



SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Financial Statements and
Supplemental Schedules

June 30, 2020 and 2019

(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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the SFMTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We did not audit the financial statements of the City of San Francisco Japan Center Garage Corporation and the City of San Francisco Portsmouth Plaza Parking Corporation, which represent 0.23% and 0.22%, respectively, of total assets, and 0.05% and 0.07%, respectively, of net position as of June 30, 2020 and 2019, and 1.78% and 1.60%, 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 the City of San Francisco Portsmouth Plaza Parking Corporation, commissioned by the Department of Recreation and Parks, 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, 2020 and 2019, 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, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the year 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 4-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 basic financial statements. The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020 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
November 19, 2020

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

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, 2020. We encourage readers to consider the information presented here in conjunction with information contained in the financial statements.

The COVID-19 (novel coronavirus) 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 City's transportation recovery plan is guided by public health orders. Bus ridership has begun to increase as of April 2020 and although ridership was still down compared to last year, by the end of June bus service averaged nearly twice as many daily boardings compared to mid-April. Rail service has not yet been reinstated and parking and traffic volumes remain low. The SFMTA's finances continue to be impacted adversely.

The CARES Act was signed into law in response to the nationwide Coronavirus pandemic, which provides supplemental appropriations for Emergency Transit Operations Assistance through the Federal Transit Administration (FTA) Section 5307 Urbanized Area and Section 5311 Rural Area formula programs distributed by the Metropolitan Transportation Commission (MTC). 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. No further allocations of CARES funding are expected. However, the SFMTA is hopeful to receive additional funding from any future federal pandemic relief legislation.

The results of revenues, expenses, and changes in net position for fiscal year 2020 are not comparable to prior years given the extraordinary events.

Financial Highlights

- The SFMTA's assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$4,264 million and \$4,049.3 million as of fiscal years ended June 30, 2020 and 2019, respectively.
- As a result of the CARES Act allocation, SFMTA received a total of \$197.2 million in fiscal year 2020, which was used for transit services. The amount represented the operating gap due to the impact of the COVID-19 pandemic.
- The SFMTA's total net position increased by \$214.7 million in 2020 and increased by \$527.6 million in 2019 over the prior fiscal year.
- Total net investment in capital assets was \$4,735.2 million and \$4,438.7 million at June 30, 2020 and 2019, respectively, an increase of 6.7% and 15.7% over the balance of \$4,438.7 million and \$3,836.9 million at June 30, 2019 and 2018, 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 Governmental Accounting Standards Board (GASB)

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Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Statements. The SFMTA is an integral part of the City and these financial statements are included in the City's Comprehensive Annual 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 22 and 23).

The statements of net position (found on pages 17 and 18) 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, 2020 and 2019.

The statements of revenues, expenses, and changes in net position (found on page 19) present information showing how the SFMTA's net position changed during the fiscal years ended June 30, 2020 and 2019. 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 20 and 21) present information about the cash receipts and payments of the SFMTA during the fiscal years ended June 30, 2020 and 2019. 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.

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 22 through 70 of this report.

Other Information

The supplemental schedules found on pages 71 through 90 of this report are presented for the purpose of providing additional analysis and are not a required part of the financial statements.

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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 \$4,264 million at the close of the most recent fiscal year.

Condensed Summary of Net Position

June 30, 2020, 2019, and 2018

(In thousands)

	2020	2019	2018
Assets:			
Total current assets	\$ 1,061,760	1,053,983	1,029,773
Total restricted assets	138,163	191,905	339,872
Capital assets, net	5,101,798	4,814,772	4,222,115
Total assets	\$ 6,301,721	6,060,660	5,591,760
Deferred outflows of resources	\$ 304,903	248,179	250,216
Liabilities:			
Total current liabilities	\$ 310,517	308,259	348,740
Total noncurrent liabilities	1,851,351	1,776,173	1,914,597
Total liabilities	\$ 2,161,868	2,084,432	2,263,337
Deferred inflows of resources	\$ 180,749	175,105	56,986
Net position:			
Net investment in capital assets	\$ 4,735,223	4,438,717	3,836,904
Restricted	133,197	182,232	311,179
Unrestricted	(604,413)	(571,647)	(626,430)
Total net position	\$ 4,264,007	4,049,302	3,521,653

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 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

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Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

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.

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.

Fiscal Year 2019

During fiscal year 2019, the net position increased by \$527.6 million or 15% compared to the prior year. The SFMTA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,049.3 million and \$3,521.7 million as of June 30, 2019 and 2018, respectively.

Current assets increased by \$24.2 million or 2.4%. This increase was in deposits and investments of \$51.7 million and prepaid assets of \$0.4 million, offset by decreases in receivables of \$24.8 million and inventories of \$3.1 million. The increase was mainly due to higher General Fund support from the City.

The restricted assets decreased by \$148 million or 43.5%, attributable to decreases of \$84.7 million in capital project support from the City's general obligation bonds, \$69.6 million in capital funding from revenue bonds, and \$0.4 million in funds held by trustee, offset by an increase of \$6.5 million in collections levied from Transit Sustainability Fees and \$0.2 million in nonprofit garage capital account.

The capital assets increased by \$592.7 million or 14%, mainly from procurement of new revenue vehicles of \$373.6 million and for the Central Subway Project construction in progress of \$134.7 million. The remaining \$84.4 million was from radio replacement, system upgrade, facility improvement, street improvement, and various infrastructure work.

Total noncurrent liabilities decreased by \$138.4 million or 7.2%. The decrease was due to net pension liability of \$112.1 million primarily due to the actual investment returns on plan assets exceeding projected returns, other postemployment benefits liability of \$19.4 million, debt payable of \$9.5 million, and estimated claims of \$2.3 million. The decrease was offset by increases in workers' compensation of \$4.4 million and vacation and sick leave pay of \$0.5 million.

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The largest portion of the \$4,049.3 million SFMTA's net position as of June 30, 2019 reflects its \$4,438.7 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 \$6,765.2 million was offset by accumulated depreciation of \$1,950.4 million and related debt of \$376.1 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, 2020, 2019, and 2018

(In thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues:			
Total operating revenues	\$ 390,673	506,613	515,549
Total nonoperating revenues, net	403,149	247,453	196,301
Total capital contributions	<u>355,527</u>	<u>532,927</u>	<u>522,326</u>
Total revenues	1,149,349	1,286,993	1,234,176
Net transfers	<u>495,962</u>	<u>539,371</u>	<u>618,951</u>
Total revenues and net transfers	1,645,311	1,826,364	1,853,127
Expenses:			
Total operating expenses	<u>1,430,606</u>	<u>1,298,715</u>	<u>1,294,145</u>
Change in net position	<u>214,705</u>	<u>527,649</u>	<u>558,982</u>
Net position at beginning of year:			
Beginning of year, as previously reported	4,049,302	3,521,653	3,295,692
Cumulative effect of accounting changes	<u>—</u>	<u>—</u>	<u>(333,021)</u>
Beginning of year as restated	<u>4,049,302</u>	<u>3,521,653</u>	<u>2,962,671</u>
Total net position – ending	<u>\$ 4,264,007</u>	<u>4,049,302</u>	<u>3,521,653</u>

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.

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June 30, 2020 and 2019

Operating revenue decreased by \$115.9 million or 22.9% compared to 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 taxi revenues by \$0.1 million or 10.8%. 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 major decrease in collections as a result of 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 and 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 contribution 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 decrease 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 increase of \$6.9 million in transfer from Hetch Hetchy Water and Power for SFMTA's share on 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 service costs increased by \$73.3 million or 9.1%, attributable mainly to increase in cost-of-living adjustments and retirement costs. General and administrative costs net increase was \$30.7 million or 119.2% mainly due to increase in claim liability per actuarial study. Other operating expenses increased by \$17 million or 86.8% due to higher noncapitalizable expenditures compared to 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 increase in technology infrastructure and police security services. Increase in contractual services by \$1.1 million or 0.7% was attributable to increase in facilities and equipment maintenance services and property leases. The offsetting decrease is in materials and supplies by \$8.3 million or 10.7%.

Fiscal Year 2019

Total revenue and net transfers for the year ended June 30, 2019 were \$1,826.4 million, a decrease of \$26.8 million or 1.4% compared to the prior fiscal year. This was due to decreases in operating revenues and net transfers, offset by increases in nonoperating revenues and capital contributions.

