received from other sources, primarily federal and state operating grants, development fees, and interest income. Nonoperating revenue increased by \$205.5 million or 51%, mainly from federal grants and development fees, offset by decreases in state and other operating grants, interest and investment income, and increases in interest expense and loss on disposal of assets.

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 a decrease in capital expenditures incurred and billable to the grantors in fiscal year 2021 compared to the prior year, mostly related to spending related to 60-foot trolley vehicles procurement, Van Ness Bus Rapid Transit, New Central Subway, and other miscellaneous projects. This resulted in the decrease in capital contributions by \$145.1 million or 40.8% when compared to fiscal year 2020.

Net transfers increased by \$100.7 million or 20.3% in fiscal year 2021 due to \$134.7 million in capital project support from the City's general obligation bonds and \$5.6 million from proceeds of the Traffic Congestion Mitigation Tax. This increase was offset by decreases of \$31.3 million in transfers from the City's General Fund for revenue baseline subsidy, in lieu of parking tax and population-based allocation, and \$5.7 million in transfers from Hetch Hetchy Water and Power for SFMTA's share on the sale of Low Carbon Fuel Standard credits, and \$2.6 million in transfers from other City departments.

Total operating expenses for the year ended June 30, 2021 were \$1,317.1 million, a decrease of \$113.5 million or 7.9% compared to the prior year. The resulting net decrease comprises trend changes from various expense categories. Personnel services decreased by \$37.1 million or 4.2%, attributable to significant reduction in overtime costs and lower workers' compensation and other postemployment benefits (OPEB) obligations based on actuarial reports. Other operating expenses decreased by \$31 million or 1,201% with the reduction in paratransit costs and less noncapitalizable expenditures than the prior year. General and administrative costs net decrease was \$26.3 million or 46.7% mainly due to a decrease in claim liability per actuarial study. Decrease in contractual services by \$20.5 million or 13.7% was attributable to decreases in payments for garage operators and tow service contracts, and facilities and equipment maintenance services. Depreciation expense decreased by \$3.9 million or 1.9% compared to the prior year. The offsetting increases were in materials and supplies by \$5.1 million or 7.3% primarily from vehicle parts and services from other City departments by \$0.2 million or 0.3% mainly from increases in legal and risk management services.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

Fiscal Year 2020

Total revenue and net transfers for the year ended June 30, 2020 were \$1,645.3 million, a decrease of \$181.1 million or 9.9% compared to the prior fiscal year. This was due to decreases in operating revenues, capital contributions, and net transfers, offset by increases in nonoperating revenues primarily from the CARES Act allocation.

Operating revenue decreased by \$115.9 million or 22.9% compared to the prior year. This was due to decreases in passenger fares revenue by \$42.8 million or 21.9%, parking fees of \$31.4 million or 25.4%, and penalties of \$24.7 million or 25%, charges for services by \$6.3 million or 18.6%, permits revenue by \$4.7 million or 24.2%, advertising revenue by \$4.1 million or 16.1%, rental income by \$1.8 million or 21.2%, and other revenues by \$0.1 million or 10.8%. The decrease in passenger fares was mainly due to significant decline in ridership caused by severe impacts of the COVID-19 pandemic. Parking revenues were heavily impacted by the quarantine and shelter-in-place orders causing a major decrease in collections as a result of the decline in parking activities.

The nonoperating revenue includes operating support received from other sources, primarily federal and state operating grants, development fees, and interest income. Nonoperating revenue increased by \$155.7 million or 62.9%, mainly from federal grants, offset by decreases in state and other operating grants, interest and investment income, and loss on disposal of assets an increase in interest expense.

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 a decrease in capital expenditures incurred and billable to the grantors in fiscal year 2020 compared to the prior year, mostly related to spending related to trolley vehicles, new light rail procurement, and other miscellaneous projects. This resulted in the decrease in capital contributions by \$177.4 million or 33.3% when compared to fiscal year 2019.

Net transfers decreased by \$43.4 million or 8% in fiscal year 2020 due to decreases of \$53.5 million in transfers from the City's General Fund for revenue baseline subsidy, in lieu of parking tax and population-based allocation. This decrease was offset by increases of \$6.9 million in transfers from Hetch Hetchy Water and Power for SFMTA's share on the sale of Low Carbon Fuel Standard credits and \$3.2 million in transfers from other City departments.

Total operating expenses for the year ended June 30, 2020 were \$1,430.6 million, an increase of \$131.9 million or 10.2% compared to the prior year. The resulting net increase comprises trend changes from various expense categories. Personnel services increased by \$73.3 million or 9.1%, attributable mainly to increases in cost-of-living adjustments and retirement costs. General and administrative costs net increase was \$30.7 million or 119.2% mainly due to an increase in claim liability per actuarial study. Other operating expenses increased by \$17 million or 86.8% due to higher noncapitalizable expenditures compared to the prior year. Depreciation expense increased by \$15.7 million or 8.3% with more assets capitalized. Services from other City departments increased by \$2.4 million or 3.3% mainly from increases in technology infrastructure and police security services. The increase in contractual services by \$1.1 million or 0.7% was attributable to increases in facilities and equipment maintenance services and property leases. The offsetting decrease was in materials and supplies by \$8.3 million or 10.7%.

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Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

The tables below illustrate the SFMTA's operating revenue by source and expenses by category for fiscal years 2021, 2020, and 2019 as follows:

Operating Revenues Comparative

Years ended June 30, 2021, 2020, and 2019

(In thousands)

	2021	2020	2019
Passenger fares	\$ 17,680	152,924	195,736
Parking and transportation	71,257	92,174	123,626
Fines, forfeitures, and penalties	65,790	74,095	98,774
Charges for services	17,544	27,557	33,843
Licenses, permits, and franchises	23,503	14,707	19,394
Advertising	6,637	21,414	25,525
Rents and concessions	5,511	6,575	8,339
Other	(634)	1,227	1,376
Total operating revenues	\$ 207,288	390,673	506,613

Operating Expenses Comparative

Years ended June 30, 2021, 2020, and 2019

(In thousands)

	2021	2020	2019
Personnel services	\$ 839,491	876,580	803,222
Contractual services	128,803	149,305	148,201
Materials and supplies	74,643	69,554	77,895
Depreciation and amortization	201,186	205,112	189,436
Services from other City departments	76,524	76,259	73,810
General and administrative	30,069	56,382	25,717
Other operating expenses	(33,643)	(2,586)	(19,566)
Total operating expenses	\$ 1,317,073	1,430,606	1,298,715

Capital Assets and Debt Administration

Capital Assets

The SFMTA's investment in capital assets amounts to \$5,456.1 million net of accumulated depreciation as of June 30, 2021. This investment includes land and land improvements, building structures and improvements, equipment, infrastructure, intangibles, and construction in progress. The increase in capital assets was \$354.3 million or 6.9% compared to the previous year. This increase was attributed to continued construction for the New Central Subway Project, Muni Forward program, acquisition of new revenue vehicles, facilities upgrades, street improvements, and rail replacement.

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June 30, 2021 and 2020

The SFMTA's investment in capital assets amounts to \$5,101.8 million net of accumulated depreciation as of June 30, 2020. This investment includes land and land improvements, building structures and improvements, equipment, infrastructure, intangibles, and construction in progress. The increase in capital assets was \$287 million or 6% compared to the previous year. This increase was attributed to continued construction for the New Central Subway Project, Muni Forward program, acquisition of new revenue vehicles, facilities upgrades, street improvements, and traffic signal upgrades.

Summary of Capital Assets (In thousands)

	<u>Balance, June 30, 2021</u>	<u>Balance, June 30, 2020</u>	<u>Balance, June 30, 2019</u>
Capital assets not being depreciated:			
Land	\$ 52,199	52,199	52,239
Construction in progress	<u>2,534,906</u>	<u>2,215,094</u>	<u>1,995,760</u>
Total capital assets not being depreciated	<u>2,587,105</u>	<u>2,267,293</u>	<u>2,047,999</u>
Capital assets being depreciated:			
Building structures and improvements	913,769	909,049	868,073
Equipment	2,350,277	2,345,025	2,310,025
Infrastructure	<u>1,811,605</u>	<u>1,627,354</u>	<u>1,539,113</u>
Total capital assets being depreciated	<u>5,075,651</u>	<u>4,881,428</u>	<u>4,717,211</u>
Less accumulated depreciation for:			
Building structures and improvements	371,396	347,033	323,423
Equipment	1,056,261	963,054	928,992
Infrastructure	<u>779,000</u>	<u>736,836</u>	<u>698,023</u>
Total accumulated depreciation	<u>2,206,657</u>	<u>2,046,923</u>	<u>1,950,438</u>
Total capital assets being depreciated, net	<u>2,868,994</u>	<u>2,834,505</u>	<u>2,766,773</u>
Total capital assets, net	<u>\$ 5,456,099</u>	<u>5,101,798</u>	<u>4,814,772</u>

Construction in progress is made up of various transportation projects. The five projects that have the highest balances on June 30, 2021 are the Central Subway, Muni Forward, light rail vehicle procurement, street improvements and facility upgrades.

Central Subway Project will link the existing 5.4-mile Phase I T line, beginning at 4th and King Street, to BART, Muni Metro along Market Street, Union Square, and Chinatown to the north. Construction continues to progress in 2021 toward substantial completion. At Chinatown Station, construction of finishes including elevators, escalators, floor and equipment, and the above-ground plaza area continues. All stations are completing installation of the system elements and continuing testing of the various completed systems. All street works

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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have been completed except for some areas within Chinatown Station. At Union Square and Yerba Buena Moscone Stations, construction of public art and pavement renovation have been completed. At 4th and King Street, the track has been connected between the existing T Line to the Central Subway, which is a milestone for the project. Currently, all stations have initiated train testing for the individual systems including train control, dynamic envelope, catenary (OCS), traction power, and other subsystems.

Significant capital asset additions during fiscal year 2021 included:

Construction in progress – A majority of the \$592.4 million costs incurred were for the New Central Subway Project, Muni Forward program, facility upgrades, and light rail vehicle procurement.

Facilities and improvements – The total of \$4.7 million was incurred in fiscal year 2021 for facility upgrades, Islais Creek annex renovation projects, and Muni Forward program.

Equipment – The cost of \$48.4 million was incurred during the fiscal year mainly for light rail vehicles procurement, facility upgrades, Central Control System upgrades, and streetcar renovation.

Infrastructure – The total of \$184.3 million was incurred during the fiscal year mainly for rail replacement, Muni Forward program, street improvements, and traffic signals.

Significant capital asset additions during fiscal year 2020 included:

Construction in progress – A majority of the \$545.5 million costs incurred were for the New Central Subway Project, Muni Forward program, facility upgrades, and trolley bus procurement.

Facilities and improvements – The total of \$41.8 million was incurred in fiscal year 2020 for Muni Forward program, Islais Creek annex renovation projects, and facility upgrades for a total of \$38.4 million. The remaining \$3.4 million was for a building transferred from the Animal Care and Control department.

Equipment – The cost of \$145 million was incurred during the fiscal year mainly for procurement of trolley buses, light rail vehicles, and hybrid motor buses, rail replacement, and streetcar renovation.

Infrastructure – The total of \$88.2 million was incurred during the fiscal year for facility upgrades, traffic signals, street improvements, and Muni Forward program.

Debt Administration

At June 30, 2021 and 2020, the SFMTA's bond debt obligations outstanding totaled \$473.7 million and \$349.5 million, respectively. The following table summarizes the balances in debt between fiscal years 2021, 2020, and 2019 (in thousands):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Bonds payable	\$ 473,729	349,461	362,106

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

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Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

The SFMTA's total bond-related debt increased by \$124.3 million or 35.6% as of June 30, 2021. The increase was primarily due to the issuance of new revenue bonds. During the fiscal year, the SFMTA issued a total of \$279.2 million, \$174.9 million of which were used to refund the outstanding balance of Series 2012A, 2012B, 2013, and 2014 for economic savings and \$104.3 million to finance a portion of the costs of various capital projects, including a deposit to capitalized interest fund and payment for the cost of issuance. The SFMTA carried underlying debt ratings of AA- from Standard & Poor's Global Ratings (S&P) and Aa2 from Moody's Investors Service (Moody's) as of June 30, 2021.

The SFMTA's total bond-related debt decreased by \$12.6 million or 3.5% as of June 30, 2020. The decrease represents principal payments and amortization of issuance premium in fiscal year 2020. During the fiscal year, SFMTA carried underlying debt ratings of AA from S&P and Aa2 from Moody's as of June 30, 2020.

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

FY2021 and FY2022 Budget

The SFMTA's adopted two-year operating budget supports its strategic plan goals and transit-first policy principles. The approved operating budget for FY2021 totals \$1,258.7 million or 1.2% lower than the FY2020 Adopted Budget of \$1,274.4 million. The approved operating budget for FY2022 is \$1,305.1 million or 3.7% higher than the FY2021 budget. The budget also includes \$287.3 million in FY2021 and \$82.4 million in FY2022 for capital expenditures. The combined total appropriation for operating and capital expenditures and reserves is \$1,546 million in FY2021 and \$1,387.5 million in FY2022.

During fiscal year 2021, the City continued to make sizable investments to upgrade its aging transit and transportation infrastructure to improve public transit service and enhance mobility for residents, businesses, and visitors. The \$500 million general obligation bond, approved by voters in November 2014, completed its final issuance with an array of projects that will improve transit reliability, enhance bicycle and pedestrian safety, and address deferred maintenance needs.

The City is in the final stages of constructing the Central Subway, which will open for revenue service in 2022. When completed, the \$1.891 billion rail project will extend subway service in the City for the first time in decades, better connecting Chinatown, the Financial District, and the City's convention center with the existing above-ground light rail line along Third Street. In addition, the Van Ness Corridor project is also in construction with completion planned in 2022 as well as major track and street infrastructure improvements to the L-Taraval line.

The City's transit vehicle fleet is among the newest and greenest in the country. The SFMTA has been one of the foremost national leaders in pursuing sustainable, reduced, and zero emissions revenue transit vehicles. The SFMTA has already made significant strides toward a zero-emission future, accounting for less than 0.01% of overall Citywide emissions. The SFMTA has procured 68 new electric light rail vehicles and plans to procure another 151 new vehicles. Motor coach procurements are replacing the oldest vehicles in the transit fleet, including 30 diesel hybrid motor coaches. In 2020, the SFMTA placed orders for three 40-foot battery electric buses each from three vendors to determine the current state of battery electric bus technology and its suitability for San Francisco.

Preliminary planning is underway for new transportation revenue sources in the coming fiscal years to fund investments in deferred infrastructure maintenance and replacement, enhanced street safety improvements, and transit infrastructure that improves the overall reliability of the Muni transit system.

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Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

The SFMTA is uniquely reliant on downtown San Francisco office workers for the generation of its three primary revenue sources: transit fares, parking fees/fines, and the City's General Fund. The slow return of office workers to downtown San Francisco will continue to depress ridership, parking revenues, and the tax base underpinning the General Fund allotment, likely beyond the end of FY22.

Despite the current situation, the SFMTA is planning to restore Muni service to 85% of pre-pandemic levels while evaluating the pace of the recovery in San Francisco. This also allows the agency to work on filling critical positions and hire the staff to not only plan for additional service but deliver that service well.

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 Officer, SFMTA, One South Van Ness Avenue, 8th 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

Statements of Net Position

June 30, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets:		
Cash and investments with City Treasury	\$ 710,303	731,318
Cash and investments held outside City Treasury	4,018	3,377
Cash on hand	204	5
Receivables:		
Grants	140,190	189,703
Due from the San Francisco County Transportation Authority	45,111	37,178
Charges for services (net of allowance for doubtful accounts of \$105 in 2021 and \$165 in 2020)	3,176	6,643
Interest and other	<u>10,198</u>	<u>6,160</u>
Total receivables	198,675	239,684
Inventories	82,528	86,460
Current prepaids and other assets	<u>842</u>	<u>916</u>
Total current assets	<u>996,570</u>	<u>1,061,760</u>
Restricted assets:		
Cash and investments with City Treasury	301,733	117,017
Cash and investments held outside City Treasury	8,484	20,831
Other receivables	<u>218</u>	<u>315</u>
Total restricted assets	310,435	138,163
Noncurrent assets:		
Capital assets, net	<u>5,456,099</u>	<u>5,101,798</u>
Total noncurrent assets	<u>5,766,534</u>	<u>5,239,961</u>
Total assets	<u>6,763,104</u>	<u>6,301,721</u>
Deferred outflows of resources:		
Unamortized loss on refunding of debt	919	—
Related to pensions	217,220	219,043
Related to other postemployment benefits	<u>115,764</u>	<u>85,860</u>
Total deferred outflows of resources	\$ <u>333,903</u>	<u>304,903</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Net Position

June 30, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>
Liabilities:		
Current liabilities:		
Due to other funds	\$ 125	437
Accounts payable and accrued expenses	62,453	76,674
Accrued payroll	40,065	34,893
Accrued vacation and sick leave	29,411	25,908
Accrued workers' compensation	25,232	25,393
Accrued claims	62,740	64,052
Grants received in advance	66,658	57,101
Unearned revenue and other liabilities	6,648	6,888
Payable from restricted assets	3,325	4,966
Accrued interest payable	4,749	4,790
Bonds, loans, capital leases, and other payables	3,838	9,415
Total current liabilities	<u>305,244</u>	<u>310,517</u>
Noncurrent liabilities:		
Accrued vacation and sick leave, net of current portion	26,777	18,581
Accrued workers' compensation, net of current portion	113,789	117,189
Accrued claims, net of current portion	66,854	50,323
Other postemployment benefits obligation	657,902	692,620
Net pension liability	757,882	620,468
Bonds, loans, capital leases, and other payables, net of current portion	481,751	352,170
Total noncurrent liabilities	<u>2,104,955</u>	<u>1,851,351</u>
Total liabilities	<u>2,410,199</u>	<u>2,161,868</u>
Deferred inflows of resources:		
Unamortized gain on refunding of debt	—	200
Related to pensions	21,868	129,910
Related to other postemployment benefits	94,921	50,639
Total deferred inflows of resources	<u>116,789</u>	<u>180,749</u>
Net position:		
Net investment in capital assets	4,966,793	4,735,223
Restricted:		
Debt service	7,889	19,007
Other purposes	299,221	114,190
Unrestricted	(703,884)	(604,413)
Total net position	<u>\$ 4,570,019</u>	<u>4,264,007</u>

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Passenger fares	\$ 17,680	152,924
Parking and transportation	71,257	92,174
Fines, forfeitures, and penalties	65,790	74,095
Charges for services	17,544	27,557
Licenses, permits, and franchises	23,503	14,707
Advertising	6,637	21,414
Rents and concessions	5,511	6,575
Other	(634)	1,227
Total operating revenues	<u>207,288</u>	<u>390,673</u>
Operating expenses:		
Personnel services	839,491	876,580
Contractual services	128,803	149,305
Materials and supplies	74,643	69,554
Depreciation and amortization	201,186	205,112
Services from other City departments	76,524	76,259
General and administrative	30,069	56,382
Other operating expenses	(33,643)	(2,586)
Total operating expenses	<u>1,317,073</u>	<u>1,430,606</u>
Operating loss	<u>(1,109,785)</u>	<u>(1,039,933)</u>
Nonoperating revenues (expenses):		
Operating assistance:		
Federal	455,724	210,705
State and other grants	139,913	165,179
Interest and investment income (loss)	(268)	19,110
Interest expense	(10,345)	(7,811)
Other, net	23,654	15,966
Total nonoperating revenues, net	<u>608,678</u>	<u>403,149</u>
Loss before capital contributions and transfers	<u>(501,107)</u>	<u>(636,784)</u>
Capital contributions:		
Federal	119,466	255,179
State and others	90,993	100,348
Total capital contributions	<u>210,459</u>	<u>355,527</u>
Transfers in:		
City and County of San Francisco – General Fund	442,665	473,968
San Francisco County Transportation Authority	8,066	9,507
City and County of San Francisco – Other City departments	145,929	12,875
Total transfers in	<u>596,660</u>	<u>496,350</u>
Transfers out:		
City and County of San Francisco – Other City departments	—	(388)
Net transfers	<u>596,660</u>	<u>495,962</u>
Change in net position	306,012	214,705
Net position at beginning of year	<u>4,264,007</u>	<u>4,049,302</u>
Total net position, end of year	<u>\$ 4,570,019</u>	<u>4,264,007</u>

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

	2021	2020
Cash flows from operating activities:		
Cash received from passengers and service contracts	\$ 190,055	371,130
Cash received from fines, forfeitures, and penalties	65,368	74,849
Cash received from tenants for rent	4,173	6,550
Cash paid to employees for services	(815,468)	(847,737)
Cash paid to suppliers for goods and services	(311,332)	(387,100)
Cash paid for judgments and claims	(3,127)	(4,247)
Net cash used in operating activities	<u>(870,331)</u>	<u>(786,555)</u>
Cash flows from noncapital financing activities:		
Operating grants	575,239	354,745
Net transfers	596,660	495,962
Other noncapital increases (decreases)	19,655	(1,264)
Net cash provided by noncapital financing activities	<u>1,191,554</u>	<u>849,443</u>
Cash flows from capital and related financing activities:		
Capital grants	282,390	402,010
Proceeds from sale of capital assets	268	399
Acquisition of capital assets	(570,443)	(500,765)
Other capital financing increases	4,458	6,620
Bond sale proceeds and loans received	299,040	3,818
Retirement of capital leases, bonds, and loans	(173,969)	(10,996)
Bond and loan issue costs paid	(1,504)	—
Interest paid on long-term debt	(10,723)	(10,113)
Net cash used in capital and related financing activities	<u>(170,483)</u>	<u>(109,027)</u>
Cash flows from investing activities:		
Interest income received	1,454	22,760
Net cash provided by investing activities	<u>1,454</u>	<u>22,760</u>
Net increase (decrease) in cash and cash equivalents	152,194	(23,379)
Cash and cash equivalents – beginning of year	<u>872,548</u>	<u>895,927</u>
Cash and cash equivalents – end of year	\$ <u><u>1,024,742</u></u>	<u><u>872,548</u></u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,109,785)	(1,039,933)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	201,186	205,112
Provision for doubtful accounts	(60)	14
Changes in operating assets and liabilities:		
Receivables	(2,603)	79
Inventories	3,932	(8,246)
Prepaid and others	7	(302)
Accounts payable and accrued expenses	(1,781)	(6,080)
Accrued payroll	5,034	2,743
Accrued vacation and sick leave	11,700	5,639
Accrued workers' compensation	(3,561)	5,380
Accrued claims	15,219	36,016
Other postemployment benefits obligation	(20,340)	16,145
Net pension liability	31,195	(957)
Due to other funds	(312)	37
Unearned revenues and other liabilities	(162)	(2,202)
Net cash used in operating activities	\$ <u>(870,331)</u>	<u>(786,555)</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and investments with City Treasury:		
Unrestricted	\$ 710,303	731,318
Restricted	301,733	117,017
Cash and investments held outside City Treasury:		
Unrestricted	4,018	3,377
Restricted	<u>8,484</u>	<u>20,831</u>
Total deposits and investments	1,024,538	872,543
Cash on hand	<u>204</u>	<u>5</u>
Total cash and investments, end of year	\$ <u><u>1,024,742</u></u>	<u><u>872,548</u></u>

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2021 and 2020

(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's 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 County of San Francisco (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 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, which then assumed responsibility for taxi regulation to advance industry reforms.

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 activities of these nonprofit garages are accounted for in the parking garages account. 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.

(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

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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 employment and labor costs, materials, services, depreciation 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 2021

(i) GASB Statement No. 84

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The new standard is effective for periods beginning after December 15, 2019. The SFMTA adopted the provisions of this statement, which did not have significant impact on its financial statements.

(ii) GASB Statement No. 90

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interest—an amendment of GASB Statements No. 14 and No. 61*. GASB Statement No. 90 establishes standards for reporting a government's majority equity interest in a legally separate organization. The new standard is effective for periods beginning after December 15, 2019. The SFMTA adopted the provisions of this statement, which did not have significant impact on its financial statements.

(iii) GASB Statement No. 97

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. GASB Statement No. 97 clarifies the criteria used in determining whether a fiduciary component unit exists and clarifies financial reporting for Internal Revenue Code section 457 deferred compensation plans. The new standard is effective for periods beginning after June 15, 2021. The SFMTA adopted the provisions of this statement, which did not have significant impact on its financial statements.

(iv) GASB Statement No. 98

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. GASB Statement No. 98 updates existing accounting standards by changing the name of

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the Comprehensive Annual Financial Report to the Annual Comprehensive Financial Report. The new standard is effective for periods ending after December 15, 2021. The SFMTA adopted the provisions of this statement, which did not have significant impact on its financial statements.

(c) Effects of Future Pronouncements

(i) GASB Statement No. 87

In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease assets, liabilities, and deferred inflows that currently are not reported. The new standard is effective for periods beginning after June 15, 2021. The SFMTA will implement the provisions of GASB Statement No. 87 in fiscal year 2022.

(ii) GASB Statement No. 89

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and no longer included in the historical cost of capital assets. The new standard is effective for periods beginning after December 15, 2020. SFMTA will implement the provisions of GASB Statement No. 89 in fiscal year 2022.

(iii) GASB Statement No. 91

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 90 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. SFMTA will implement the provisions of GASB Statement No. 91 in fiscal year 2023.

(iv) GASB Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. GASB Statement No. 92 addresses various topics related to postemployment benefits and other issues. The new standard is effective for periods beginning after June 15, 2021. SFMTA will implement the provisions of GASB Statement No. 92 in fiscal year 2022.

(v) GASB Statement No. 93

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBORs)*. GASB Statement No. 93 addresses the accounting and financial reporting effects of replacement of interbank offering rates with other reference rates in agreements that reference an interbank offering rate. The new standard is effective for periods beginning after June 15, 2021. SFMTA will implement the provisions of GASB Statement No. 93 in fiscal year 2022.

(vi) 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

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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. SFMTA will implement the provisions of GASB Statement No. 94 in fiscal year 2023.

(vii) 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. SFMTA will implement the provisions of GASB Statement No. 96 in fiscal year 2023.

(d) Cash and Cash Equivalents and Investments

The SFMTA maintains its deposits and investments and a portion of its restricted deposits 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 statements 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 statements 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 statements 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.

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(f) Capital Assets

Capital assets are stated at cost. 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 is computed using the straight-line method over the estimated useful lives of the related assets, which ranges from 1 to 60 years for building structures and improvements, infrastructure, equipment, depreciable land improvement, and intangible assets. Generally, no depreciation is recorded in the year of acquisition, and a full year's depreciation is taken in the year of disposal.

Building structures and improvements	2 to 60 years
Infrastructure	1 to 60 years
Equipment	1 to 30 years
Land improvement, depreciable	10 to 50 years
Intangible	5 to 20 years

(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 effective interest 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

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through constitutional provisions or enabling legislation and includes amounts restricted for debt service and liabilities. At June 30, 2021 and 2020, SFMTA reported \$7.9 million and \$19 million restricted assets related to debt reserves and debt service and \$299.2 million and \$114.2 million were restricted by legislation, respectively. The net investment in capital assets category includes capital assets net of accumulated depreciation and outstanding balances of debt attributable to the acquisition, construction, or improvement of those assets. Unrestricted is the residual amount not included in the above categories.

(k) Capital Grants and Contributions

Capital grants and contributions from external sources are recognized as capital contribution earned when 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 fair share for transportation impacts from new residents and workers. TSF funds transit capital maintenance, transit capital facilities, and complete streets infrastructure.

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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.

The City imposes community improvement development 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 Supervisors and the SFMTA is a member. The IPIC makes recommendations for area plans with respect to capital project funding.

These fees of \$24.3 million and \$15.2 million are recorded as nonoperating revenue for the years ended June 30, 2021 and 2020, respectively, in the accompanying statements 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. 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.

(o) Other Postemployment Benefits (OPEB)

As prescribed under GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment 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) 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.

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(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, 2021 and 2020, the SFMTA's unrestricted and restricted cash and investments with City Treasury totaled \$1,012 million and \$848.3 million, which represents 8% and 7% of the City's investment pool, respectively.

The unrestricted cash and investments outside the City Treasury are cash held by the two remaining nonprofit parking garage corporations totaling \$1.9 million and \$0.5 million, taxi medallion collateral sale of \$1.9 million and \$2.7 million, and revolving fund of \$0.2 million and \$0.2 million as of June 30, 2021 and 2020, respectively. The SFMTA had restricted cash and investments of \$7.9 million held by an independent trustee outside the City's investment pool and \$0.6 million held at commercial banks covered by depository insurance as of June 30, 2021. The SFMTA had restricted cash and investments of \$19 million held by an independent trustee outside the City's investment pool and \$1.8 million held at commercial banks covered by depository insurance as of June 30, 2020.

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
2021	14.5%	27.6%	29.7%	28.2%
2020	30.1%	32.4%	15.6%	21.9%

The following table shows the restricted cash and investments outside of City Treasury as of June 30, 2021 and 2020 (in thousands):

Restricted cash and investments outside City Treasury					
Investment	Fair value measurement	June 30, 2021		June 30, 2020	
		Maturities	Fair value	Maturities	Fair value
U.S. Treasury Bills	Level 1		\$ —	December 31, 2020	\$ 4,571
Money Market Funds	Exempt	Less than 1 month	7,889	Less than 1 month	14,436
		Total	\$ 7,889	Total	\$ 19,007

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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.