Operating revenue decreased by \$8.9 million or 1.7% compared to prior year. This was due to decreases in parking fees of \$9.3 million or 7%, passenger fares revenue by \$6.5 million or 3.2%, and penalties of \$0.1 million or 0.1%. These decreases were offset by increases of permits revenue by \$2.2 million or 13%, advertising revenue by \$2.2 million or 9.5%, charges for services by \$1.7 million or 5.4%, taxi revenues by \$0.7 million or 98.6%, and rental income by \$0.2 million or 2.8%. Decrease in parking fees was mainly due to

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June 30, 2020 and 2019

transfer of financial recording of Union Square garage revenues to the Recreation and Park Department after the Uptown Parking Corporation was dissolved in February 2018. Passenger fares decrease was mainly due to reduction in transit cash fare collections. The increase in permits revenue was due to higher special traffic permit and neighborhood parking permit revenues as a result of increased rates in fiscal year 2019 per automatic fare indexing policy. Increase in charges for services was primarily due to increase in tow surcharge fees, temporary sign fees, and the shared electric mopeds parking permits.

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 \$51.1 million or 26.1%, mostly from federal, state, and other operating grants, amortized portion of the lease leaseback benefits, gain on disposal of assets, and interest and investment income, which were offset by decrease in development fees.

Capital contributions consist principally of funds received or receivable from federal, state, and local grant agencies that provide funding for many of the SFMTA's capital projects. There was an increase in capital expenditures incurred and billable to the grantors in fiscal year 2019 compared to the prior year mostly related to Trolley Vehicles and New Light Rail Vehicles procurement, and other miscellaneous projects. This resulted in the increase in capital contribution by \$10.6 million or 2% when compared to fiscal year 2018.

Net transfers decreased by \$79.6 million or 12.9% in fiscal year 2019 due to decrease of \$176.3 million in capital project support from the City's general obligation bonds. This decrease was offset by \$75.2 million increase in transfers from the City's General Fund for revenue baseline subsidy, in lieu of parking tax and population-based allocation, and \$21.5 million increase in transfers from other City departments.

Total operating expenses for the year ended June 30, 2019 were \$1,298.7 million, an increase of \$4.6 million or 0.4% compared to the prior year. The resulting net increase comprises trend changes from various expense categories. Depreciation expense increased by \$22.2 million or 13.3% with more assets capitalized. Increase in contractual services by \$15 million or 11.3% was attributable to increase in software licensing fees and consultant fees. Materials and supplies increased by \$5.9 million or 8.1%. Other operating expenses increased by \$5.6 million or 22.2% due to high noncapitalizable expenditures from prior year, offset by reduction in recoverable expenditures. Services from other City departments increased by \$4.5 million or 6.6% mainly from major increase in technology infrastructure and legal services. The offsetting decreases are in the following categories: Personnel service costs decreased by \$31.7 million or 3.8%, attributable to reduction of retirement cost associated with GASB Statement No. 68. General and administrative costs net decrease was \$16.9 million or 39.6%, mainly due to decrease in claim liability per actuarial study.

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Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

The tables below illustrate the SFMTA's operating revenue by source and expenses by category for fiscal years 2020, 2019, and 2018 as follows:

Operating Revenues Comparative

Years ended June 30, 2020, 2019, and 2018

(In thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Fares	\$ 152,924	195,736	202,280
Parking fees	92,174	123,626	132,985
Parking fines	74,095	98,774	98,884
Advertising	21,414	25,525	23,317
Rents and concessions	6,575	8,339	8,111
Charges for services	27,557	33,843	32,110
Licenses and permits	14,707	19,394	17,169
Other	<u>1,227</u>	<u>1,376</u>	<u>693</u>
Total operating revenues	<u>\$ 390,673</u>	<u>506,613</u>	<u>515,549</u>

Operating Expenses Comparative

Years ended June 30, 2020, 2019, and 2018

(In thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Personnel services	\$ 876,580	803,222	834,950
Depreciation and amortization	205,112	189,436	167,220
Contractual services	149,305	148,201	133,212
Services from other City departments	76,259	73,810	69,261
Materials and supplies	69,554	77,895	72,041
General and administrative	56,382	25,717	42,609
Other	<u>(2,586)</u>	<u>(19,566)</u>	<u>(25,148)</u>
Total operating expenses	<u>\$ 1,430,606</u>	<u>1,298,715</u>	<u>1,294,145</u>

Capital Assets and Debt Administration

Capital Assets

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.

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Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

The SFMTA's investment in capital assets amounts to \$4,814.8 million net of accumulated depreciation as of June 30, 2019. This investment includes land and land improvements, building structures and improvements, equipment, infrastructure, intangibles, and construction in progress. The increase in capital assets was \$592.7 million or 14% compared to the previous year. This increase was attributed to continued construction for the New Central Subway Project, transit lane and street improvement projects, radio replacement, and acquisition of new revenue vehicles.

Summary of Capital Assets (In thousands)

	<u>Balance, June 30, 2020</u>	<u>Balance, June 30, 2019</u>	<u>Balance, June 30, 2018</u>
Capital assets not being depreciated:			
Land	\$ 52,199	52,239	63,687
Construction in progress	<u>2,215,094</u>	<u>1,995,760</u>	<u>1,901,549</u>
Total capital assets not being depreciated	<u>2,267,293</u>	<u>2,047,999</u>	<u>1,965,236</u>
Capital assets being depreciated:			
Building structures and improvements	909,049	868,073	786,234
Equipment	2,344,946	2,310,025	1,908,943
Infrastructure	<u>1,627,354</u>	<u>1,539,113</u>	<u>1,469,632</u>
Total capital assets being depreciated	<u>4,881,349</u>	<u>4,717,211</u>	<u>4,164,809</u>
Less accumulated depreciation for:			
Building structures and improvements	347,552	323,924	305,597
Equipment	962,456	928,491	945,072
Infrastructure	<u>736,836</u>	<u>698,023</u>	<u>657,261</u>
Total accumulated depreciation	<u>2,046,844</u>	<u>1,950,438</u>	<u>1,907,930</u>
Total capital assets being depreciated, net	<u>2,834,505</u>	<u>2,766,773</u>	<u>2,256,879</u>
Total capital assets, net	<u>\$ 5,101,798</u>	<u>4,814,772</u>	<u>4,222,115</u>

Construction in progress is made up of various transportation projects. The five projects that have the highest balances on June 30, 2020 are the Central Subway, Muni Forward, Rail Replacement, Light Rail Vehicle Procurement, and Street Improvements.

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 2020 towards 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

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installation of the system elements and continuing testing of the various completed systems. All street works 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, track has been connected between the existing T Line to the Central Subway, which is a milestone for the project.

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 is 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 street car 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.

Significant capital asset additions during fiscal year 2019 included:

Construction in progress – A majority of the \$798.9 million costs incurred were for the New Central Subway Project, Muni Forward program, facility upgrade, and rail replacement.

Facilities and Improvements – The total of \$81.9 million was incurred in fiscal year 2019 for facility upgrades, Islais Creek annex renovation projects, and land improvements for a total of \$12.2 million, including reclass of \$11.5 million nondepreciable land to depreciable and \$0.7 million incurred for improvement at the Balboa Park Station area.

Equipment – The cost of \$547.9 million was incurred during the fiscal year for radio replacement and procurement of hybrid motor buses, trolley buses, and light rail vehicles.

Infrastructure – The total of \$69.5 million was incurred during the fiscal year for rail and track replacement, street improvement, and traffic signals.

Debt Administration

At June 30, 2020 and 2019, the SFMTA's bond debt obligations outstanding totaled \$349.5 million and \$362.1 million, respectively. The following table summarizes the balances in debt between fiscal years 2020, 2019, and 2018 (in thousands):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Bonds payable	\$ 349,461	362,106	374,332

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Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

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

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 Standard & Poor's Global Ratings (S&P) and Aa2 from Moody's Investors Service (Moody's) as of June 30, 2020.

The SFMTA's total bond-related debt decreased by \$12.2 million or 3.3% as of June 30, 2019. The decrease represents principal payments and amortization of issuance premium in fiscal year 2019. During the fiscal year, SFMTA carried underlying debt ratings of AA from S&P and Aa2 from Moody's as of June 30, 2019.

More detailed information about the SFMTA's debt activity is presented in Note 7 to the financial statements.

Leveraged Lease-Leaseback of Breda Vehicles

In April 2002, Muni entered into the leveraged-lease leaseback transaction for 118 Breda light rail vehicles (the Equipment). The transaction was structured as a head lease of the Equipment to separate special purpose trusts and a sublease of the Equipment back from such trusts. The sublease provides Muni with an option to purchase the Equipment in approximately 27 years, the scheduled completion date of the sublease. During the term of the sublease, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment. Muni received an aggregate of \$388.2 million from the equity investors in full prepayment of the head lease. Muni deposited a portion of this amount into an escrow, and a portion was paid to a debt payment undertaker whose repayment obligation is guaranteed by Assured Guaranty Municipal Corp (AGM) as successor to Financial Security Assurance, Inc., a bond insurance company. Muni recorded \$35.5 million in fiscal year 2002 for the difference between the amounts received of \$388.2 million and the amounts paid to the escrows of \$352.7 million. This amount has been classified as a deferred inflow of resources and will be amortized over the life of the sublease unless the purchase option is executed.