(4) Capital Assets

Capital asset balances and their movements as of and for the year ended June 30, 2021 are as follows (in thousands):

	Balance, July 1, 2020	Increases	Decreases	Balance, June 30, 2021
Capital assets not being depreciated:				
Land	\$ 52,199	—	—	52,199
Construction in progress	2,215,094	592,435	(272,623)	2,534,906
Total capital assets not being depreciated	2,267,293	592,435	(272,623)	2,587,105
Capital assets being depreciated:				
Building structures and improvements	909,049	4,720	—	913,769
Equipment	2,345,025	48,403	(43,151)	2,350,277
Infrastructure	1,627,354	184,256	(5)	1,811,605
Total capital assets being depreciated	4,881,428	237,379	(43,156)	5,075,651
Less accumulated depreciation for:				
Building structures and improvements	347,033	24,363	—	371,396
Equipment	963,054	134,659	(41,452)	1,056,261
Infrastructure	736,836	42,164	—	779,000
Total accumulated depreciation	2,046,923	201,186	(41,452)	2,206,657
Total capital assets being depreciated, net	2,834,505	36,193	(1,704)	2,868,994
Total capital assets, net	\$ 5,101,798	628,628	(274,327)	5,456,099

Certain buses, vans, trucks, and other equipment were sold, disposed, and retired during fiscal year 2021. The net loss on disposal or retirement was \$1.1 million.

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Capital asset balances and their movements as of and for the year ended June 30, 2020 are as follows (in thousands):

	Balance, July 1, 2019	Increases	Decreases	Balance, June 30, 2020
Capital assets not being depreciated:				
Land	\$ 52,239	—	(40)	52,199
Construction in progress	1,995,760	545,544	(326,210)	2,215,094
Total capital assets not being depreciated	2,047,999	545,544	(326,250)	2,267,293
Capital assets being depreciated:				
Building structures and improvements	868,073	41,818	(842)	909,049
Equipment	2,310,025	145,117	(110,117)	2,345,025
Infrastructure	1,539,113	88,241	—	1,627,354
Total capital assets being depreciated	4,717,211	275,176	(110,959)	4,881,428
Less accumulated depreciation for:				
Building structures and improvements	323,423	24,187	(577)	347,033
Equipment	928,992	143,942	(109,880)	963,054
Infrastructure	698,023	38,813	—	736,836
Total accumulated depreciation	1,950,438	206,942	(110,457)	2,046,923
Total capital assets being depreciated, net	2,766,773	68,234	(502)	2,834,505
Total capital assets, net	\$ 4,814,772	613,778	(326,752)	5,101,798

Certain buses, vans, trucks, and other equipment were sold, disposed, and retired during fiscal year 2020. The net loss on disposal or retirement was \$0.1 million. Increase in capital assets being depreciated was offset by noncapitalizable project costs from prior year. Increase in accumulated depreciation includes depreciable assets transferred from other City departments.

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Construction in progress consists of the following projects as of June 30, 2021 and 2020 (in thousands):

	<u>2021</u>	<u>2020</u>
New Central Subway	\$ 1,845,194	1,554,610
Muni Forward Program	255,675	223,304
Light Rail Vehicle Procurement	124,940	91,480
Street Improvements	92,988	82,928
Facility Upgrades	92,366	68,510
New Asset Management System	23,306	21,112
Traffic Signal Upgrades	20,699	22,182
Trolley Bus Procurement	18,421	16,699
Rail Replacement	14,069	96,792
Central Control System Upgrades	12,314	11,032
Traffic Sign Installation/Traffic Calming	9,260	5,386
Cable Car Gearbox Rehab	7,202	11,987
New Flyer Midlife Overhaul	4,419	—
Historic Streetcar Renovation	2,906	3,977
Motor Bus Hybrid Procurement	2,222	10
Islais Creek-Woods Annex	1,265	1,235
Electric Vehicle Charge Station	993	—
Others	6,667	3,850
	<u>\$ 2,534,906</u>	<u>2,215,094</u>

(5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were \$62.5 million and \$76.7 million at June 30, 2021 and 2020, respectively. This category consists of liabilities for goods and services either evidenced by vouchers approved for payment but not paid as of June 30, and accrued expenses for amount owed to private persons or organizations for goods and services, and construction contracts retainage payable.

As of June 30, 2021 and 2020, accounts payable and accrued expenses consisted of the following (in thousands):

	<u>2021</u>	<u>2020</u>
Vouchers payable and accruals	\$ 53,576	67,308
Contracts retainage	8,877	9,366
Total accounts payable and accrued expenses	<u>\$ 62,453</u>	<u>76,674</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 \$174.9 million to refund all outstanding Series 2012A and B, Series 2013, and Series 2014 revenue 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.

The net proceeds of \$176.3 million (consisting of the \$170.5 million par amount of the Series 2021A bonds and \$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 described below (in thousands):

	<u>Refunded</u>	<u>Rate</u>	<u>Price</u>
Revenue Bond:			
Series 2012A	\$ 11,690	5.0%	100%
Series 2012B	25,835	3.0%–5.0%	100
Series 2013	56,190	4.0%–5.0%	100
Series 2014	62,495	3.5%–5.0%	100
Total	<u>\$ 156,210</u>		

The refunded bonds were defeased and redeemed on March 1, 2021. Accordingly, the liabilities for these bonds have been removed from the accompanying statements of net position. Although the refunding resulted in the recognition of a deferred accounting loss of \$0.9 million, the SFMTA obtained an economic gain (the difference between the present value of the old debt and the new debt) of \$24.5 million or 15.7% of the refunded bonds.

(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% to 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

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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% to 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):

	<u>Final maturity date</u>	<u>Remaining interest rate</u>	<u>Balance June 30, 2021</u>	<u>Balance June 30, 2020</u>
Revenue Bonds Series 2012A			\$ —	13,218
Revenue Bonds Series 2012B			—	27,597
Revenue Bonds Series 2013			—	60,136
Revenue Bonds Series 2014			—	70,156
Revenue Bonds Series 2017	2047	3.0%–5.0%	174,139	178,354
Revenue Refunding Bonds Series 2021A	2044	0.249%–2.804%	170,470	—
Revenue Refunding Bonds Series 2021B	2031	4.0%	5,828	—
Revenue Bonds Series 2021C	2051	4.0%–5.0%	123,292	—
Total long-term obligations			<u>\$ 473,729</u>	<u>349,461</u>

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

	<u>Principal</u>	<u>Bond interest</u>	<u>Total</u>
Year ending June 30:			
2022	\$ 3,520	14,301	17,821
2023	8,865	14,181	23,046
2024	13,945	13,984	27,929
2025	14,180	13,750	27,930
2026	14,445	13,481	27,926
2027–2031	77,445	62,196	139,641
2032–2036	70,085	51,636	121,721
2037–2041	67,510	42,240	109,750
2042–2046	78,570	30,009	108,579
2047–2051	94,185	12,996	107,181
	<u>\$ 442,750</u>	<u>268,774</u>	<u>711,524</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 the requirement for the fiscal years ended 2021 and 2020.

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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 to refund 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 years 2021 and 2020 were 12% and 25.1%, respectively, of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal years 2021 and 2020, applicable net revenues, and funds available for bond debt service are as follows (in thousands):

	<u>2021</u>	<u>2020</u>
Bonds issued with revenue pledge	\$ 457,065	387,670
Principal and interest remaining due at the end of the year	711,524	519,237
Principal and interest paid during the year	23,326	24,806
Net revenue for the year	171,661	73,933
Fund available for revenue bond debt service	194,987	98,739

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 \$250,000 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. 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 agreement requires the corporation to maintain a reserve account restricted for repayment of the loan. As of June 30, 2021 and 2020, the reserve account held by the lender totaled \$0.2 million and \$0.6 million, respectively.

In fiscal years 2021 and 2020, the two remaining nonprofit parking garage corporations obtained Small Business Administration's (SBA) Paycheck Protection Program (PPP) loans. PPP loans have a fixed interest rate of 1.0% per annum with no collateral requirement, with two-year maturity for loans issued prior to June 5, 2020 and five-year maturity for loans issued thereafter. The program allows borrowers to apply for loan forgiveness to cover eligible expenses incurred. Loan payments shall be deferred until SBA remits the loan forgiveness amount to the lender. For any amount of the loan that is not forgiven, the borrowers shall be responsible for the payment of principal and accrued interest within the term of the loan.

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Portsmouth obtained PPP loans through First Republic Bank of \$0.3 million and \$0.2 million on April 27, 2020 and April 12, 2021, respectively. The entire first loan amount of \$0.3 million substantially met the forgiveness criteria as of June 30, 2021. Japan Center obtained PPP loans through California Bank & Trust of \$42 thousand and \$113 thousand on May 4, 2020 and February 19, 2021, respectively. Of the first loan, \$38 thousand was forgiven in November 2020.

The SFMTA is not responsible for loan repayments and any aspect of loan performance other than reporting on behalf of another government entity. The total loan balances of the two nonprofit parking garage corporations were \$11.9 million and \$12.1 million as of June 30, 2021 and 2020, respectively.

The changes in long-term debt for the SFMTA for years ended June 30, 2021 and 2020 are as follows (in thousands):

	July 1, 2020	Additional obligations, interest accretion, and net increases	Current maturities, retirements, and net decreases	June 30, 2021	Amounts due within one year
Bonds payable:					
Revenue bonds	\$ 323,075	279,235	(159,560)	442,750	3,520
Add/less unamortized amounts:					
For issuance premiums	26,386	20,354	(15,761)	30,979	—
Total bonds payable	349,461	299,589	(175,321)	473,729	3,520
Notes, loans, and other payables	12,124	369	(633)	11,860	318
Total long-term debt and loans	<u>\$ 361,585</u>	<u>299,958</u>	<u>(175,954)</u>	<u>485,589</u>	<u>3,838</u>
	July 1, 2019	Additional obligations, interest accretion, and net increases	Current maturities, retirements, and net decreases	June 30, 2020	Amounts due within one year
Bonds payable:					
Revenue bonds	\$ 333,620	—	(10,545)	323,075	9,150
Add/less unamortized amounts:					
For issuance premiums	28,486	—	(2,100)	26,386	—
Total bonds payable	362,106	—	(12,645)	349,461	9,150
Notes, loans, and other payables	8,757	3,818	(451)	12,124	265
Total long-term debt and loans	<u>\$ 370,863</u>	<u>3,818</u>	<u>(13,096)</u>	<u>361,585</u>	<u>9,415</u>

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(7) Other Long-Term Liabilities

The changes in other long-term obligations for the SFMTA for years ended June 30, 2021 and 2020 are as follows (in thousands):

	<u>July 1, 2020</u>	<u>Net increases</u>	<u>Net decreases</u>	<u>June 30, 2021</u>	<u>Amounts due within one year</u>
Accrued vacation and sick leave	\$ 44,489	11,728	(29)	56,188	29,411
Accrued workers' compensation	142,582	25,473	(29,034)	139,021	25,232
Accrued claims	114,375	18,346	(3,127)	129,594	62,740
Other postemployment benefits obligation	692,620	—	(34,718)	657,902	—
Unearned revenue and other liabilities	6,888	4,536	(4,776)	6,648	6,648
Net pension liability	<u>620,468</u>	<u>137,414</u>	<u>—</u>	<u>757,882</u>	<u>—</u>
Total other long-term liabilities	<u>\$ 1,621,422</u>	<u>197,497</u>	<u>(71,684)</u>	<u>1,747,235</u>	<u>124,031</u>

	<u>July 1, 2019</u>	<u>Net increases</u>	<u>Net decreases</u>	<u>June 30, 2020</u>	<u>Amounts due within one year</u>
Accrued vacation and sick leave	\$ 38,850	5,645	(6)	44,489	25,908
Accrued workers' compensation	137,202	33,615	(28,235)	142,582	25,393
Accrued claims	78,359	40,263	(4,247)	114,375	64,052
Other postemployment benefits obligation	637,698	54,922	—	692,620	—
Unearned revenue and other liabilities	9,229	5,441	(7,782)	6,888	6,888
Net pension liability	<u>609,154</u>	<u>11,314</u>	<u>—</u>	<u>620,468</u>	<u>—</u>
Total other long-term liabilities	<u>\$ 1,510,492</u>	<u>151,200</u>	<u>(40,270)</u>	<u>1,621,422</u>	<u>122,241</u>

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(8) Employee Benefit Plans

(a) Pensions – City and County of San Francisco

(i) Retirement Plan and Replacement Benefits Plan

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.

The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code 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.

GASB Statement No. 68 and 73 requires 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:

Fiscal year 2021

Valuation Date (VD)	June 30, 2019 updated to June 30, 2020
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

Fiscal year 2020

Valuation Date (VD)	June 30, 2018 updated to June 30, 2019
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

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SFERS Plan – The City is an employer of the Plan with a proportionate share of 94.39% as of June 30, 2020 (measurement date) and 94.13% as of June 30, 2019 (measurement date). The SFMTA's allocation percentage was determined based on the SFMTA's employer contributions divided by the City's total employer contributions for fiscal years 2020 and 2019. 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 14.83% as of June 30, 2020 (measurement date) and 14.72% as of June 30, 2019 (measurement date).

Replacement Benefits Plan – The SFMTA's allocation percentage was determined based on the SFMTA's headcount (both active members and retirees) divided by the City's total headcount for fiscal year 2020. 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 0.38% as of the measurement date.

(ii) *Employees' Retirement Plan Description*

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.

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.
- **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.

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- 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 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.

(iii) *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 13% as a percentage of gross covered salary in fiscal years 2021 and 2020. 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, 2019 actuarial report, the required employer contribution rate for fiscal year 2021 range from 22.40% to 26.90%. Based on the July 1, 2018 actuarial report, the required employer contribution rate for fiscal year 2020 range from 20.69% to 25.19%.

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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, 2020 (measurement year) was \$701.3 million. The SFMTA's allocation of employer contributions for fiscal year 2020 was \$103.3 million and \$91.8 million for fiscal year 2019.

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 \$3.6 million replacement benefits in the year ended June 30, 2021.

(iv) *Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions*

Fiscal Year 2021

As of June 30, 2021, the City reported net pension liabilities for its proportionate share of the net pension liability of the SFERS Plan and RBP of \$5,292.5 million. The City's net pension liability for the SFERS Plan is measured as the proportionate share of the net pension liability. The net pension liability of the SFERS Plan is measured as of June 30, 2020 (measurement date), and the total pension liability for the SFERS Plan and RBP used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City's proportion of the net pension liability for the SFERS 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. The SFMTA's allocation of the City's proportionate share of the net pension liability for the SFERS Plan as of June 30, 2021 was \$757.2 million. The SFMTA's allocation of the total pension liability for the RBP as of June 30, 2021 was \$0.7 million.

For the year ended June 30, 2021, the City's recognized pension expense was \$962.6 million, including amortization of deferred outflow/inflow related pension items. The SFMTA's allocation of pension expense, including amortization of deferred outflow/inflow related pension items, was \$148.6 million. Pension expense increased from the prior year, largely due to the amortization of deferrals.

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June 30, 2021 and 2020

At June 30, 2021, the SFMTA's reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources (in thousands):

Schedule of Deferred Inflows and Outflows of Resources

	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	\$ 117,379	—	—	—
Differences between expected and actual experience	25,716	2,372	67	—
Changes in assumptions	41,569	13,112	189	8
Net difference between projected and actual earnings on pension plan investments	15,856	—	—	—
Changes in employer's proportion	16,407	6,163	37	213
Total	<u>\$ 216,927</u>	<u>21,647</u>	<u>293</u>	<u>221</u>

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

		Deferred outflows (inflows) of resources	
		SFERS Plan	Replacement Benefits Plan
Year ending June 30:			
2022	\$	(9,255)	49
2023		19,523	7
2024		38,255	3
2025		29,378	13
	\$	<u>77,901</u>	<u>72</u>

Fiscal Year 2020

As of June 30, 2020, the City reported net pension liabilities for its proportionate share of the net pension liability of the SFERS Plan of \$4,213.8 million. The City's net pension liability for the SFERS Plan is measured as the proportionate share of the net pension liability. The net pension liability of the SFERS Plan is measured as of June 30, 2019 (measurement date), and the total pension liability for the SFERS Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportion of the net pension liability 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. The SFMTA's allocation of the City's proportionate share of the net pension liability for the SFERS Plan as of June 30, 2020 was \$620.5 million.

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Notes to Financial Statements

June 30, 2021 and 2020

For the year ended June 30, 2020, the City's recognized pension expense was \$883.4 million, including amortization of deferred outflow/inflow related pension items. The SFMTA's allocation of pension expense, including amortization of deferred outflow/inflow related pension items, was \$102.3 million. Pension expense increased from the prior year, largely due to the amortization of deferrals.

At June 30, 2020, the SFMTA's reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources (in thousands):

Schedule of Deferred Inflows and Outflows of Resources

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	\$ 103,265	—
Differences between expected and actual experience	4,595	6,830
Changes in assumptions	88,244	—
Net difference between projected and actual earnings on pension plan investments	—	114,335
Changes in employer's proportion	22,939	8,745
Total	<u>\$ 219,043</u>	<u>129,910</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
Year ending June 30:	
2021	\$ 24,986
2022	(38,223)
2023	(9,715)
2024	8,820
Thereafter	—
	<u>\$ (14,132)</u>

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(v) Actuarial Assumptions

Fiscal Year 2021

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, 2020 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2019 actuarial valuation. Refer to the July 1, 2019 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website <http://mysfers.org>.

Key Actuarial Assumptions

SFERS Plan

Valuation Date	June 30, 2019 updated to June 30, 2020
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.40% net of pension plan investment, including inflation
Municipal Bond Yield	3.50% as of June 30, 2019 2.21% as of June 30, 2020
Inflation	Bond Buyer 20-Bond GO Index, June 27, 2019 and June 25, 2020 2.75%
Projected Salary Increases	3.50% plus merit component based employee classification and years of service
Discount Rate	7.40% as of June 30, 2019 7.40% as of June 30, 2020
Administrative Expenses	0.60% of payroll as of June 30, 2019 0.60% of payroll as of June 30, 2020

	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, 2019	2.00%	2.50%	3.10%	4.20%
June 30, 2020	2.00%	2.50%	3.10%	4.20%

Key Actuarial Assumptions

Replacement Benefits Plan

Valuation Date	June 30, 2019 updated to June 30, 2020
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost
Municipal Bond Yield	2.21% as of June 30, 2020
Inflation	Bond Buyer 20-Bond GO Index, June 27, 2019 and June 25, 2020 2.75%
Projected Salary Increases	3.50% plus merit component based employee classification and years of service
Discount Rate	2.21% as of June 30, 2020
Administrative Expenses	0.60% of payroll as of June 30, 2020

	Old Miscellaneous	Old Police & Fire	Old Police & Fire Charters	Old Police & Fire Charters
Basic COLA				
June 30, 2020	2.00%	2.50%	3.10%	4.20%

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For healthy annuitants, the sex distinct 2009 CalPERS healthy annuitant mortality table, adjusted 1.014 for females and 0.909 for males. For active members, the sex distinct 2009 CalPERS employee mortality tables, adjusted 0.918 for females and 0.948 for males. Rates are projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

The actuarial assumptions used at the June 30, 2020 measurement date was based upon the result of a demographic experience study for the period July 1, 2009 through June 30, 2014 and an economic experience study as of July 1, 2019.

Fiscal Year 2020

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2019 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2018 actuarial valuation. Refer to the July 1, 2018 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website <http://mysfers.org>.

Key actuarial assumptions:

Valuation date	June 30, 2018 updated to June 30, 2019
Measurement date	June 30, 2019
Actuarial cost method	Entry-Age normal cost method
Expected rate of return	7.40% net of pension plan investment, including inflation
Municipal bond yield	3.87% as of June 30, 2018
	3.50% as of June 30, 2019
	Bond Buyer 20-Bond GO Index, June 28, 2018 and June 27, 2019
Inflation rate	2.75%
Salary increases	3.50% plus merit component based employee classification and years of service
Discount rate	7.50% as of June 30, 2018
	7.40% as of June 30, 2019
Administrative expenses	0.60% of payroll as of June 30, 2018
	0.60% of payroll as of June 30, 2019

	<u>Old Miscellaneous and all New Plans</u>	<u>Old Police & Fire, Pre 7/1/75</u>	<u>Old Police & Fire, Charters A8.595 and A8.596</u>	<u>Old Police & Fire, Charters A8.559 and A8.585</u>
Basic COLA:				
June 30, 2018	2.00%	2.50%	3.10%	4.20%
June 30, 2019	2.00	2.50	3.10	4.20

Mortality rates for active members and healthy annuitants were based upon the adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

(vi) Discount Rate

Fiscal Year 2021

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 7.40% as of June 30, 2019 (measurement date) and June 30, 2020 (measurement date).

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Notes to Financial Statements

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The discount rate used to measure the total pension liability as of June 30, 2020 was 7.4%. 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, 2019 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 3.50% 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 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.

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Notes to Financial Statements

June 30, 2021 and 2020

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, 2020 for the probability and amount of Supplemental COLA for each future year. There were no excess earnings during the fiscal year ending June 30, 2020; consequently, no Supplemental COLA will be paid effective July 1, 2020. 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
2022	0.75%	0.19%
2024	0.75	0.27
2026	0.75	0.30
2028	0.75	0.33
2030	0.75	0.35
2032	0.75	0.37
2034+	0.75	0.38

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 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.21% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2020 is 7.40%.

The long-term expected rate of return on pension plan investments was 7.40%. 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 rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

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June 30, 2021 and 2020

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	31.0%	4.9%
Treasuries	6.0	(0.5)
Liquid credit	3.0	2.7
Private credit	10.0	4.8
Private equity	18.0	7.9
Real assets	17.0	5.7
Hedge funds/absolute return	15.0	3.0
	<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 2.21% as of June 30, 2020. 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 27, 2019 and June 25, 2020. These are the rates used to determine the total pension liability as of June 30, 2020.

The inflation assumption of 2.75% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of \$230 for 2020 was used for the 2020 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, 2021, City's membership in the RBP had a total of 683 active members and 105 retirees and beneficiaries currently receiving benefits. The SFMTA has two active members and one retiree and beneficiary currently receiving benefits.

Fiscal Year 2020

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 7.50% as of June 30, 2018 (measurement date) and 7.40% as of June 30, 2019 (measurement date).

The discount rate used to measure the total pension liability as of June 30, 2019 was 7.40%. 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, 2018 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.

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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 3.50% 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 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, the following assumptions were developed for the probability and amount of Supplemental COLA for each future year. The City has assumed that a full Supplemental COLA will be paid to all Post 97 Retirees effective July 1, 2019. 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
2021	0.75%	0.27%
2023	0.75	0.34
2025	0.75	0.36
2027	0.75	0.37
2030+	0.75	0.38

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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 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.50% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2019 is 7.40%.

The long-term expected rate of return on pension plan investments was 7.40%. 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 rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset class	Target allocation	Long-term expected real rate of return
Global equity	31.0%	5.3%
Treasuries	6.0	0.9
Liquid credit	3.0	3.6
Private credit	10.0	5.2
Private equity	18.0	8.3
Real assets	17.0	5.4
Hedge funds/absolute return	15.0	3.9
	<u>100.0%</u>	

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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 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).

Fiscal Year 2021

Employer		1% decrease share of NPL @ 6.4%	Share of NPL @ 7.4%	1% increase share of NPL @ 8.4%
SFMTA	\$	1,338,784	757,177	276,661

Fiscal Year 2020

Employer		1% decrease share of NPL @ 6.4%	Share of NPL @ 7.4%	1% increase share of NPL @ 8.4%
SFMTA	\$	1,171,187	620,468	165,453

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).

Fiscal Year 2021

Employer		1% decrease share of NPL @ 1.21%	Share of NPL @ 2.21%	1% increase share of NPL @ 3.21%
SFMTA	\$	851	705	594

(b) Deferred Compensation Plan

The City offers its employees, including the SFMTA employees, a deferred compensation plan created in accordance with Internal Revenue Code 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.

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(c) Other Postemployment Benefits

(i) Benefit Plan

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.

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

Fiscal Year 2021

Valuation Date (VD)	June 30, 2020
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

Fiscal Year 2020

Valuation Date (VD)	June 30, 2018 updated to June 30, 2019
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

The SFMTA's proportionate share percentage of the Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the years ended June 30, 2020 and 2019. The SFMTA's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows, and OPEB expense is based on the SFMTA's allocated percentage. The SFMTA's proportionate share of the City's OPEB elements was 17.21% in FY 2021 and 17.69% in FY 2020, as of their respective measurement dates.

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Notes to Financial Statements

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(ii) *Benefits*

Fiscal Year 2021

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 6. Miscellaneous members hired on or after January 7, 2012.

² No service requirement for Safety members retiring under the industrial disability benefit or 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 – City Health Plan (self-insured) and UHC Medicare Advantage (fully-insured) HMO – Kaiser (fully-insured) and Blue Shield (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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Fiscal Year 2020

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 Any age with 10 years of credited service
Disabled Retirement ²		
Terminated Vested ³		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.

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.

³ Effective with Proposition B, passed June 3, 2008, participants hired on or after January 10, 2009 must re within 180 days of separation in order to be eligible for retiree healthcare benefits.

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

Medical:	PPO – City Health Plan (self-insured) and UHC Medicare Advantage (fully-insured) HMO – Kaiser (fully-insured) and Blue Shield (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.

(iii) 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.

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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.

Fiscal Year 2021

For the fiscal year ended June 30, 2021, the City's funding was based on "pay-as-you-go" plus a contribution of \$39.6 million to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portion paid by the City was \$206.4 million for a total contribution of \$246 million for the fiscal year ended June 30, 2021. The SFMTA's proportionate share of the City's contributions for fiscal year 2021 was \$42.3 million.

Fiscal Year 2020

For the fiscal year ended June 30, 2020, the City's funding was based on "pay-as-you-go" plus a contribution of \$39.5 million to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portion paid by the City was \$196.4 million for a total contribution of \$235.9 million for the fiscal year ended June 30, 2020. The SFMTA's proportionate share of the City's contributions for fiscal year 2020 was \$41.7 million.

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

Fiscal Year 2021

As of June 30, 2021, the City reported net OPEB liabilities related to the Plan of \$3,823.3 million. The SFMTA's proportionate share of the City's net OPEB liability as of June 30, 2021 was \$657.9 million.

For the year ended June 30, 2021, the City's recognized OPEB expense was \$320.7 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 \$22 million.

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Notes to Financial Statements

June 30, 2021 and 2020

As of June 30, 2021, 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	\$ 42,329	—
Differences between expected and actual experience	23,853	94,260
Changes in assumptions	33,305	—
Net difference between projected and actual earnings on plan investments	430	—
Change in proportion	15,847	661
Total	<u>\$ 115,764</u>	<u>94,921</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 as follows (in thousands):

	Deferred outflows (inflows) of resources
Year ending June 30:	
2022	\$ (5,248)
2023	(4,989)
2024	(5,041)
2025	(4,869)
2026	1,771
Thereafter	(3,110)
	<u>\$ (21,486)</u>

Fiscal Year 2020

As of June 30, 2020, the City reported net OPEB liabilities related to the Plan of \$3,915.8 million. The SFMTA's proportionate share of the City's net OPEB liability as of June 30, 2020 was \$692.6 million.

For the year ended June 30, 2020, the City's recognized OPEB expense was \$330.7 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 \$57.9 million.

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Notes to Financial Statements

June 30, 2021 and 2020

As of June 30, 2020, 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	\$ 41,736	—
Differences between expected and actual experience	29,423	48,734
Changes in assumptions	14,039	—
Net difference between projected and actual earnings on plan investments	—	1,079
Change in proportion	662	826
Total	\$ <u>85,860</u>	<u>50,639</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 as follows (in thousands):

	Deferred outflows (inflows) of resources
Year ending June 30:	
2021	\$ (2,479)
2022	(2,479)
2023	(2,216)
2024	(2,267)
2025	(2,089)
Thereafter	5,015
	\$ <u>(6,515)</u>

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Notes to Financial Statements

June 30, 2021 and 2020

(v) Actuarial Assumptions

Fiscal Year 2021

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2020 (measurement date) is provided below:

Key actuarial assumptions:

Valuation date	June 30, 2020
Measurement date	June 30, 2020
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 4.00% in 2022, 7.00% in 2023, trending down to ultimate rate of 4.04% in 2075 Medicare trend starts at 1.00% in 2022, 7.50% in 2023, trending down to ultimate rate of 4.04% in 2075 10-County average trend starts at 4.5% in 2022, 5.50% in 2023, trending down to ultimate rate of 4.04% in 2075 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: 2.5% 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.