In September 2003, Muni entered into a second leveraged-lease leaseback transaction for 21 items of Equipment. The transaction was structured as a head lease of the Equipment to one separate special purpose trust (formed on behalf of a certain equity investor) and a sublease of the Equipment back from such trust. The sublease provides Muni with an option to purchase the Equipment in approximately 26 years, the scheduled completion date of the sublease. During the term of the sublease, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment. Muni received an aggregate of \$72.6 million from the equity investors in full prepayment of the head lease in fiscal year 2003. Muni deposited a portion of this amount into an escrow, and a portion was paid to a debt payment undertaker whose repayment obligation is guaranteed by AGM as successor to Financial Security Assurance, Inc., a bond insurance company. Approximately \$67.5 million of this head lease payment was deposited into two escrows.

On March 17, 2014, Muni terminated leveraged lease transactions with respect to 30 items of Tranche 1 Equipment having an initial transaction value of \$99.3 million.

On May 24, 2016, Muni terminated leveraged lease transactions with respect to 28 items of Tranche 1 Equipment having an initial transaction value of \$89.6 million and 21 items of Tranche 2 Equipment having an initial transaction value of \$72.6 million. On June 27, 2016, Muni terminated leveraged lease transactions with respect to 31 items of Tranche 1 Equipment having an initial transaction value of \$100.5 million.

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June 30, 2020 and 2019

On October 25, 2018, Muni terminated leveraged lease transactions with respect to the remaining 29 items of Tranche 1 Equipment having an initial transaction value of \$98.8 million.

More information can be found in Note 15 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 to \$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.

The SFMTA's FY2021 budget continues to fund key programs to meet the needs of historically disadvantaged neighborhoods and populations. The SFMTA has one of the most progressive fare policies in the country and currently provides free fares to low- and moderate-income riders who are seniors, disabled, or youths between the ages of 5 and 18. In 2019, there were 80,000 customers enrolled in these programs. The SFMTA also offers passes up to 50% off full fare value to other low- and moderate-income riders via its Lifeline Program, serving another 20,000 customers monthly.

The Muni Equity Strategy funds operating and capital improvement projects to ensure that Muni service levels in eight historically disenfranchised neighborhoods are equal to, or exceed, those in other areas of the City. Based on a strategy developed in partnership with housing and transportation equity advocates, it uses a neighborhood-based approach to improve the transit routes for Chinatown, Western Addition, Tenderloin/ South of Market, Mission, Bayview, Visitacion Valley, Outer Mission/Excelsior, and Oceanview/Ingleside.

To ensure that the SFMTA embodies racial and social equity, the Office of Race, Equity, and Inclusion was created. While this Office will implement policies and practices to enhance racial and social equity within the workforce, it also will analyze performance metrics and data related to the SFMTA's services and identify opportunities to more directly measure and achieve equitable service outcomes.

This budget will also see the completion of a number of projects that will substantially improve Muni operations and reliability across the City. These include opening the Central Subway and bringing online 68 new expansion light rail trains. As these Muni-focused initiatives become operational, other efficiencies, including service realignments, will help offset the increased costs to the transit system.

The SFMTA's capital projects continue to reflect the SFMTA Board of Directors' adopted policies and plans, including the SFMTA Strategic Plan, Vision Zero SF, Transit First, the San Francisco Pedestrian Strategy, the SFMTA Bicycle Strategy, the City's Climate Action Strategy, the City and County of San Francisco Adopted Area Plans, and the San Francisco Transportation Plan.

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Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Through the ongoing Muni Forward program, the SFMTA is making transit service a safer, more reliable, and, ultimately, more viable travel option for more San Franciscans. Muni Forward's implementation and expansion of the Muni Rapid Network of core routes serves nearly 70% of all Muni customers. Major corridor projects under construction include 16th Street Improvement Project (22 Fillmore), 38 Geary Rapid Project, 7 Haight Noriega Rapid Project, and the L Taraval Improvement Project. Service improvements may include creating new transit-only lanes, implementing traffic signal priority to reduce trip times, adding traffic calming medians and pedestrian bulbs, and building new bus boarding islands to reduce loading times.

Over the past several years, the SFMTA has upgraded its entire fleet of buses and is in the process of replacing and expanding its light rail fleet. With 29 new LRV4 light rail vehicles added in 2019, the new state-of-the-art Siemens LRV4 trains are built to handle San Francisco's challenging operating environment, which includes sharp turns and the City's world-famous hills, and are less susceptible to vehicle breakdowns, the most common cause of service delays. The SFMTA also is currently launching an Electric Bus Pilot Program that will procure nine all-electric motor coaches for use in evaluating the technology ahead of its next major fleet procurement scheduled for 2025.

The SFMTA continues to upgrade its fixed guideway infrastructure. It recently renovated the Twin Peaks Tunnel and conducted extensive track and equipment maintenance throughout the subway system. In the coming years, the SFMTA will continue to upgrade its infrastructure, including replacing the 20-year old computer system that controls trains while they operate in the subway.

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 Comprehensive Annual 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, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Assets:		
Current assets:		
Cash and investments with City Treasury	\$ 731,318	699,722
Cash and investments held outside City Treasury	3,377	4,971
Cash on hand	5	310
Receivables:		
Grants	189,703	208,538
Due from the San Francisco County Transportation Authority	37,178	45,550
Charges for services (net of allowance for doubtful accounts of \$165 in 2020 and \$151 in 2019)	6,643	6,873
Interest and other	<u>6,160</u>	<u>9,232</u>
Total receivables	239,684	270,193
Inventories	86,460	78,214
Current prepaids and other assets	<u>916</u>	<u>573</u>
Total current assets	<u>1,061,760</u>	<u>1,053,983</u>
Restricted assets:		
Cash and investments with City Treasury	117,017	169,268
Cash and investments held outside City Treasury	20,831	21,656
Other receivables	<u>315</u>	<u>981</u>
Total restricted assets	138,163	191,905
Noncurrent assets:		
Capital assets, net	<u>5,101,798</u>	<u>4,814,772</u>
Total noncurrent assets	<u>5,239,961</u>	<u>5,006,677</u>
Total assets	<u>6,301,721</u>	<u>6,060,660</u>
Deferred outflows of resources:		
Related to pensions	219,043	192,595
Related to other postemployment benefits	<u>85,860</u>	<u>55,584</u>
Total deferred outflows of resources	\$ <u>304,903</u>	<u>248,179</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Net Position

June 30, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Liabilities:		
Current liabilities:		
Due to other funds	\$ 437	400
Accounts payable and accrued expenses	76,674	97,158
Accrued payroll	34,893	31,844
Accrued vacation and sick leave	25,908	23,773
Accrued workers' compensation	25,393	24,672
Accrued claims	64,052	36,801
Grants received in advance	57,101	59,042
Unearned revenue and other liabilities	6,888	9,229
Payable from restricted assets	4,966	9,673
Accrued interest payable	4,790	4,960
Bonds, loans, capital leases, and other payables	<u>9,415</u>	<u>10,707</u>
Total current liabilities	<u>310,517</u>	<u>308,259</u>
Noncurrent liabilities:		
Accrued vacation and sick leave, net of current portion	18,581	15,077
Accrued workers' compensation, net of current portion	117,189	112,530
Accrued claims, net of current portion	50,323	41,558
Other postemployment benefits obligation	692,620	637,698
Net pension liability	620,468	609,154
Bonds, loans, capital leases, and other payables, net of current portion	<u>352,170</u>	<u>360,156</u>
Total noncurrent liabilities	<u>1,851,351</u>	<u>1,776,173</u>
Total liabilities	<u>2,161,868</u>	<u>2,084,432</u>
Deferred inflows of resources:		
Unamortized gain on refunding of debt	200	232
Related to pensions	129,910	115,733
Related to other postemployment benefits	<u>50,639</u>	<u>59,140</u>
Total deferred inflows of resources	<u>180,749</u>	<u>175,105</u>
Net position:		
Net investment in capital assets	4,735,223	4,438,717
Restricted:		
Debt service	19,007	19,354
Other purposes	114,190	162,878
Unrestricted	<u>(604,413)</u>	<u>(571,647)</u>
Total net position	\$ <u><u>4,264,007</u></u>	\$ <u><u>4,049,302</u></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, 2020 and 2019
(In thousands)