	Published Table	Adjustment Factor	
		Male	Female
Non-Annuityants			
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

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

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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>
\$	568,845	657,902	773,977

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2020 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:

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June 30, 2021 and 2020

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	28.0%	8.4%
U.S. Small Cap	3.0	9.8
Developed market equity (non-U.S.)	15.0	9.6
Emerging market equity	13.0	11.7
Credit		
Bank loans	3.0	4.9
High yield bonds	3.0	4.9
Emerging market bonds	3.0	4.8
Rate Securities		
Investment grade bonds	9.0	2.2
Long-term government bonds	4.0	3.1
Short-term Treasury Inflation-Protected Securities	4.0	1.9
Private Markets		
Private equity	5.0	12.5
Core private real estate	5.0	6.4
Risk Mitigating Strategies		
Global macro	5.0	4.1
Total	<u>100.0%</u>	

The asset allocation targets summarized above have a 20-year return estimate of 6.9%, which was weighted against a 10-year model estimating a 6.93% return, resulting in the ultimate long-term expected rate of return of 7.00%.

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%
\$	763,481	657,902	571,712

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Fiscal Year 2020

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2019 (measurement date) is provided below:

Key actuarial assumptions:

Valuation date	June 30, 2018 updated to June 30, 2019
Measurement date	June 30, 2019
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 6.35% in 2021 and trends down to ultimate rate of 3.93% in 2076 Medicare trend starts at 7.00% in 2021 and trends down to ultimate rate of 3.93% in 2076 10-county average trend starts at 5.82% in 2021 and trends down to ultimate rate of 3.93% in 2076 Vision and expense trend remains a flat 3.5% for all years
Expected rate of return on plan assets	7.40%
Discount rate	7.40%
Salary increase rate	Wage Inflation Component: 3.50% Additional Merit Component (dependent on years of service): Police: 1.50% - 8.00% Fire: 1.50% - 15.00% Muni Drivers: 0.00% - 15.00% Craft: 0.00% - 3.50% Misc: 0.00% - 5.25%
Inflation rate	Wage Inflation: 3.50% compounded annually Consumer Price Inflation: 2.75% 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 ended June 30, 2014 Non-Annuitant – CalPERS employee mortality tables without scale BB projection:

Gender	Adjustment factor	Base year
Female	0.918	2009
Male	0.948	2009

Healthy Annuitants – CalPERS healthy annuitant mortality table without scale BB projection:

Gender	Adjustment factor	Base year
Female	1.014	2009
Male	0.909	2009

Miscellaneous Disabled Annuitants – RP-2014 Disabled Retiree Tables without MP-2014 projection:

Gender	Adjustment factor	Base year
Female	1.066	2006
Male	0.942	2006

Safety Disabled Annuitants – CalPERS industrial disability mortality table without scale BB projection:

Gender	Adjustment factor	Base year
Female	0.983	2009
Male	0.909	2009

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The mortality rates in the base tables are projected generationally from the base year using the modified version of the MP-2015 projection scale. The scale was modified using the Society of Actuaries' model implementation tool with rates converging to the ultimate rate in 2017 (instead of 2029) and an ultimate rate of improvement of 0.85% (instead of 1.00%) up to age 85 decreasing to 0.70% (instead of 0.85%) at age 95.

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>
\$	599,451	692,620	808,298

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.4%. 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 7.4% 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:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Equities		
U.S. equities	41.0%	8.1%
Developed market equity (non-U.S.)	20.0	8.5
Emerging market equity	16.0	10.4
Credit		
High yield bonds	3.0	6.5
Bank loans	3.0	6.1
Emerging market bonds	3.0	5.2
Rate Securities		
Treasury Inflation-Protected Securities	5.0	3.6
Investment grade bonds	9.0	3.9
	<u>100.0%</u>	

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June 30, 2021 and 2020

The asset allocation targets summarized above have a 20-year return estimate of 8.3%, which was weighted against a 10-year model estimating a 7.5% return, resulting in the ultimate long-term expected rate of return of 7.4%.

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	Discount rate	1% increase
	6.40%	7.40%	8.40%
\$	799,776	692,620	605,073

(9) 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. 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 the Peninsula Caltrain rail service. The PCJPB began operating the Peninsula Caltrain rail service on July 1, 1992. Prior to that time, such rail service was operated by the California Department of Transportation. The agreement establishing the PCJPB expired in 2001, upon which it continues thereafter on a year-to-year basis, until a participant withdraws, which requires one-year notice. The SFMTA contributes to the net operating costs and administrative expenses of the PCJPB. The SFMTA contributed \$7.8 million and \$8.1 million for operating needs in fiscal years 2021 and 2020, respectively. The PCJPB's annual financial statements are publicly available.

(10) 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 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

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2021 and 2020

(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. The annual budget for claims was \$8.6 million and \$11.9 million for fiscal years 2021 and 2020, respectively. In addition, as of June 30, 2021 and 2020, the reserve was \$31.8 million and \$29.4 million, respectively. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

The changes in general/transit liability for years ended June 30, 2021 and 2020 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>
2021	\$	114,375	18,346	(3,127)	129,594
2020		78,359	40,263	(4,247)	114,375

(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 statements of revenues, expenses, and changes in net position.

The changes in workers' compensation liability for years ended June 30, 2021 and 2020 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>
2021	\$	142,582	25,473	(29,034)	139,021
2020		137,202	33,615	(28,235)	142,582

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2021 and 2020

(c) Property

The SFMTA purchases property insurance on its facilities, Breda 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 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 starting in fiscal year 2012 to cover errors and omissions of its Board members and senior management.

See the changes in workers' compensation and general liabilities for claims paid and incurred claims and changes in estimate in Note 7 to the financial statements.

(11) 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 General Fund support from the City reflected in the accompanying financial statements includes a total revenue baseline transfer of \$346.2 million and \$362.4 million in fiscal years 2021 and 2020, respectively, as required by the City Charter. In addition, SFMTA received \$38 million and \$55.6 million allocation in fiscal years 2021 and 2020, respectively, from in lieu of parking tax as required by the City Charter.

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. In fiscal years 2021 and 2020, SFMTA received \$55.6 million and \$49.8 million, respectively, from this source.

In fiscal year 2021, SFMTA also received additional City General Fund allocation of \$2.9 million to fund various projects such as the Chase Event Center and mixed-use development project and Community Building Program for District 5.

(12) 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, 2021 and 2020, the SFMTA had approved capital grants with unused balances amounting to \$659.7 million and \$743.1 million, respectively. Capital grants receivable as of June 30, 2021 and 2020 totaled \$108.3 million and \$175 million, respectively.

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, 2021 and 2020, the SFMTA had various operating grants receivable of \$77 million and \$51.9 million, respectively. In fiscal

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2021 and 2020

years 2021 and 2020, the SFMTA received operating assistance from BART's Americans with Disability Act (ADA) related support of \$1.2 million and \$1.9 million, respectively, and other federal, state, and local grants of \$6.7 million and \$7.4 million, respectively, to fund project expenses that are operating in nature.

The operating assistance from federal sources include funds received from FTA in response to COVID-19 pandemic. The SFMTA received \$176.6 million and \$197.2 million in CARES funding in fiscal years 2021 and 2020, respectively. The SFMTA was awarded \$340.9 million in CRRSAA funding of which \$273.6 million was received in fiscal year 2021 and \$67.3 million remains to be accessed in fiscal year 2022.

The capital and operating grants identified above include funds received and due from the SFCTA. During fiscal years 2021 and 2020, the SFCTA approved \$49.3 million and \$107.9 million, respectively, in new capital grants and the SFMTA received payments totaling \$41.3 million and \$52.7 million, respectively. As of June 30, 2021 and 2020, the SFMTA had \$42.9 million and \$35.1 million, respectively, in capital grants due from the SFCTA. Similarly, the SFMTA receives operating grants from SFCTA mostly for paratransit support. During fiscal years 2021 and 2020, SFCTA approved \$14.3 million and \$11.5 million, respectively, in new operating grants, and SFMTA received payments totaling \$8 million and \$11 million, respectively.

The SFMTA had \$2.2 million and \$2.1 million, respectively, in operating grants due from the SFCTA as of June 30, 2021 and 2020.

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 Program (PTMISEA) and the California Transit Security Grant Program (CTSGP). The original legislation required funds to be obligated within three years of the date awarded. The Budget Act of 2019 re-appropriated 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. CTSGP is administered by the California Governor's Office of Emergency Services (Cal OES). Funding from the CTSGP is for projects that protect critical transportation infrastructure and the traveling public from acts of terrorism, major disasters, and other emergencies. Per current Cal OES guidance, all funds allocated with outstanding balances shall be expended no later than March 31, 2022. The SFMTA did not receive cash in the fiscal years 2020 and 2021 from PTMISEA and CTSGP. During fiscal years 2021 and 2020, drawdowns for various eligible projects costs were made from PTMISEA funds for \$1.2 million and \$1.6 million, respectively, and from CTSGP funds for \$1.1 million and \$2.6 million, respectively.

(13) 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

Notes to Financial Statements

June 30, 2021 and 2020

(b) Operating Leases

The SFMTA leases certain equipment and various properties for use as office space, fleet storage space, and machine shops under lease agreements that expire at various dates through fiscal year 2068. These agreements are accounted for as operating leases. Rent expense was \$27.3 million and \$25.4 million for the years ended June 30, 2021 and 2020, respectively.

The SFMTA has operating leases for certain buildings that require the following minimum annual payments (in thousands):

Year ending June 30:	
2022	\$ 20,686
2023	8,559
2024	6,677
2025	5,370
2026	4,365
2027–2031	21,541
2032–2036	9,606
2037–2041	1,773
2042–2046	2,052
2047–2068	13,277
	<u>\$ 93,906</u>

SFMTA leases certain owned facilities to tenants and concessionaires who will provide the following minimum annual payments (in thousands):

Year ending June 30:	
2022	\$ 3,112
2023	2,924
2024	2,713
2025	1,926
2026	1,695
2027–2031	6,250
2032–2036	6,250
2037–2041	6,250
2042–2046	6,250
2047–2056	12,083
	<u>\$ 49,453</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2021 and 2020

(c) Other Commitments

As of June 30, 2021 and 2020, the SFMTA has outstanding commitments of approximately \$303.5 million and \$319.8 million, respectively, 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 \$68.9 million and \$57.3 million with third parties for noncapital expenditures as of June 30, 2021 and 2020, respectively. 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 SFMTA.

(14) Subsequent Events

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law to provide additional relief to address the continued impact of COVID-19. On September 2, 2021, the SFMTA was awarded operating assistance of \$288.2 million through FTA Section 5307 Urbanized Area Formula Program to prevent, prepare for, and respond to the COVID-19 pandemic. On December 10, 2021, the total funding for this grant was amended and increased to \$536.5 million. The SFMTA was also awarded grant funds through FTA Section 5309 Capital Investment Grant to help pay for increased capital project costs caused by the COVID-19 pandemic. On August 19, 2021, and September 14, 2021, the SFMTA was granted \$21.9 million for Van Ness Bus Rapid Transit Project and \$23.1 million for Central Subway Project, respectively.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Supplemental Schedule – Schedule of Net Position

June 30, 2021

(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	\$ 561,208	149,095	—	710,303
Cash and investments held outside				
City Treasury	189	1,957	1,872	4,018
Cash on hand	83	121	—	204
Receivables:				
Grants	134,829	5,361	—	140,190
Due from the San Francisco County				
Transportation Authority	33,373	11,738	—	45,111
Charges for services, net	650	2,444	82	3,176
Interest and other	8,733	1,465	—	10,198
Total receivables	177,585	21,008	82	198,675
Inventories	82,528	—	—	82,528
Current prepaids and other assets	—	—	842	842
Total current assets	821,593	172,181	2,796	996,570
Restricted assets:				
Cash and investments with				
City Treasury	209,041	92,692	—	301,733
Cash and investments held outside				
City Treasury	7,889	—	595	8,484
Other receivables	177	41	—	218
Total restricted assets	217,107	92,733	595	310,435
Noncurrent assets:				
Capital assets, net	5,000,157	444,295	11,647	5,456,099
Total noncurrent assets	5,217,264	537,028	12,242	5,766,534
Total assets	6,038,857	709,209	15,038	6,763,104
Deferred outflows of resources:				
Unamortized loss on refunding of debt	919	—	—	919
Related to pensions	188,177	29,043	—	217,220
Related to other postemployment benefits	100,327	15,437	—	115,764
Total deferred outflows of resources	\$ 289,423	44,480	—	333,903

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Supplemental Schedule – Schedule of Net Position

June 30, 2021

(In thousands)

	<u>Transit</u>	<u>Sustainable Streets</u>	<u>Parking Garages</u>	<u>Total</u>
Liabilities:				
Current liabilities:				
Due to other funds	\$ 58	67	—	125
Accounts payable and accrued expenses	52,227	9,105	1,121	62,453
Accrued payroll	35,096	4,942	27	40,065
Accrued vacation and sick leave	25,081	4,330	—	29,411
Accrued workers' compensation	21,751	3,481	—	25,232
Accrued claims	47,730	15,010	—	62,740
Grants received in advance	66,605	53	—	66,658
Unearned revenue and other liabilities	4,231	2,412	5	6,648
Payable from restricted assets	2,281	1,044	—	3,325
Accrued interest payable	4,749	—	—	4,749
Bonds, loans, capital leases, and other payables	3,520	—	318	3,838
Total current liabilities	<u>263,329</u>	<u>40,444</u>	<u>1,471</u>	<u>305,244</u>
Noncurrent liabilities:				
Accrued vacation and sick leave, net of current portion	22,869	3,807	101	26,777
Accrued workers' compensation, net of current portion	94,776	19,013	—	113,789
Accrued claims, net of current portion	29,703	37,151	—	66,854
Other postemployment benefits obligation	570,161	87,741	—	657,902
Net pension liability	662,342	95,540	—	757,882
Bonds, loans, capital leases, and other payables, net of current portion	428,209	42,000	11,542	481,751
Total noncurrent liabilities	<u>1,808,060</u>	<u>285,252</u>	<u>11,643</u>	<u>2,104,955</u>
Total liabilities	<u>2,071,389</u>	<u>325,696</u>	<u>13,114</u>	<u>2,410,199</u>
Deferred inflows of resources:				
Related to pensions	18,947	2,921	—	21,868
Related to other postemployment benefits	82,073	12,848	—	94,921
Total deferred inflows of resources	<u>101,020</u>	<u>15,769</u>	<u>—</u>	<u>116,789</u>
Net position:				
Net investment in capital assets	4,564,598	402,295	(100)	4,966,793
Restricted:				
Debt service	7,889	—	—	7,889
Other purposes	206,937	91,689	595	299,221
Unrestricted	(623,553)	(81,760)	1,429	(703,884)
Total net position	<u>\$ 4,155,871</u>	<u>412,224</u>	<u>1,924</u>	<u>4,570,019</u>

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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

Year ended June 30, 2021

(In thousands)