	2020	2019
Operating revenues:		
Passenger fares	\$ 152,924	195,736
Parking and transportation	92,174	123,626
Fines, forfeitures, and penalties	74,095	98,774
Charges for services	27,557	33,843
Licenses, permits, and franchises	14,707	19,394
Advertising	21,414	25,525
Rents and concessions	6,575	8,339
Other	1,227	1,376
Total operating revenues	<u>390,673</u>	<u>506,613</u>
Operating expenses:		
Personnel services	876,580	803,222
Contractual services	149,305	148,201
Materials and supplies	69,554	77,895
Depreciation and amortization	205,112	189,436
Services from other City departments	76,259	73,810
General and administrative	56,382	25,717
Other operating expenses	(2,586)	(19,566)
Total operating expenses	<u>1,430,606</u>	<u>1,298,715</u>
Operating loss	<u>(1,039,933)</u>	<u>(792,102)</u>
Nonoperating revenues (expenses):		
Operating assistance:		
Federal	210,705	12,541
State and other grants	165,179	173,502
Interest and investment income	19,110	28,180
Interest expense	(7,811)	(5,643)
Other, net	15,966	38,873
Total nonoperating revenues, net	<u>403,149</u>	<u>247,453</u>
Loss before capital contributions and transfers	<u>(636,784)</u>	<u>(544,649)</u>
Capital contributions:		
Federal	255,179	325,877
State and others	100,348	207,050
Total capital contributions	<u>355,527</u>	<u>532,927</u>
Transfers in:		
City and County of San Francisco – General Fund	473,968	527,516
San Francisco County Transportation Authority	9,507	10,210
City and County of San Francisco – Other City departments	12,875	3,099
Total transfers in	<u>496,350</u>	<u>540,825</u>
Transfers out:		
City and County of San Francisco – Other City departments	(388)	(1,454)
Net transfers	<u>495,962</u>	<u>539,371</u>
Change in net position	214,705	527,649
Net position at beginning of year	<u>4,049,302</u>	<u>3,521,653</u>
Total net position, end of year	<u>\$ 4,264,007</u>	<u>4,049,302</u>

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from passengers and service contracts	\$ 371,130	470,349
Cash received from fines, forfeitures, and penalties	74,849	98,532
Cash received from tenants for rent	6,550	8,585
Cash paid to employees for services	(847,737)	(802,823)
Cash paid to suppliers for goods and services	(387,100)	(358,235)
Cash paid for judgments and claims	(4,247)	(10,105)
Net cash used in operating activities	<u>(786,555)</u>	<u>(593,697)</u>
Cash flows from noncapital financing activities:		
Operating grants	354,745	178,525
Net transfers	495,962	539,371
Other noncapital (decreases) increases	(1,264)	19,321
Net cash provided by noncapital financing activities	<u>849,443</u>	<u>737,217</u>
Cash flows from capital and related financing activities:		
Capital grants	402,010	595,325
Proceeds from sale of capital assets	399	3,823
Acquisition of capital assets	(500,765)	(864,431)
Other capital financing increases	6,620	15,083
Bond sale proceeds and loans received	3,818	3,262
Retirement of capital leases, bonds, and loans	(10,996)	(10,055)
Interest paid on long-term debt	(10,113)	(8,006)
Net cash used in capital and related financing activities	<u>(109,027)</u>	<u>(264,999)</u>
Cash flows from investing activities:		
Interest income received	22,760	25,933
Net cash provided by investing activities	<u>22,760</u>	<u>25,933</u>
Net decrease in cash and cash equivalents	(23,379)	(95,546)
Cash and cash equivalents – beginning of year	895,927	991,473
Cash and cash equivalents – end of year	\$ <u>872,548</u>	<u>895,927</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,039,933)	(792,102)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	205,112	189,436
Provision for doubtful accounts	14	132
Changes in operating assets and liabilities:		
Receivables	79	2,535
Inventories	(8,246)	3,156
Prepaid and others	(302)	(442)
Accounts payable and accrued expenses	(6,080)	7,895
Accrued payroll	2,743	2,652
Accrued vacation and sick leave	5,639	370
Accrued workers' compensation	5,380	6,387
Accrued claims	36,016	(1,538)
Other postemployment benefits obligation	16,145	19,166
Net pension liability	(957)	(26,789)
Due to other funds	37	311
Unearned revenues and other liabilities	(2,202)	(4,866)
Net cash used in operating activities	\$ <u>(786,555)</u>	<u>(593,697)</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and investments with City Treasury:		
Unrestricted	\$ 731,318	699,722
Restricted	117,017	169,268
Cash and investments held outside City Treasury:		
Unrestricted	3,377	4,971
Restricted	20,831	21,656
Total deposits and investments	872,543	895,617
Cash on hand	5	310
Total cash and investments, end of year	\$ <u>872,548</u>	<u>895,927</u>

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2020 and 2019

(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 these statements are reported as a major enterprise fund in the City's Comprehensive Annual 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; and (4) in 2014 (Proposition B), which increases general fund allocation to SFMTA based on the City's population increase.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area, and eighth largest system in the United States. It currently has more than 169 million boardings annually. 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.

In the beginning of fiscal year 2018, three nonprofit corporations provided operational oversight to four garages, namely Japan Center, Sutter-Stockton, Union Square, and Portsmouth. Of these four garages, Portsmouth and Union Square garages are owned by the Recreation and Park Department but managed by the SFMTA. In February 2018, Uptown Parking Corporation was dissolved and all operations and financial reporting of the Sutter-Stockton garage have been transferred to Sustainable Streets. Union Square garage is still managed by SFMTA but the financial reporting has been transferred to the Recreation and Park Department. The activities of the two remaining nonprofit garages are accounted for in the parking garages account.

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(2) Significant Accounting Policies

(a) *Measurement Focus and Basis of Accounting*

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

The SFMTA distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses primarily result from the public using the surface transportation system. The principal operating revenue is generated from passenger fares, meter parking, garage parking fees, fines, parking permits, and fees collected from advertisements on the SFMTA property. All other revenues such as operating assistance grants, interest income, and development fees are considered nonoperating revenues. Operating expenses of the SFMTA include costs associated with providing transportation services, including 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 2020*

GASB Statement No. 95

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The SFMTA adopted the provisions of this Statement, which did not have a significant impact on its financial statements.

(c) *Effects of Future Pronouncements*

(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 will implement the provisions of GASB Statement No. 84 in fiscal year 2021.

(ii) *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.

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(iii) *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.

(iv) *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. SFMTA will implement the provisions of GASB Statement No. 90 in fiscal year 2021.

(v) *GASB Statement No. 91*

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. The new standard is effective for periods beginning after December 15, 2021. SFMTA will implement the provisions of GASB Statement No. 91 in fiscal year 2023.

(vi) *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.

(vii) *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.

(viii) *GASB Statement No. 94*

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. GASB Statement No. 94 establishes standards for public-private and public-public partnerships (PPPs) and availability payment arrangements. A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An availability payment arrangement is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The new standard requires reporting of related assets and deferred

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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.

(ix) *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.

(x) *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. SFMTA will implement the provisions of GASB Statement No. 97 in fiscal year 2022.

(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.

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(e) Inventories

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

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

(f) Capital Assets

Capital assets are stated at cost. 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.

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(j) Net Position

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

Restricted category represents net assets that have external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation and includes amounts restricted for debt service and liabilities. At June 30, 2020 and 2019, SFMTA reported \$19 million and \$19.4 million restricted assets related to debt reserves and debt service and \$114.2 million and \$162.9 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, 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 1/2 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.

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(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 and County of San Francisco. 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.

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. It is collected by the Planning Department and a portion of fees is directed to the SFMTA depending on the area from which it is 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 \$15.2 million and \$27.6 million are recorded as nonoperating revenue for the years ended June 30, 2020 and 2019, respectively, in the accompanying statements of revenues, expenses, and changes in net position.

(n) Pensions

As prescribed under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the San Francisco City and County Employees' Retirement System 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.

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(o) Other Postemployment Benefits

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.

(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 Comprehensive Annual 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, 2020 and 2019, the SFMTA's unrestricted and restricted cash and investments with City Treasury totaled \$848.3 million and \$869 million, which represents 7% and 7.5% of the City's investment pool, respectively.

The unrestricted cash and investments outside the City Treasury are cash held by the two remaining nonprofit garage corporations totaling \$0.5 million and \$1.4 million, taxi medallion collateral sale of \$2.7 million and \$2.7 million, and revolving fund of \$0.2 million and \$0.9 million as of June 30, 2020 and 2019, respectively. 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 SFMTA had restricted cash and investments of \$19.4 million held by an independent trustee outside the City's investment pool and \$2.3 million held at commercial banks covered by depository insurance as of June 30, 2019.

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
2020	30.1%	32.4%	15.6%	21.9%
2019	17.4%	22.2%	16.3%	44.1%

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The following table shows the restricted cash and investments outside of City Treasury as of June 30, 2020 and 2019 (in thousands):

Restricted cash and investments outside City Treasury					
Investment	Fair value measurement	June 30, 2020		June 30, 2019	
		Maturities	Fair value	Maturities	Fair value
U.S. Treasury Bills	Level 1	December 31, 2020	\$ 4,571	October 10, 2019	\$ 4,583
Money Market Funds	Exempt	Less than 1 month	<u>14,436</u>	Less than 1 month	<u>14,771</u>
		Total	\$ <u>19,007</u>	Total	\$ <u>19,354</u>

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

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(4) Capital Assets

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

	<u>Balance, July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2020</u>
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	145,038	(110,117)	2,344,946
Infrastructure	1,539,113	88,241	—	1,627,354
Total capital assets being depreciated	4,717,211	275,097	(110,959)	4,881,349
Less accumulated depreciation for:				
Building structures and improvements	323,924	24,205	(577)	347,552
Equipment	928,491	143,845	(109,880)	962,456
Infrastructure	698,023	38,813	—	736,836
Total accumulated depreciation	1,950,438	206,863	(110,457)	2,046,844
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 2020. The net loss on disposal or retirement is \$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's departments.

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Capital asset balances and their movements as of and for the year ended June 30, 2019 are as follows (in thousands):

	Balance, July 1, 2018	Increases	Decreases	Balance, June 30, 2019
Capital assets not being depreciated:				
Land	\$ 63,687	—	(11,448)	52,239
Construction in progress	1,901,549	798,887	(704,676)	1,995,760
Total capital assets not being depreciated	1,965,236	798,887	(716,124)	2,047,999
Capital assets being depreciated:				
Building structures and improvements	786,234	81,918	(79)	868,073
Equipment	1,908,943	547,931	(146,849)	2,310,025
Infrastructure	1,469,632	69,481	—	1,539,113
Total capital assets being depreciated	4,164,809	699,330	(146,928)	4,717,211
Less accumulated depreciation for:				
Building structures and improvements	305,597	18,406	(79)	323,924
Equipment	945,072	130,268	(146,849)	928,491
Infrastructure	657,261	40,762	—	698,023
Total accumulated depreciation	1,907,930	189,436	(146,928)	1,950,438
Total capital assets being depreciated, net	2,256,879	509,894	—	2,766,773
Total capital assets, net	\$ 4,222,115	1,308,781	(716,124)	4,814,772

A parcel of land and certain buses, vans, trucks, and other equipment were sold, disposed, and retired during 2019. The net gain on disposal or retirement was \$6.3 million.

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Construction in progress consists of the following projects as of June 30, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
New Central Subway	\$ 1,554,610	1,371,307
Muni Forward	223,304	169,866
Rail Replacement	96,792	110,561
Light Rail Vehicle Procurement	91,480	76,610
Street Improvements	82,928	46,754
Facility Upgrades	68,510	101,293
Traffic Signal Upgrades	22,182	24,602
New Asset Management System	21,112	18,556
Trolley Bus Procurement	16,699	14,733
Cable Car Gearbox Rehab	11,987	—
Central Control System Upgrades	11,032	16,743
Traffic Sign Installation/Traffic Calming	5,386	3,515
Historic Street Car Renovation	3,977	5,922
Islais Creek-Woods Annex	1,235	989
Motor Bus Hybrid Procurement	10	20,411
Trolley Overhead Reconstruction	—	963
Security Projects	—	245
Radio Replacement	—	216
Garage Renovation and Parking Equipment Upgrade	—	7,111
Others	3,850	5,363
	<u>\$ 2,215,094</u>	<u>1,995,760</u>

(5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were \$76.7 million and \$97.2 million at June 30, 2020 and 2019, 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, 2020 and 2019, accounts payable and accrued expenses consisted of the following (in thousands):

	<u>2020</u>	<u>2019</u>
Vouchers payable and accruals	\$ 67,308	75,768
Contracts retainage	9,366	21,390
Total accounts payable and accrued expenses	<u>\$ 76,674</u>	<u>97,158</u>

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(6) Short-Term Debt

On June 4, 2013, pursuant to the City Charter Section 8A.102 (b) 13, the SFMTA Board of Directors authorized the issuance of commercial paper notes in an aggregate principal amount not to exceed \$100 million. On July 16, 2013, the Board of Supervisors concurred with the issuance. The commercial paper was secured by an irrevocable letter of credit from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and interest rate not to exceed 12% per annum. On June 20, 2018, the letter of credit was substituted by Sumitomo Mitsui Banking Corporation, acting through its New York Branch, for a term of five years and interest rate not to exceed 12% per annum. The letter of credit will cover the principal as well as the interest accrued on the 270 days prior to the maturity date. The commercial paper program is jointly administered by the Office of Public Finance (OPF) and SFMTA. OPF will be initiating the issuance of commercial paper with the dealers and reporting on the commercial paper program. The commercial paper notes will be issued from time to time on a revolving basis to pay for Board-approved project costs in the Capital Improvement Program and other related uses. SFMTA will be requesting drawdowns based on cash flow needs and expenditure schedules.

Events of default, under the reimbursement agreement, include failure to pay the principal or interest on the bank note, any representation made by the SFMTA in the agreement has been incorrect in any materially adverse respect when made, failure to comply with certain covenants, either SFMTA or the City files for bankruptcy, default on any debt or judgment payment of a specified threshold, or reduction of debt rating assigned to senior lien revenue bonds below "Baa1" by Moody's or "BBB+" by S&P or Fitch. In an event of default, the bank may declare the principal and interest on all outstanding obligations to be due and payable immediately, terminate issuance of commercial paper notes, or require final drawing on the letter of credit in the amount equal to the principal amount outstanding plus interest.

In August 2020, SFMTA requested termination of irrevocable letter of credit in accordance with the terms of the reimbursement agreement.

SFMTA has no commercial paper outstanding as of June 30, 2020 and 2019.

(7) 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 2017 Revenue Bonds

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

(b) Series 2014 Revenue Bonds

In November 2014, the SFMTA issued its Revenue Bonds, Series 2014 in the total amount of \$70.6 million. The net proceeds of \$80.4 million (consisting of \$70.6 million of the Series 2014 bonds plus original issue premium of \$9.8 million) were used to pay \$0.2 million underwriter discount and \$0.7 million in costs of issuance, deposit \$4.5 million into the Reserve Account, and fund \$75 million for

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various transit and parking capital projects for the SFMTA. The Series 2014 bonds bear interest at fixed rates between 1% to 5% and have a final maturity on March 1, 2044.

(c) *Series 2013 Revenue Bonds*

In December 2013, the SFMTA issued its Revenue Bonds, Series 2013 in the total amount of \$75.4 million. The net proceeds of \$82.2 million (consisting of \$75.4 million of the Series 2013 bonds plus original issue premium of \$6.8 million) were used to pay \$0.2 million underwriter discount and \$1 million in costs of issuance, deposit \$6 million into the Reserve Account, and fund \$75 million for various transit and parking capital projects for the SFMTA. The Series 2013 bonds bear interest at fixed rates between 1.5% to 5% and have a final maturity on March 1, 2033.

(d) *Series 2012A Revenue Refunding Bonds*

In July 2012, the SFMTA issued Revenue Refunding Bonds, Series 2012A in the total amount of \$38 million to refund prior bonds issued by the Parking Authority, the City of San Francisco Ellis-O'Farrell Corporation, the City of San Francisco Downtown Parking Corporation, and the City of San Francisco Uptown Parking Corporation. The Series 2012A bonds bear interest at fixed rates between 2% and 5%, and will mature on March 1, 2032.