	Transit	Sustainable Streets	Parking Garages	SFMTA Eliminations	Total
Operating revenues:					
Passenger fares	\$ 17,680	—	—	—	17,680
Parking and transportation	—	67,523	3,734	—	71,257
Fines, forfeitures, and penalties	—	65,790	—	—	65,790
Charges for services	872	16,672	—	—	17,544
Licenses, permits, and franchises	—	23,503	—	—	23,503
Advertising	6,637	—	—	—	6,637
Rents and concessions	2,767	2,729	15	—	5,511
Other	83	(754)	37	—	(634)
Total operating revenues	28,039	175,463	3,786	—	207,288
Operating expenses:					
Personnel services	742,886	95,620	985	—	839,491
Contractual services	68,857	58,965	981	—	128,803
Materials and supplies	68,908	5,667	68	—	74,643
Depreciation and amortization	186,057	14,672	457	—	201,186
Services from other City departments	66,868	9,656	—	—	76,524
General and administrative	5,493	24,283	293	—	30,069
Other operating expenses	(48,549)	14,101	805	—	(33,643)
Total operating expenses	1,090,520	222,964	3,589	—	1,317,073
Operating income (loss)	(1,062,481)	(47,501)	197	—	(1,109,785)
Nonoperating revenues (expenses):					
Operating assistance:					
Federal	451,680	4,044	—	—	455,724
State and other grants	139,767	146	—	—	139,913
Interest and investment income (loss)	(117)	(151)	—	—	(268)
Interest expense	(8,294)	(1,661)	(390)	—	(10,345)
Other, net	22,496	814	344	—	23,654
Total nonoperating revenues, net	605,532	3,192	(46)	—	608,678
Income (loss) before capital contributions and transfers	(456,949)	(44,309)	151	—	(501,107)
Capital contributions:					
Federal	117,198	2,268	—	—	119,466
State and others	72,411	18,582	—	—	90,993
Total capital contributions	189,609	20,850	—	—	210,459
Transfers in:					
City and County of San Francisco – General Fund	331,500	111,165	—	—	442,665
San Francisco County Transportation Authority	6,830	1,236	—	—	8,066
City and County of San Francisco – Other City departments	97,548	48,381	—	—	145,929
SFMTA operating transfers in	65,469	388	—	(65,857)	—
Total transfers in	501,347	161,170	—	(65,857)	596,660
Transfers out:					
SFMTA operating transfers out	—	(65,469)	(388)	65,857	—
Net transfers	501,347	95,701	(388)	—	596,660
Change in net position	234,007	72,242	(237)	—	306,012
Total net position, beginning of year	3,921,864	339,982	2,161	—	4,264,007
Total net position, end of year	\$ 4,155,871	412,224	1,924	—	4,570,019

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Supplemental Schedule of Grants – Federal

Year ended June 30, 2021

(In thousands)

	Authorized grants as of July 1, 2020	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2021	Amounts not expended as of June 30, 2021	Grants receivable as of June 30, 2021
Capital grants:							
FY 2016 Section 5307 Urban Area Formula	\$ 3,578	—	(2,967)	—	611	(611)	—
FY 2013 Section 5307 CMAQ & Surface Transportation Program	3,771	—	(815)	—	2,956	(2,952)	4
FY 2017 Section 5307 Vision Zero Safety Investments	2,342	—	(2,342)	—	—	—	—
FY 2018 Section 5307 Geary Rapid Project	5,481	—	(5,481)	—	—	—	—
FY 2018 Section 5307 Van Ness Avenue BRT	7,300	—	(3,199)	—	4,101	(1,761)	2,340
FY 2019 Section 5307 Geary Rapid	6,935	—	(347)	—	6,588	(3,734)	2,854
FY 2019 Section 5307 Formula Fund	41,657	—	(5,464)	—	36,193	(36,005)	188
FY 2013 Section 5309 Bus Livability	143	—	(107)	—	36	(213)	(177)
FY 2007 Section 5309 New Starts	89,510	—	(80,782)	1,363	10,091	—	10,091
FY 2016 Section 5309 New Starts	19,161	—	(19,161)	—	—	—	—
FY 2015 Section 5337 State of Good Repair	7,620	—	(5,814)	—	1,806	(1,657)	149
FY 2016 Section 5337 State of Good Repair	15,570	—	(2,429)	—	13,141	(9,688)	3,453
FY 2017 Section 5337 State of Good Repair	2,944	—	(2,271)	—	673	(420)	253
FY 2018 Section 5337 State of Good Repair Grant	46,933	—	(17,825)	—	29,108	(25,583)	3,525
FY 2019 Section 5337 State of Good Repair Grant	71,274	—	(8,212)	—	63,062	(53,571)	9,491
FY 2019 Section 5339 Bus and Bus Facilities Grant	3,617	—	(3,158)	—	459	(46)	413
FY 2020 Section 5337 State of Good Repair Grant	—	4,288	—	—	4,288	(4,288)	—
Total capital grants	<u>\$ 327,836</u>	<u>4,288</u>	<u>(160,374)</u>	<u>1,363</u>	<u>173,113</u>	<u>(140,529)</u>	<u>32,584</u>
Operating grants:							
FY 2013 Section 5307 CMAQ & Surface Transportation Program	\$ 55	—	—	—	55	(55)	—
FY 2016 Section 5307 Formula Fund	12	—	—	—	12	(12)	—
FY 2019 Section 5307 Formula Fund	4,344	—	(4,344)	—	—	—	—
FY 2020 Section 5307 CARES Operating Grant	17,956	—	(17,956)	—	—	—	—
FY 2021 Section 5307 CARES Operating Grant	—	176,592	(176,592)	—	—	—	—
FY 2021 Section 5307 CRRSAA Operating Assistance Grant	—	340,919	(218,813)	—	122,106	(67,288)	54,818
FY 2017 Section 5310 Enhanced Mobility of Seniors and Individuals With Disabilities	256	—	(256)	—	—	—	—
FY 2020 Section 5310 Mobility Management	—	774	(774)	—	—	—	—
Total operating grants	<u>\$ 22,623</u>	<u>518,285</u>	<u>(418,735)</u>	<u>—</u>	<u>122,173</u>	<u>(67,355)</u>	<u>54,818</u>

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Supplemental Schedule of Grants – California Transportation Commission

Year ended June 30, 2021

(In thousands)

	Authorized grants as of July 1, 2020	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2021	Amounts not expended as of June 30, 2021	Grants receivable as of June 30, 2021
Capital grants:							
FY 2008 Prop 1B: 3rd St. Light Rail	\$ 1,233	—	179	—	1,412	(1,412)	—
FY 2008 Prop 1B: Operator Restrooms	712	—	(19)	—	693	(693)	—
FY 2009 Prop 1B: New Central Subway	1,060	—	45	—	1,105	(1,105)	—
FY 2010 Prop 1B: Balboa Park Eastside Connection	85	—	—	—	85	(85)	—
FY 2013 Prop 1B: Mission Mobility Maximization	886	—	(80)	—	806	(806)	—
FY 2013 Prop 1B: 8X Mobility Maximization	1,271	—	(37)	—	1,234	(1,234)	—
FY 2014 Prop 1B: LRV Procurement	2,345	—	(776)	—	1,569	(1,569)	—
FY 2014 Prop 1B: Flynn Lifts	770	—	—	—	770	(770)	—
FY 2017 Prop 1B: 31 Balboa Project	725	—	—	—	725	(725)	—
Total Prop 1B	9,087	—	(688)	—	8,399	(8,399)	—
FY 2015 Prop 1B: Transit Security	1,996	—	(568)	—	1,428	(1,428)	—
FY 2016 Prop 1B: Transit Security	5,964	—	(508)	—	5,456	(5,456)	—
FY 2017 Prop 1B: Transit Security	3,201	—	—	—	3,201	(3,201)	—
Total Transit Security	11,161	—	(1,076)	—	10,085	(10,085)	—
FY 2020 Transit & Intercity Rail Capital Program	26,867	—	(26,867)	—	—	—	—
FY 2019 Low Carbon Transit Operations Grant – LRV	4,116	—	—	—	4,116	(4,116)	—
FY 2019 Low Carbon Transit Operations Grant West Portal Optimization	818	—	(64)	—	754	(754)	—
FY 2020 Low Carbon Transit Operations Grant Electric Bus Procurement	—	9,716	—	—	9,716	(9,716)	—
FY 2020 Low Carbon Transit Operations Grant Bryant Project	—	3,328	—	—	3,328	(3,328)	—
Total Low Carbon	4,934	13,044	(64)	—	17,914	(17,914)	—
Total capital grants	\$ 52,049	13,044	(28,695)	—	36,398	(36,398)	—
Operating grant:							
FY 2017 Low Carbon Transit Operations Grant	\$ 7,235	—	—	—	7,235	(7,235)	—
FY 2018 Low Carbon Transit Operations Grant	2,060	—	(709)	—	1,351	(1,351)	—
FY 2019 Low Carbon Transit Operations Grant – Prototype Battery Conv.	5,600	—	—	—	5,600	(5,600)	—
FY 2020 Low Carbon Transit Operations Grant Free Muni for Seniors and People with Disabilities	—	13,292	(8,726)	—	4,566	(4,566)	—
Total Low Carbon	14,895	13,292	(9,435)	—	18,752	(18,752)	—
FY 2021 Prop 1B: Presidio Bus Yard Planning Study	—	490	—	—	490	(260)	230
Total operating grants	\$ 14,895	13,782	(9,435)	—	19,242	(19,012)	230

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Supplemental Schedule of Grants – Metropolitan Transportation Commission

Year ended June 30, 2021

(In thousands)

	<u>Authorized grants as of July 1, 2020</u>	<u>New grants approved/ spending commences</u>	<u>Payments received</u>	<u>Expired/ rescinded adjusted grants</u>	<u>Authorized grants as of June 30, 2021</u>	<u>Amounts not expended as of June 30, 2021</u>	<u>Grants receivable as of June 30, 2021</u>
Capital grants:							
Match to Capital Grants							
Bridge Toll	\$ 127,503	—	(37,125)	19	90,397	(63,215)	27,182
FY2021 Bridge Toll	—	30,505	—	—	30,505	(28,631)	1,874
FY2021 BATA	—	4,283	—	—	4,283	(4,283)	—
State Transit Assistance:							
State of Good Repair	26,900	—	(5,334)	143	21,709	(21,709)	—
FY2021 State of Good Repair	—	10,706	—	—	10,706	(10,706)	—
Total capital grants	<u>\$ 154,403</u>	<u>45,494</u>	<u>(42,459)</u>	<u>162</u>	<u>157,600</u>	<u>(128,544)</u>	<u>29,056</u>
Operating grants:							
AB1107 Sales Tax	\$ 3,134	43,121	(42,668)	—	3,587	—	3,587
State Transit Assistance	15,405	51,340	(54,690)	—	12,055	—	12,055
Transportation Development Act	3,232	38,635	(35,310)	(6,557)	—	—	—
RM2:							
Owl Service	171	132	(171)	—	132	—	132
T-Third Light Rail	2,281	1,763	(2,281)	—	1,763	—	1,763
Lifeline Cycle 5:							
Expanded Late Night Transit	—	785	(290)	64	559	(559)	—
Wheelchair Accessible Taxis	—	45	—	—	45	(45)	—
Bayview Transit Assistance	—	200	(217)	17	—	—	—
Total operating grants	<u>\$ 24,223</u>	<u>136,021</u>	<u>(135,627)</u>	<u>(6,476)</u>	<u>18,141</u>	<u>(604)</u>	<u>17,537</u>

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2021

(In thousands)

	Authorized grants as of July 1, 2020	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjustment grants	Authorized grants as of June 30, 2021	Amounts not expended as of June 30, 2021	Grants receivable as of June 30, 2021
Capital grants:							
3rd Street Light Rail Projects	\$ 4,169	—	—	—	4,169	(4,169)	—
Escalator Replacement Study	5	—	(5)	—	—	—	—
Islais Creek Facility Improvements	485	—	—	—	485	(485)	—
Radio Communications System & CAD	3,890	—	—	—	3,890	(3,890)	—
Central Train Control & Communication	4,770	—	(997)	—	3,773	(3,758)	15
Bus Rapid Transit (Geary & Van Ness)	23,078	—	(2,112)	—	20,966	(13,042)	7,924
Motor Coach NABI Replacement	3,193	—	—	—	3,193	(3,193)	—
Central Subway Phase 3 Initial Study	916	—	—	—	916	(913)	3
60-foot Trolley Coach Replacement	8,464	—	(4,511)	—	3,953	(3,510)	443
Phelan Plaza Development	91	—	—	—	91	(91)	—
Muni Forward	1,246	—	—	—	1,246	(940)	306
New Light Rail Vehicles	126,561	—	(8,306)	—	118,255	(102,317)	15,938
Geneva-Harvey Bus Rapid Transit Study	3,771	—	(666)	—	3,105	(3,084)	21
Muni Metro East (MME) Phase II	1,217	—	—	—	1,217	(1,217)	—
Fall Protection System	3,537	—	(61)	—	3,476	(3,298)	178
Replace M-Line Curve Tracks	964	—	(58)	—	906	(809)	97
Procurement of 30-, 40-, and 60-foot Hybrid Buses	17,823	—	(724)	—	17,099	(17,049)	50
Kearny Corridor Multimodal Project	19	—	(19)	—	—	—	—
Fire Life Safety Upgrade	952	—	—	—	952	(481)	471
1570 Burke Facility Renovation	902	—	(51)	—	851	(851)	—
33 Stanyan Pole Replacement	67	—	(37)	—	30	—	30
Rail Grinding Project	252	—	(37)	—	215	(174)	41
Cable Car Drive Reduction Gearbox Rehab	569	—	(202)	—	367	—	367
ATCS Tunnel Wiring Replacement	127	—	(126)	—	1	(1)	—
Elevator Safety & Reliability Project	261	—	—	—	261	(159)	102
Paratransit Van Replacement Project	98	—	(9)	—	89	(89)	—
Twin Peaks Tunnel Rail Replacement	5,032	—	(810)	—	4,222	(4,222)	—
Track Support System	1,512	—	(7)	—	1,505	(1,503)	2
Track Replacement & Upgrade	2,811	—	—	—	2,811	(2,811)	—
Paratransit Sedan Procurement	270	—	(270)	—	—	—	—
Alternative Fuel Taxicab In	197	—	(10)	53	240	(209)	31
Cable Car Sheave Rebuild	281	—	(46)	—	235	(235)	—
Replacement Manual Switch S	592	—	(305)	—	287	(287)	—
MF Corridors PL & CE	3,181	—	(44)	—	3,137	(3,137)	—
Local Bus Transit Signal Priority	1,190	2,320	(894)	—	2,616	(1,319)	1,297
Paratransit Replacement	929	—	(442)	—	487	(487)	—
Presidio Bus Lifts	4,400	—	(3,300)	—	1,100	(507)	593
LRV 2&3 HVAC Refurbish	3,200	—	(8)	—	3,192	(3,121)	71
LRV2 & LRV3 Overhauls	7,491	—	(409)	—	7,082	(6,912)	170
Streetcar Extension to Fort Mason	926	—	(6)	—	920	(919)	1
Muni Metro Expansion	3,488	1,900	(1,000)	—	4,388	(2,919)	1,469
Rehab of Historic Streetcars	1,076	—	(25)	—	1,051	(915)	136
Muni Forward 22 Fillmore	5,600	—	—	—	5,600	(5,600)	—
New Flyer Midlife Overhaul	17,937	—	—	—	17,937	(17,937)	—
Light Rail Vehicle Procurement	60,732	—	—	—	60,732	(60,732)	—
New Castro Station Elevator	1,500	—	(919)	—	581	(342)	239
Wheelchair Accessible Taxi	50	—	—	—	50	(50)	—
3rd Street Transit and Safety Improvements	—	384	—	—	384	(381)	3
Muni Metro Station Enhancement Phase I	—	—	—	2,465	2,465	(790)	1,675
L-Taraval Transit Enhancements (Segment B)	—	3,664	—	—	3,664	(3,664)	—
Replace 30 30-foot Hybrid Motor Coaches	—	16,196	—	—	16,196	(16,118)	78
Potrero Yard Modernization	—	5,773	—	—	5,773	(5,742)	31
Transit Stop Signage Enhancement Program	—	1,044	—	—	1,044	(1,044)	—
Total capital grants	\$ 329,822	31,281	(26,416)	2,518	337,205	(305,423)	31,782