The net proceeds of \$46 million (consisting of the \$38 million par amount of the Series 2012A bonds, plus original issue premium of \$5.1 million, plus \$2.9 million accumulated in the debt service and reserve fund related to the refunded bonds) were used to pay \$0.1 million underwriter discount and \$0.5 million in costs of issuance, make a \$2.7 million deposit into Reserve Account, and deposit \$42.7 million into irrevocable escrow funds with the Trustee to defease and refund \$42.3 million in revenue bonds described below (in thousands):

	<u>Refunded</u>	<u>Rate</u>	<u>Price</u>
Series Revenue Bond:			
1999 Parking Meters Refunding	\$ 13,080	4.70%–5.00%	100%
2000A North Beach	5,075	5.00%–5.50%	100
2001 Uptown Parking	15,465	5.50%–6.00%	100
2002 Ellis Parking	2,535	4.20%–4.70%	100
2002 Downtown Parking	<u>6,095</u>	4.50%–5.375%	100
Total	\$ <u>42,250</u>		

The refunded bonds were defeased and redeemed on July 27, 2012. Accordingly, the liabilities for these bonds have been removed from the accompanying statements of net position. The loss of \$0.9 million on refunding of debt resulting from the fiscal year 2013 refunding, previously reported as a contra liability, was recalculated to be a gain of \$0.5 million reported as a deferred inflow of resources. The SFMTA obtained an economic gain (the difference between the present value of the old debt and the new debt) of \$6.7 million or 15.8% of the refunded bonds.

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(e) Series 2012B Revenue Bonds

In July 2012, the SFMTA issued its Revenue Bonds, Series 2012B in the total amount of \$25.8 million. The net proceeds of \$28 million (consisting of \$25.8 million of the Series 2012B bonds plus original issue premium of \$2.2 million) were used to pay \$0.1 million underwriter discount and \$0.4 million in costs of issuance and set aside for City's audit services, deposit \$1.8 million into the Reserve Account, and fund \$25.7 million for various transit and parking capital projects for the SFMTA. The Series 2012B included serial and term bonds with interest ranging from 3% to 5% and have a final maturity on March 1, 2042.

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, 2020</u>	<u>Balance June 30, 2019</u>
Revenue Bonds Series 2012A	2032	5.0%	\$ 13,218	16,411
Revenue Bonds Series 2012B	2042	3.0%–5.0%	27,597	27,656
Revenue Bonds Series 2013	2033	4.0%–5.0%	60,136	63,659
Revenue Bonds Series 2014	2044	3.0%–5.0%	70,156	71,943
Revenue Bonds Series 2017	2047	3.0%–5.0%	<u>178,354</u>	<u>182,437</u>
Total long-term obligations			\$ <u>349,461</u>	<u>362,106</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:			
2021	\$ 9,150	14,367	23,517
2022	9,565	13,956	23,521
2023	9,860	13,478	23,338
2024	10,335	13,001	23,336
2025	10,855	12,484	23,339
2026–2030	62,830	53,849	116,679
2031–2035	66,965	37,760	104,725
2036–2040	61,705	25,086	86,791
2041–2045	62,755	11,127	73,882
2046–2047	<u>19,055</u>	<u>1,054</u>	<u>20,109</u>
	\$ <u>323,075</u>	<u>196,162</u>	<u>519,237</u>

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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 2020 and 2019.

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 bond indenture for the SFMTA requires that certain funds be established and administered by a trustee. The Reserve Fund is to be maintained by the trustee for the benefit and security of the holders of the bonds to which such accounts are pledged and shall not be available to pay or secure the payment of any other bonds. As of June 30, 2020 and 2019, the bond reserve fund with the trustee totaled \$14.2 million and \$14.3 million, respectively.

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 the fiscal year 2047.

Annual principal and interest payments for fiscal year 2020 and 2019 were 25.1% and 22.6%, 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 year 2020 and 2019, applicable net revenues, and funds available for bond debt service are as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Bonds issued with revenue pledge	\$ 387,670	387,670
Principal and interest remaining due at the end of the year	519,237	544,664
Principal and interest paid during the year	24,806	24,691
Net revenue for the year	73,933	84,685
Fund available for revenue bond debt service	98,739	109,376

On October 1, 2016, the Portsmouth Plaza Parking Corporation 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 has a term of 30 years at 3.3% per annum and is secured with the collateral of all the garage's business assets. The drawdowns are limited to once a month for a minimum of \$250,000 each disbursement. The loan agreement requires that certain funds shall be administered by the lender which include a loan proceeds account and a reserve account. As of June 30, 2020 and 2019, the reserve account held by the lender totaled \$0.6 million and \$0.6 million, respectively. 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. On February 1, 2019, the loan agreement was amended to reduce the maximum loan amount to \$12 million and change the first principal payment from November 1,

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2018 to November 1, 2019. Beginning November 1, 2019, the garage is required to make monthly principal payments and interest. On April 26, 2020, the parking corporation obtained Small Business Administration's (SBA) Paycheck Protection Program loan with First Republic Bank in the amount of \$0.3 million. The loan has a term of two years at a fixed interest rate of 1.0% per annum with no collateral requirement. The loan program allows borrowers to apply for loan forgiveness to cover eligible expenses incurred during the 24-week period. 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 parking corporation shall be responsible for the payment of principal and accrued interest within the term of the loan. The SFMTA is not responsible for loan repayments and any aspect of loan performance other than reporting in behalf of another government entity. The total loan balances were \$12.1 million and \$8.8 million as of June 30, 2020 and 2019, respectively.

The changes in long-term debt for the SFMTA for years ended June 30, 2020 and 2019 are as follows (in thousands):

	<u>July 1, 2019</u>	<u>Additional obligations, interest accretion, and net increases</u>	<u>Current maturities, retirements, and net decreases</u>	<u>June 30, 2020</u>	<u>Amounts due within one year</u>
Bonds payable:					
Revenue bonds	\$ 333,620	—	(10,545)	323,075	9,150
Add/less unamortized amounts:					
For issuance premiums	<u>28,486</u>	<u>—</u>	<u>(2,100)</u>	<u>26,386</u>	<u>—</u>
Total bonds payable	362,106	—	(12,645)	349,461	9,150
Notes, loans, and other payables	<u>8,757</u>	<u>3,818</u>	<u>(451)</u>	<u>12,124</u>	<u>265</u>
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>

	<u>July 1, 2018</u>	<u>Additional obligations, interest accretion, and net increases</u>	<u>Current maturities, retirements, and net decreases</u>	<u>June 30, 2019</u>	<u>Amounts due within one year</u>
Bonds payable:					
Revenue bonds	\$ 343,675	—	(10,055)	333,620	10,545
Add/less unamortized amounts:					
For issuance premiums	<u>30,657</u>	<u>—</u>	<u>(2,171)</u>	<u>28,486</u>	<u>—</u>
Total bonds payable	374,332	—	(12,226)	362,106	10,545
Notes, loans, and other payables	<u>5,495</u>	<u>3,262</u>	<u>—</u>	<u>8,757</u>	<u>162</u>
Total long-term debt and loans	<u>\$ 379,827</u>	<u>3,262</u>	<u>(12,226)</u>	<u>370,863</u>	<u>10,707</u>

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(8) Other Long-Term Liabilities

The changes in other long-term obligations for the SFMTA for years ended June 30, 2020 and 2019 are as follows (in thousands):

	July 1, 2019	Net increases	Net decreases	June 30, 2020	Amounts due within one year
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	609,154	11,314	—	620,468	—
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>

	July 1, 2018	Net increases	Net decreases	June 30, 2019	Amounts due within one year
Accrued vacation and sick leave	\$ 38,480	591	(221)	38,850	23,773
Accrued workers' compensation	130,815	31,422	(25,035)	137,202	24,672
Accrued claims	79,897	8,567	(10,105)	78,359	36,801
Other postemployment benefits obligation	657,062	—	(19,364)	637,698	—
Unearned revenue and other liabilities	14,593	—	(5,364)	9,229	9,229
Net pension liability	721,282	—	(112,128)	609,154	—
Total other long-term liabilities	<u>\$ 1,642,129</u>	<u>40,580</u>	<u>(172,217)</u>	<u>1,510,492</u>	<u>94,475</u>

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(9) Employee Benefit Plans

(a) Pensions – City and County of San Francisco

(i) Retirement Plan

The SFMTA participates in the City's retirement plan. The City administers a cost-sharing multiple-employer defined benefit pension Plan (the Plan). The Plan is administered by the San Francisco City and County Employees' Retirement System (the Retirement System). 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 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. 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.

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

San Francisco Employees' Retirement System – Cost Sharing

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

Fiscal year 2019

Valuation Date (VD)	June 30, 2017 updated to June 30, 2018
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

The City is an employer of the Plan with a proportionate share of 94.13% as of June 30, 2019 (measurement date) and 94.10% as of June 30, 2018 (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 2019 and 2018. 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 14.72% as of June 30, 2019 (measurement date) and 15.11% as of June 30, 2018 (measurement date).

(ii) Employees' Retirement System

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

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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.
- 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.

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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*

Contributions are made to the basic plan 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 2020 and 2019. 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, 2018 actuarial report, the required employer contribution rate for fiscal year 2020 was 20.69% to 25.19%. Based on the July 1, 2017 actuarial report, the required employer contribution rate for fiscal year 2019 was 18.81% to 23.31%.

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, 2019 (measurement year) was \$607.4 million. The SFMTA's allocation of employer contributions for fiscal year 2019 was \$91.8 million and \$89.5 million for fiscal year 2018.

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

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 Plan of \$4,213.8 million. The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019 (measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 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 Plan as of June 30, 2020 was \$620.5 million.

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.

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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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Fiscal Year 2019

As of June 30, 2019, the City reported net pension liabilities for its proportionate share of the pension liability of the Plan of \$4,030.2 million. The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018 (measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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 Plan as of June 30, 2019 was \$609.2 million.

For the year ended June 30, 2019, the City's recognized pension expense was \$488.3 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 \$65 million. Pension expense decreased from the prior year, largely due to the impact of actual investment earnings.

At June 30, 2019, 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	\$ 91,808	—
Differences between expected and actual experience	4,942	17,240
Changes in assumptions	94,979	—
Net difference between projected and actual earnings on pension plan investments	—	97,913
Changes in employer's proportion	866	580
Total	<u>\$ 192,595</u>	<u>115,733</u>

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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:	
2020	\$ 38,877
2021	17,096
2022	(50,098)
2023	(20,821)
Thereafter	—
	\$ (14,946)

(v) Actuarial Assumptions

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

	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, 2018	2.00%	2.50%	3.10%	4.20%
June 30, 2019	2.00	2.50	3.10	4.20

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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.

Fiscal Year 2019

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2018 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2017 actuarial valuation. Refer to the July 1, 2017 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, 2017 updated to June 30, 2018
Measurement date	June 30, 2018
Actuarial cost method	Entry age normal cost method
Expected rate of return	7.50%
Municipal bond yield	3.58% as of June 30, 2017 3.87% as of June 30, 2018 Bond Buyer 20-Bond GO Index, June 29, 2017 and June 28, 2018
Inflation rate	3.00%
Salary increases	3.50% plus merit component based employee classification and years of service
Discount rate	7.50% as of June 30, 2017 7.50% as of June 30, 2018
Administrative expenses	0.60% of payroll as of June 30, 2017 0.60% of payroll as of June 30, 2018

	<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, 2017	2.00%	2.70%	3.30%	4.40%
June 30, 2018	2.00	2.50	3.10	4.20

Mortality rates for active members and healthy annuitants were based upon 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 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).

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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.

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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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**

<u>FYE</u>	<u>96 – Prop C</u>	<u>Before 11/6/96 or After Prop C</u>
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

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

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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>	

Fiscal Year 2019

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, 2017 (measurement date) and 7.50% as of June 30, 2018 (measurement date).

The discount rate used to measure the total pension liability as of June 30, 2018 was 7.50%. 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, 2017 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. 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.

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While the contributions and measure of actuarial liability in the 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, 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 System for certain members, Cheiron, the consulting actuary for the Plan, developed an assumption as of the June 30, 2018 for the probability and amount of Supplemental COLA for each future year. A full Supplemental COLA was assumed to be paid to all Post 97 Retirees effective July 1, 2018. The table below shows the net assumed Supplemental COLA for members with a 2% 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
2019	0.75%	0.00%
2022	0.75	0.29
2025	0.75	0.35
2028	0.75	0.36
2031+	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 System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year-end 2097 when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.87% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2018 is 7.50%.

The long-term expected rate of return on pension plan investments was 7.50%. 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

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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%	5.4%
Treasuries	6.0	0.5
Liquid credit	3.0	3.3
Private credit	10.0	4.6
Private equity	18.0	6.6
Real assets	17.0	4.5
Hedge funds/absolute return	15.0	3.7
	<u>100.0%</u>	

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 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 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

Fiscal Year 2019

Employer	1% decrease share of NPL @ 6.5%	Share of NPL @ 7.5%	1% increase share of NPL @ 8.5%
SFMTA	\$ 1,140,882	609,154	169,461

(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.

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Withdrawals from the deferred compensation plan, by employees or other beneficiaries, are allowed only upon termination, retirement, death, or for unforeseeable emergency.

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

(c) Other Postemployment Benefits

(i) Benefit Plan

The SFMTA participates in the City's 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 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

Fiscal Year 2019

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

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, 2019 and 2018. The SFMTA's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows, and OPEB expense to each department is based on the SFMTA's allocated percentage. The SFMTA's proportionate share of the City's OPEB elements was 17.69% in FY 2020 and 17.71% in FY 2019, as of their respective measurement dates.

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(ii) *Benefits*

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
Disabled Retirement ²	Safety	Age 50 with 5 years of credited service Any age with 10 years of credited service
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 retire 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.

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Fiscal Year 2019

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 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 retire 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 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.

Fiscal Year 2019

For the fiscal year ended June 30, 2019, the City's funding was based on "pay-as-you-go" plus a contribution of \$32.8 million to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portion paid by the City was \$185.8 million for a total contribution of \$218.6 million for the fiscal year ended June 30, 2019. The SFMTA's proportionate share of the City's contributions for fiscal year 2019 was \$38.7 million.

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

As of June 30, 20, 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>

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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>

Fiscal Year 2019

As of June 30, 2019, the City reported net OPEB liabilities related to the Plan of \$3,601 million. The SFMTA's proportionate share of the City's net OPEB liability as of June 30, 2019 was \$637.7 million.

For the year ended June 30, 2019, the City's recognized OPEB expense was \$320.3 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.

As of June 30, 2019, 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	\$ 38,717	—
Differences between expected and actual experience	—	58,551
Changes in assumptions	16,867	—
Net difference between projected and actual earnings on plan investments	—	589
Total	<u>\$ 55,584</u>	<u>59,140</u>

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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:	
2020	\$ (7,161)
2021	(7,161)
2022	(7,161)
2023	(6,896)
2024	(6,947)
Thereafter	<u>(6,947)</u>
	<u>\$ (42,273)</u>

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(v) Actuarial Assumptions

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.

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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:

Asset class	Target allocation	Long-term expected real rate of return
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>	

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

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Fiscal Year 2019

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2018 (measurement date) is provided below:

Key actuarial assumptions:

Valuation date	June 30, 2018
Measurement date	June 30, 2018
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 6.50% and trends down to ultimate rate of 3.93% in 2076 Medicare trend starts at 7.50% and trends down to ultimate rate of 3.93% in 2076 10-county average trend starts at 5.90% 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>
\$	554,263	637,698	741,174

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018 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.

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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:

Asset class	Target allocation	Long-term expected real rate of return
Equities		
U.S. equities	41.0%	7.3%
Developed market equity (non-U.S.)	20.0	7.1
Emerging market equity	16.0	9.4
Credit		
High yield bonds	3.0	5.4
Bank loans	3.0	5.0
Emerging market bonds	3.0	4.9
Rate Securities		
Treasury Inflation-Projected Securities	5.0	3.3
Investment grade bonds	9.0	3.6
	<u>100%</u>	

The asset allocation targets summarized above have a 20-year return estimate of 7.5%, which was weighted against a 10-year model estimating a 6.3% 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 6.40%	Discount rate 7.40%	1% increase 8.40%
\$	733,151	637,698	559,596

(10) Peninsula Corridor Joint Powers Board

The City is a participant in the Peninsula Corridor Joint Powers Board (PCJPB), along with the Santa Clara Valley Transportation Authority and the San Mateo County Transit District. 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

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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 \$8.1 million and \$7 million for operating needs in fiscal years 2020 and 2019, respectively. The PCJPB's annual financial statements are publicly available.

(11) Risk Management

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

(a) General/Transit Liability

The SFMTA is self-insured. Through coordination with the Controller and City Attorney's Office, the SFMTA's general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately \$3 million. The annual budget for claims was \$11.9 million and \$11.9 million for fiscal years 2020 and 2019, respectively. In addition, as of June 30, 2020 and 2019, the reserve was \$29.4 million and \$27.1 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.

(b) 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.

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Notes to Financial Statements

June 30, 2020 and 2019

(c) *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.

(d) *Employee Benefits (Transit Operators) Insurance*

SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per 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 8 to the financial statements.

(12) General Fund Contributions

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

The General Fund support from the City reflected in the accompanying financial statements includes a total revenue baseline transfer of \$362.4 million and \$408.7 million in fiscal years 2020 and 2019, respectively, as required by the City Charter. In addition, SFMTA received \$55.6 million and \$68.8 million allocation in fiscal years 2020 and 2019, 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 2020 and 2019, SFMTA received \$49.8 million and \$47 million, respectively, from this source.