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2021

(In thousands)

	Authorized grants as of July 1, 2020	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjustment grants	Authorized grants as of June 30, 2021	Amounts not expended as of June 30, 2021	Grants receivable as of June 30, 2021
Operating grants:							
Paratransit	\$ 1,904	10,468	(6,190)	—	6,182	(4,724)	1,458
Transit Corridor Investment Study	54	966	—	—	1,020	(1,020)	—
N-Judah Customer First	215	—	—	—	215	(215)	—
66 Quintara Reconfiguration Study	4	—	—	—	4	(4)	—
Van Gogh Shuttles	228	150	(132)	—	246	(113)	133
Ramp Taxi Incentives	—	125	—	—	125	(125)	—
Replace 28 Paratransit V	—	1,156	—	—	1,156	(1,156)	—
Total operating grants	<u>\$ 2,405</u>	<u>12,865</u>	<u>(6,322)</u>	<u>—</u>	<u>8,948</u>	<u>(7,357)</u>	<u>1,591</u>

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Supplemental Schedule of Grants – Others

Year ended June 30, 2021

(In thousands)

	Authorized grants as of July 1, 2020	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2021	Amounts not expended as of June 30, 2021	Grants receivable as of June 30, 2021
Capital grants:							
BART Better Market Street	\$ 389	—	—	—	389	(240)	149
Operating grants:							
FY 2017 Transit Security Grant Program	\$ 68	—	(3)	—	65	—	65
FY 2019 Transit Security Grant Program	5,228	—	(2,173)	—	3,055	(2,736)	319
FY 2020 Federal Homeland Security – TSA K9 Project	127	—	(73)	—	54	(18)	36
FY 2021 Federal Homeland Security – TSA K9 Project	—	1,136	(190)	—	946	(911)	35
Total Transit Security	5,423	1,136	(2,439)	—	4,120	(3,665)	455
FY 2020 FEMA Funding for COVID-19	—	—	837	(837)	—	—	—
Total operating grants	\$ 5,423	1,136	(1,602)	(837)	4,120	(3,665)	455

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SUSTAINABLE STREETS**

Supplemental Schedule of Grants – Federal

Year ended June 30, 2021

(In thousands)

	Authorized grants as of July 1, 2020	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2021	Amounts not expended as of June 30, 2021	Grants receivable as of June 30, 2021
Capital grants:							
FY 2009 CMAQ – SF Park	\$ 398	—	—	—	398	(398)	—
FY 2013 Highway Safety Improvements – Continental Crosswalks	16	—	(1)	—	15	(14)	1
FY 2013 Highway Safety Improvements – Masonic Signals Project	58	—	—	—	58	(58)	—
FY 2014 Highway Safety Improvement – Polk Street Signals	463	—	—	—	463	(463)	—
FY 2013 Highway Safety Improvement – Rail Signals	562	—	—	—	562	(562)	—
FY 2016 Surface Transportation – Eddy and Ellis Traffic Calming Projects	117	—	—	—	117	(117)	—
FY 2013 Surface Transportation – Mansell Corridor Complete Streets	44	—	—	—	44	(4)	40
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 & 2017 Highway Safety Improvement – South Van Ness Pedestrian Signals Projects	208	—	—	—	208	(208)	—
FY 2018 Highway Safety Improvement – NOMA SOMA Signal Timing Project	1,091	—	(1,091)	—	—	—	—
FY 2018 Advanced Transportation and Congestion Management Technologies Deployment Initiatives	10,858	—	(465)	—	10,393	(8,491)	1,902
Total capital grants	<u>\$ 13,864</u>	<u>—</u>	<u>(1,557)</u>	<u>—</u>	<u>12,307</u>	<u>(10,359)</u>	<u>1,948</u>
Operating grants:							
TEA Pedestrian Safety Education	\$ 20	—	—	—	20	—	20
Tenderloin Pedestrian Improvements	279	—	—	—	279	(279)	—
Golden Gate Park Pedestrian Improvements	63	—	—	—	63	(3)	60
Chinatown Safe Routes to School	25	—	—	—	25	(25)	—
Alamo School Safe Routes to School	86	—	—	—	86	(86)	—
SFGO Van Ness Corridor Management – TSP/BRT	5,696	—	(2,989)	—	2,707	(2,359)	348
SF Bicycle Parking Program	12	—	—	—	12	(8)	4
Pedestrian Safety Program	4	—	—	—	4	(2)	2
Masonic Avenue Signal Upgrade	45	—	—	—	45	(45)	—
FY 2007 Safe Routes to School	29	—	—	—	29	(29)	—
FY 2012 Safe Routes to School – Tenderloin	96	—	—	—	96	(81)	15
FY 2013 Safe Routes to School – Denman	4	—	—	—	4	(4)	—
FY 2019 Safe Routes to School – Non-infrastructure projects	2,382	—	(918)	—	1,464	(613)	851
FY 2010 & 2011 State Transportation Improvement Program – SF Pedestrian Safety & Encouragement	6	—	—	—	6	(6)	—
FY 2012 State Transportation Improvement – Church & Duboce	24	—	—	—	24	(7)	17
FY 2013 Linked Price Electric Bike Sharing	724	—	—	—	724	(623)	101
FY 2013 Regional Priority Development Area – Various Projects	110	—	—	—	110	(103)	7
FY 2015 State Active Transportation Program – SF Safer Street Campaign	127	—	—	—	127	(127)	—
FY 2017 California Office of Traffic Safety – Vision Zero Three-Year Motorcycle Education Campaign Pilot	252	—	—	—	252	(252)	—
FY 2020 California Office of Traffic Safety – Vision Zero Three-Year Motorcycle Education Campaign Pilot	—	48	(2)	—	46	(29)	17
FY 2018 Section 5303 Short-Range Transit Plan	43	—	—	—	43	(43)	—
Caltrans Planning SF Transit Corridor Study	438	—	(236)	—	202	(89)	113
Total operating grants	<u>\$ 10,465</u>	<u>48</u>	<u>(4,145)</u>	<u>—</u>	<u>6,368</u>	<u>(4,813)</u>	<u>1,555</u>

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SUSTAINABLE STREETS**

Supplemental Schedule of Grants – California Transportation Commission

Year ended June 30, 2021

(In thousands)

	Authorized grants as of July 1, 2020	New grants approved/ spending commences	Payments received	Expired/ rescinded/ Adjustment grants	Authorized grants as of June 30, 2021	Amounts not expended as of June 30, 2021	Grants receivable as of June 30, 2021
Capital grants:							
FY 2013 Prop 1B: 8X Mobility Maximization	\$ 131	—	(161)	256	226	(226)	—
FY 2014 Prop 1B: LRV Procurement	32	—	—	—	32	(32)	—
Total Prop 1B	163	—	(161)	256	258	(258)	—
 FY 2017 Prop 1B: Transit Security	 21	 —	 —	 —	 21	 (21)	 —
Total Transit Security	21	—	—	—	21	(21)	—
 Affordable Housing and Sustainable Communities Program	 84	 —	 (356)	 935	 663	 —	 663
Safer Intersections Program	1,746	—	(1,097)	—	649	(204)	445
6th St Pedestrian Safety Project	—	6,000	—	—	6,000	(5,954)	46
Visitation Valley Project	—	352	(20)	—	332	(312)	20
FY2020 Vision Zero Project	—	2,350	(1)	—	2,349	(2,318)	31
Total capital grants	\$ 2,014	8,702	(1,635)	1,191	10,272	(9,067)	1,205
Operating Grants:							
Randolph/Farallones/Orizaba Transit Access	\$						
Pedestrian Safety	3	—	—	—	3	(3)	—
Class II & III Bikeways	15	—	—	—	15	—	15
Jean Parker Safe Routes to School	—	—	—	15	15	—	15
HSIP SSARP Bicycle Safety	59	—	(7)	—	52	(52)	—
Hyde Street Safety Project	300	—	—	—	300	(178)	122
Total operating grants	\$ 377	—	(7)	15	385	(233)	152

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SUSTAINABLE STREETS**

Supplemental Schedule of Grants – Metropolitan Transportation Commission

Year ended June 30, 2021

(In thousands)

	Authorized grants as of July 1, 2020	New grants approved/ spending commences	Payments received	Expired/ rescinded/ Adjustment grants	Authorized grants as of June 30, 2021	Amounts not expended as of June 30, 2021	Grants receivable as of June 30, 2021
Capital grants:							
TDA:							
TDA FY2021 Allocation	\$ —	484	—	—	484	(484)	—
TDA FY2020 Allocation	486	—	(62)	—	424	(404)	20
TDA FY2019 Allocation	462	—	(182)	—	280	—	280
TDA FY2018 Allocation	267	—	(267)	—	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital grants	\$ <u>1,215</u>	<u>484</u>	<u>(511)</u>	<u>—</u>	<u>1,188</u>	<u>(888)</u>	<u>300</u>
Operating grants:							
TDA:							
Long-Term Bike Parking	\$ <u>21</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21</u>	<u>(21)</u>	<u>—</u>

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SUSTAINABLE STREETS**

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2021

(In thousands)

	Authorized grants as of July 1, 2020	New grants approved/ spending commences	Payments received	Expired/ rescinded/ Adjustment grants	Authorized grants as of June 30, 2021	Amounts not expended as of June 30, 2021	Grants receivable as of June 30, 2021
Capital grants:							
Bicycle Program Projects	\$ 1,249	2,173	(716)	19	2,725	(2,125)	600
Pedestrian Safety Program Projects	2,854	2,165	(1,353)	24	3,690	(3,101)	589
Traffic Calming Program Projects	14,997	9,101	(6,410)	119	17,807	(11,933)	5,874
Traffic Signal/Traffic Sign Projects	14,668	420	(5,464)	(77)	9,547	(6,582)	2,965
Transit Study & Street Improvement Projects	1,047	587	(542)	7	1,099	(882)	217
Transportation/Land Use Coordination	—	46	—	—	46	(41)	5
Transportation Demand/Parking Management	712	—	(179)	—	533	(473)	60
Total capital grants	<u>\$ 35,527</u>	<u>14,492</u>	<u>(14,664)</u>	<u>92</u>	<u>35,447</u>	<u>(25,137)</u>	<u>10,310</u>
Pass-through capital grants:							
Bicycle Program Projects	\$ 358	466	(177)	—	647	(27)	620
	214	—	—	—	214	(214)	—
Taxi Vehicle Alternative Fuel Program	—	3,028	—	—	3,028	(2,878)	150
Total pass-through capital grants	<u>\$ 572</u>	<u>3,494</u>	<u>(177)</u>	<u>—</u>	<u>3,889</u>	<u>(3,119)</u>	<u>770</u>
Operating grants:							
Bicycle Program Projects	\$ 938	930	(519)	15	1,364	(1,049)	315
Pedestrian Safety Program Projects	504	—	(338)	(28)	138	(5)	133
Traffic Calming Program Projects	357	100	(318)	15	154	(100)	54
Traffic Signal/Traffic Sign Projects	573	—	(114)	54	513	(504)	9
Transit Study & Street Improvement Projects	63	—	—	65	128	(128)	—
Transportation/Land Use Coordination	600	—	(314)	—	286	(213)	73
Transportation Demand/Parking Management	—	440	(73)	—	367	(293)	74
Total operating grants	<u>\$ 3,035</u>	<u>1,470</u>	<u>(1,676)</u>	<u>121</u>	<u>2,950</u>	<u>(2,292)</u>	<u>658</u>
Pass-through operating grants:							
Bicycle Program Projects	\$ 72	—	—	(65)	7	(7)	—
Transportation Outreach Program	79	—	—	(79)	—	—	—
Total pass-through operating grants	<u>\$ 151</u>	<u>—</u>	<u>—</u>	<u>(144)</u>	<u>7</u>	<u>(7)</u>	<u>—</u>

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SUSTAINABLE STREETS**

Supplemental Schedule of Grants – Others

Year ended June 30, 2021

(In thousands)

	<u>Authorized grants as of July 1, 2020</u>	<u>New grants approved/ spending commences</u>	<u>Payments received</u>	<u>Expired/ rescinded/ Adjustment grants</u>	<u>Authorized grants as of June 30, 2021</u>	<u>Amounts not expended as June 30, 2021</u>	<u>Grants receivable as June 30, 2021</u>
Capital grants:							
Electronic Bicycle Lockers	\$ 100	—	(43)	—	57	—	57
TA Traffic/Bike Programs	262	—	(157)	—	105	—	105
Total capital grants	<u>\$ 362</u>	<u>—</u>	<u>(200)</u>	<u>—</u>	<u>162</u>	<u>—</u>	<u>162</u>
Operating grants:							
UCSF – 18th St and Minnesota Signal	\$ 574	—	—	(574)	—	—	—
Group I – Bryant and Sterling Construction	200	—	—	(200)	—	—	—
Equity Residential Mariposa and Pennsylvania	20	—	—	(20)	—	—	—
Lake Merced Pedestrian Safety CBTP	75	—	(36)	—	39	—	39
FY 2020 FEMA Funding for COVID-19	—	—	21	(21)	—	—	—
Total operating grants	<u>\$ 869</u>	<u>—</u>	<u>(15)</u>	<u>(815)</u>	<u>39</u>	<u>—</u>	<u>39</u>

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Schedule of Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA)

Year ended June 30, 2021

(In thousands)

Project title	Allocation	Beginning balance July 1, 2020	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2021
First Allocation Fiscal Year 2007–2008:								
Third Street Light Rail Interest	\$ —	211	—	—	11	(93)	—	129
Third Street/Metro East CP/Other Direct	1,383	289	—	—	—	(1)	—	288
LRV4 VCC Support	2,200	1,121	—	—	—	—	—	1,121
Elevator Safety and Reliability Project	117	4	—	—	—	—	—	4
Subtotal PTSB01	3,700	1,625	—	—	11	(94)	—	1,542
Auto Passenger Count	1,200	—	—	—	—	—	—	—
New Central Subway	1,300	1	—	—	—	—	(1)	—
Subtotal PTSB02	2,500	1	—	—	—	—	(1)	—
Trolley Overhead Reconstruction	2,267	1	—	—	—	—	(1)	—
Mid-Life Rehabilitation of Neoplan Buses	733	—	—	—	—	—	—	—
Subtotal PTSB03	3,000	1	—	—	—	—	(1)	—
STA Prop 1B; FY0708; Farebox Rehab	—	5	—	—	—	(5)	—	—
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	5	—	—	—	(5)	—	—
STA Prop 1B; FY0708; Geneva	—	3	—	—	—	(3)	—	—
Historic Streetcar Shed	6,092	—	—	—	—	—	—	—
New Central Subway	1,200	—	—	—	—	—	—	—
14 Mission Customer First	208	—	—	—	—	—	—	—
Subtotal PTSB05	7,500	3	—	—	—	(3)	—	—
Subtotal Allocation	36,700	1,635	—	—	11	(102)	(2)	1,542
Second Allocation Fiscal Year 2007–2008:								
STA Prop 1B; FY0708; Metro East LRV	—	18	—	—	—	(18)	—	—
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
Subtotal PTSB06	9,700	79	—	—	—	(18)	—	61

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Schedule of Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA)

Year ended June 30, 2021

(In thousands)

Project title	Allocation	Beginning balance July 1, 2020	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2021
STA Prop 1B; FY0708; Operator Restrooms	\$ —	80	—	—	5	(34)	—	51
Operator-Restroom	2,164	—	—	—	—	—	—	—
Woods Lifts Heavy Maintenance Shop	10	—	—	—	—	—	—	—
Cable Car Safety and Reliability Improvement	422	343	—	—	—	(1)	(19)	323
Transportation Capital Infrastructure	369	369	—	—	—	—	—	369
Subtotal PTSB07	2,965	792	—	—	5	(35)	(19)	743
STA PROP 1B; PTSB08 Interest Earnings	—	38	—	—	—	(37)	—	1
Wayside Fare Collection	1,000	—	—	—	—	—	—	—
Subtotal PTSB08	1,000	38	—	—	—	(37)	—	1
Subtotal Allocation	13,665	909	—	—	5	(90)	(19)	805
First Allocation Fiscal Year 2008–2009:								
STA Prop 1B; FY0910; Central Subway	—	159	—	—	9	(72)	—	96
Operator-Restroom	19	—	—	—	—	—	—	—
New Central Subway	20,001	—	—	—	—	—	—	—
Wayside/Central Train Control System	3,345	925	—	—	—	—	(11)	914
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	96	—	—	—	—	—	96
Fall Protection Scaffolding	773	—	—	—	—	—	—	—
8X Customer First	562	—	—	—	—	—	—	—
Safer Market Street	649	—	—	—	—	—	—	—
Flynn Lift	20	—	—	—	—	—	—	—
L Taraval Early Implementation Project	455	27	—	—	—	—	(27)	—
Potrero Facility Vehicle Lifts	32	32	—	—	—	—	—	32
Subtotal PTSB11	30,000	1,278	—	—	9	(72)	(38)	1,177
STA Prop 1B; PTSB12 Interest Earnings	—	19	—	—	—	(19)	—	—
Central Control and Communications Program	400	—	—	—	—	—	—	—
Subtotal PTSB12	400	19	—	—	—	(19)	—	—
STA Prop 1B; PTSB13 Interest Earnings	—	61	—	—	—	(59)	—	2
Central Control and Communications Program	1,300	—	—	—	—	—	—	—
Subtotal PTSB13	1,300	61	—	—	—	(59)	—	2
STA Prop 1B; FY0809; Persia Triangle	—	8	—	—	—	—	—	8
Persia Triangle Improvements	127	49	—	—	—	—	—	49
Subtotal PKSB01	127	57	—	—	—	—	—	57
Randolph/Farallones/Orizaba	85	4	—	—	—	—	—	4
Subtotal PKSB02	85	4	—	—	—	—	—	4
Subtotal Allocation	31,912	1,419	—	—	9	(150)	(38)	1,240

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Schedule of Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA)

Year ended June 30, 2021

(In thousands)

Project title	Allocation	Beginning balance July 1, 2020	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2021
Third Allocation Fiscal Year 2007–2008 and Second Allocation 2008–2009:								
STA Prop 1B; FY0910; LRV Rehab Program	\$ —	14	—	—	—	(14)	—	—
LRV Safety Mods and Overhaul Project	3,638	—	—	—	—	—	—	—
Subtotal PTSB14	3,638	14	—	—	—	(14)	—	—
New Central Subway	352	—	—	—	—	—	—	—
Subtotal PTSB15	352	—	—	—	—	—	—	—
STA Prop 1B; FY0910; High-Speed Connectivity	—	26	—	—	—	(25)	—	1
Central Control and Communications Program	817	—	—	—	—	—	—	—
Subtotal PTSB16	817	26	—	—	—	(25)	—	1
Subtotal Allocation	4,807	40	—	—	—	(39)	—	1
Third Allocation Fiscal Year 2008–2009:								
Islais Creek Maintenance Improvements	—	116	—	—	—	—	—	116
LRV Safety Mods and Overhaul Project	5,262	—	—	—	—	—	—	—
Capital Program Controls System Procurement	—	60	—	—	—	—	—	60
Subtotal PTSB18	5,262	176	—	—	—	—	—	176
STA Prop 1B; PTSB19 Interest Earnings	—	47	—	—	—	(45)	—	2
LRV Collision Repairs	3,831	—	—	—	—	—	—	—
Subtotal PTSB19	3,831	47	—	—	—	(45)	—	2
New Central Subway	719	—	—	—	—	—	—	—
Subtotal PTSB20	719	—	—	—	—	—	—	—
Subtotal Allocation	9,812	223	—	—	—	(45)	—	178
First Allocation Fiscal Year 2009–2010:								
STA Prop 1B; FY2009–2010 PTMISEA Funds								
Hunters View Revitalize Transit Stop Connection	13	30	—	—	1	(13)	—	18
New Central Subway	497	—	—	—	—	—	—	—
LRV Collision Repairs	20,216	—	—	—	—	—	—	—
Mid-Life Rehabilitation of Neoplan Buses	770	—	—	—	—	—	—	—
Balboa Park Station Eastside Connection	700	—	—	—	—	—	—	—
Green Center Rail Replacement	864	85	—	—	—	—	—	85
Capital Program Controls System Procurement	—	101	—	—	—	—	—	101
Safer Market Street	—	1	—	—	—	—	(1)	—
Subtotal PTSB22	23,060	217	—	—	1	(13)	(1)	204
Subtotal Allocation	23,060	217	—	—	1	(13)	(1)	204

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Schedule of Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA)

Year ended June 30, 2021

(In thousands)

Project title	Allocation	Beginning balance July 1, 2020	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2021
Second Allocation Fiscal Year 2009–2010:								
STA Prop 1B; FY2009-2010 PTMISEA Funds	\$ —	10	—	—	—	(10)	—	—
New Central Subway	16,045	—	—	—	—	—	—	—
Green Center Rail Replacement	—	147	—	—	—	—	—	147
Capital Program Controls System Procurement	—	53	—	—	—	—	—	53
Subtotal PTSB23	16,045	210	—	—	—	(10)	—	200
Randolph/Farallones/Orizaba	395	—	—	—	—	—	—	—
Subtotal PKSB03	395	—	—	—	—	—	—	—
Subtotal Allocation	16,440	210	—	—	—	(10)	—	200
Third Allocation Fiscal Year 2009–2010:								
STA Prop1B; Central Subway and Persia	—	91	—	—	1	(81)	—	11
Persia Triangle Improvements	676	88	—	—	—	—	—	88
New Central Subway	48,400	—	—	—	—	—	—	—
Central Subway Goodwill	—	55	—	—	—	—	—	55
Capital Program Controls System Procurement	—	14	—	—	—	—	—	14
Subtotal PTSB24	49,076	248	—	—	1	(81)	—	168
Subtotal Allocation	49,076	248	—	—	1	(81)	—	168
First Allocation Fiscal Year 2010–2011:								
STA Prop 1B; PTSB26 Interest Earnings	—	18	—	—	2	—	—	20
Islais Creek Maintenance Improvements	—	156	—	—	—	—	—	156
Twin Peaks Tunnel Rail	—	38	—	—	—	—	—	38
Traffic Signal Battery Backup System	—	270	—	—	—	—	—	270
New Central Subway	117,681	—	—	—	—	—	—	—
Subtotal PTSB26	117,681	482	—	—	2	—	—	484
Subtotal Allocation	117,681	482	—	—	2	—	—	484
Second Allocation Fiscal Year 2010–2011:								
STA Prop1B; FY13 PTMISEA Mission Mobility	—	154	—	—	7	—	—	161
Islais Creek Maintenance Improvements	—	124	—	—	—	—	—	124
14 Mission Customer First	836	492	—	—	—	—	—	492
Muni Forward – West Portal/St Francis Circle	1,743	—	—	—	—	—	—	—
Cable Car Safety and Reliability Improvement	978	—	—	—	—	—	—	—
Muni Forward – Lower Haight Street (71)	1,500	1,113	—	—	—	—	(797)	316
Subtotal PTSB27	5,057	1,883	—	—	7	—	(797)	1,093
Subtotal Allocation	5,057	1,883	—	—	7	—	(797)	1,093

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Schedule of Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA)

Year ended June 30, 2021

(In thousands)

Project title	Allocation	Beginning balance July 1, 2020	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2021
STA Prop 1B; PTSB28 Interest Earnings	\$ —	241	—	—	13	(111)	—	143
Potrero Hill Pedestrian Safety & Transit Improvement	216	94	—	—	—	—	(24)	70
Operator-Restroom	186	—	—	—	—	—	—	—
FY10 TSGP Subway CCTV Surveillance System	1,060	—	—	—	—	—	—	—
Balboa Park Station Area and Plaza Improvement	1,460	—	—	—	—	—	—	—
Mission Bay Transit Loop	448	—	—	—	—	—	—	—
8X Customer First	1,763	1,235	—	—	—	—	—	1,235
Transportation Capital Infrastructure	152	—	—	—	—	—	—	—
MT Special Trackwork Replacement	—	37	—	—	—	—	(37)	—
Subtotal PTSB28	5,285	1,607	—	—	13	(111)	(61)	1,448
STA Prop1B; FY13 PTMISEA Mission Bay Loop	—	36	—	—	—	(30)	—	6
Mission Bay Transit Loop	1,382	69	—	—	—	—	—	69
Subtotal PTSB29	1,382	105	—	—	—	(30)	—	75
Subtotal Allocation	6,667	1,712	—	—	13	(141)	(61)	1,523
First Allocation Fiscal Year 2013–2014:								
STA Prop1B; FY14 LRV Procurement	—	176	—	—	22	(54)	—	144
Van Ness Bus Rapid Transit	639	350	—	—	—	—	—	350
Mission Bay Transit Loop	2,197	—	—	—	—	—	—	—
Muni Forward	956	247	—	(52)	—	—	192	387
Elevator Safety and Reliability Project	2,200	1,730	—	—	—	—	(350)	1,380
Muni Metro Subway Station Enhancement	287	68	—	—	—	—	(68)	—
MS Arguello Traffic Signal	249	32	—	—	—	—	—	32
MT Cable Car Curved Track Rep	52	—	—	52	—	—	(52)	—
Subtotal PTSB31	6,580	2,603	—	—	22	(54)	(278)	2,293
STA Prop1B; FY14 Central Subway	—	1,679	—	—	11	(1)	—	1,689
Islais Creek Maintenance Improvements	—	194	—	—	—	—	—	194
Twin Peaks Tunnel Rail	—	56	—	—	—	—	—	56
New Central Subway	81,880	—	—	—	—	—	—	—
MT Transportn Capital CPT995	—	215	—	—	—	—	—	215
Subtotal PTSB33	81,880	2,144	—	—	11	(1)	—	2,154
Subtotal Allocation	88,460	4,747	—	—	33	(55)	(278)	4,447
First Allocation Fiscal Year 2015–2016:								
STA Prop 1B; PTSB36 Interest Earnings	—	73	—	—	—	(59)	—	14
Van Ness Bus Rapid Transit	5,550	—	—	—	—	—	—	—
Subtotal PTSB36	5,550	73	—	—	—	(59)	—	14
Subtotal Allocation	5,550	73	—	—	—	(59)	—	14

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Schedule of Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA)

Year ended June 30, 2021

(In thousands)

Project title	Allocation	Beginning balance July 1, 2020	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2021
First Allocation Fiscal Year 2016–2017:								
Balboa Transit Project Improvements	\$ 240	725	—	(485)	—	—	—	240
MT Transportation Capital CPT995	27	—	—	27	—	—	—	27
Flynn Lifts	458	—	—	458	—	—	—	458
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	770	—	(17)	—	—	—	753
Subtotal CTR1055	770	770	—	—	—	—	—	770
Subtotal Allocation	770	770	—	—	—	—	—	770
PTMISEA Interest								
Central Subway	—	—	—	—	—	785	—	785
Subtotal Interest	—	—	—	—	—	785	—	785
Grand Total	\$ 410,382	15,293	—	—	82	—	(1,196)	14,179

See accompanying independent auditors' report.



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Independent Auditors' 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 Transportation Agency Board of Directors
City and County of San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of San Francisco Municipal Transportation Agency (SFMTA), an enterprise fund of the City and County of San Francisco (the City), which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and the changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2022. Our report includes a reference to other auditors who audited the financial statements of Japan Center Garage Corporation (Japan Center) and Portsmouth Plaza Parking Corporation (Portsmouth), as described in our report on SFMTA's financial statements. The financial statements of Portsmouth were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Portsmouth.

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 may exist that have not been identified.



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 SFMTA'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 SFMTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

San Francisco, California
January 26, 2022