In fiscal year 2020, SFMTA also received additional City General Fund allocation of \$6.2 million to fund various projects such as the Chase Event Center and mixed-use development project and Lombard Street pricing and reservation system implementation.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

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(13) Federal, State, and Local Assistance

The SFMTA receives capital grants from various federal, state, and local agencies to finance transit-related property and equipment purchases. As of June 30, 2020 and 2019, the SFMTA had approved capital grants with unused balances amounting to \$743.1 million and \$614.5 million, respectively. Capital grants receivable as of June 30, 2020 and 2019 totaled \$175 million and \$219.8 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, 2020 and 2019, the SFMTA had various operating grants receivable of \$51.9 million and \$34.3 million, respectively. In fiscal years 2020 and 2019, the SFMTA received operating assistance from BART's Americans with Disability Act (ADA) related support of \$1.9 million and \$2 million, respectively, and other federal, state, and local grants of \$7.4 million and \$11.7 million, respectively, to fund project expenses that are operating in nature.

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. No further allocations of federal CARES funding are expected. The SFMTA also received \$2.4 million from the City for its share in Disaster Grants-Public Assistance funding from the Federal Emergency Management Agency (FEMA). The SFMTA expects additional allocation from FEMA in fiscal year 2021.

The capital and operating grants identified above include funds received and due from the SFCTA. During fiscal years 2020 and 2019, the SFCTA approved \$107.9 million and \$33.8 million, respectively, in new capital grants and the SFMTA received payments totaling \$52.7 million and \$70.6 million, respectively. As of June 30, 2020 and 2019, the SFMTA had \$35.1 million and \$42.3 million, respectively, in capital grants due from the SFCTA. Similarly, the SFMTA receives operating grants from SFCTA mostly for paratransit support. During fiscal years 2020 and 2019, SFCTA approved \$11.5 million and \$9.9 million, respectively, in new operating grants, and SFMTA received payments totaling \$11 million and \$7.3 million, respectively. The SFMTA had \$2.1 million and \$3.3 million, respectively, in operating grants due from the SFCTA as of June 30, 2020 and 2019.

Proposition 1B is a 10-year \$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 Transit Security & Safety Account that are funding solely for public transit projects. The SFMTA received cash totaling \$3.1 million in fiscal year 2019 and none in fiscal year 2020 for different projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2017 for funds awarded between fiscal years 2008 and 2010. The Budget Act of 2013 extended the date to June 30, 2018. Subsequently, the Budget Act of 2014 reappropriated the remaining balances of fiscal years 2009, 2010, and 2011 to be further extended to June 30, 2019, and the remaining balance of fiscal year 2015 to be further extended to June 30, 2020. The California state budget extended the remaining balances of fiscal year 2010 and 2012 to June 30, 2021 and the remaining balances of fiscal years 2015, 2016, and 2017 to June 30, 2022. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal years 2020 and 2019, \$4.2 million and \$6.1 million drawdowns, respectively, were made from the funds for various eligible projects costs. Other allowable costs include incidental expenses, but directly related to

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Notes to Financial Statements

June 30, 2020 and 2019

construction or acquisition including, but not limited to, planning, engineering, construction management, architectural and other design work, environmental impact reports and assessments, required mitigation expenses, appraisals, legal expenses, site acquisitions, necessary easements, and warranties, as approved by Cal OES under the CTSGP funds. Indirect costs and management and administration are not allowable costs with Proposition 1B funds.

(14) Commitments and Contingencies

(a) Grants and Subventions

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

(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 \$25.4 million and \$21 million for the years ended June 30, 2020 and 2019, respectively.

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

Year ending June 30:		
2021	\$	21,609
2022		8,370
2023		8,398
2024		5,985
2025		4,531
2026–2030		22,337
2031–2035		14,393
2036–2040		1,722
2041–2045		1,993
2046–2068		13,786
	\$	<u>103,124</u>

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June 30, 2020 and 2019

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

Year ending June 30:		
2021	\$	4,799
2022		3,519
2023		3,038
2024		2,400
2025		2,270
2026–2030		8,510
2031–2035		6,250
2036–2040		6,250
2041–2045		6,250
2046–2056		13,333
	\$	<u>56,619</u>

(c) Other Commitments

As of June 30, 2020 and 2019, the SFMTA has outstanding commitments of approximately \$319.8 million and \$422.2 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 \$57.3 million and \$53.7 million with third parties for noncapital expenditures as of June 30, 2020 and 2019, 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.

(15) Leveraged Lease-Leaseback of Breda Vehicles

Tranches 1 and 2

In April 2002 and in September 2003, following the approval of the Federal Transit Administration, SFMTA Board of Directors, and the City's Board of Supervisors, Muni entered into separate leveraged lease-leaseback transactions for over 118 and 21 Breda light rail vehicles (the Tranche 1 and Tranche 2 Equipment, respectively, and collectively, the "Equipment"). Each transaction, also referred to as a "sale-in-lease-out" or "SILO", was structured as a head lease of the Equipment to a special purpose trust and a sublease of the Equipment back from such trust. Under each sublease, Muni retained an option to purchase the Equipment on specified dates between November 2026 through January 2030 in the case of the Tranche 1 Equipment and in January 2030 in the case of the Tranche 2 Equipment. During the terms of the subleases, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2020 and 2019

Muni received an aggregate of \$388.2 million and \$72.6 million in 2002 and 2003, respectively, from the equity investors in full prepayment of the head leases. Muni deposited a portion of the prepaid head lease payments into separate escrows that were invested in U.S. agency securities with maturities that correspond to the purchase option dates for the Equipment as specified in each sublease. Muni also deposited a portion of the head lease payments with a debt payment undertaker whose repayment obligations are guaranteed by Assured Guaranty Municipal Corp. as successor to Financial Security Assurance, a bond insurance company, that was rated "AAA" by S&P and "Aaa" by Moody's at the time the Tranche 1 and Tranche 2 Equipment transactions were entered into. Although these escrows do not represent a legal defeasance of Muni's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that Muni will need to access other monies to make sublease payments. Therefore, the assets and the sublease obligations have not been recorded on the financial statements of the SFMTA.

As a result of the cash transactions above, Muni recorded \$35.5 million and \$4.4 million in fiscal years 2002 and 2003, respectively, representing the difference between (a) the amounts received of \$388.2 million and \$72.6 million, and (b) the amounts of \$352.7 million and \$67.5 million paid to the escrows, the debt payment undertaker, and for certain transaction expenses. These amounts have been classified as deferred inflows of resources and amortized over the life of each sublease unless the purchase option is executed or the sublease is otherwise terminated before its expiration date.

Prior to fiscal year 2019, six of the seven lease transactions had been terminated. On October 26, 2018, SFMTA terminated its one remaining leveraged lease transaction.

The deferred inflows of resources amortized amount was \$3.7 million in fiscal year 2019 upon the lease termination.

As of June 30, 2020, there were no leveraged lease transactions.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Supplemental Schedule – Schedule of Net Position

June 30, 2020

(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	\$ 530,417	200,901	—	731,318
Cash and investments held outside				
City Treasury	189	2,720	468	3,377
Cash on hand	5	—	—	5
Receivables:				
Grants	185,750	3,953	—	189,703
Due from the San Francisco County				
Transportation Authority	25,390	11,788	—	37,178
Charges for services, net	5,051	1,580	12	6,643
Interest and other	3,818	2,342	—	6,160
Total receivables	220,009	19,663	12	239,684
Inventories	86,460	—	—	86,460
Current prepaids and other assets	67	—	849	916
Total current assets	837,147	223,284	1,329	1,061,760
Restricted assets:				
Cash and investments with				
City Treasury	87,118	29,899	—	117,017
Cash and investments held outside				
City Treasury	11,823	7,184	1,824	20,831
Other receivables	275	40	—	315
Total restricted assets	99,216	37,123	1,824	138,163
Noncurrent assets:				
Capital assets, net	4,703,202	386,993	11,603	5,101,798
Total noncurrent assets	4,802,418	424,116	13,427	5,239,961
Total assets	5,639,565	647,400	14,756	6,301,721
Deferred outflows of resources:				
Related to pensions	186,254	32,789	—	219,043
Related to other postemployment benefits	74,410	11,450	—	85,860
Total deferred outflows of resources	\$ 260,664	44,239	—	304,903

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Supplemental Schedule – Schedule of Net Position

June 30, 2020

(In thousands)

	<u>Transit</u>	<u>Sustainable Streets</u>	<u>Parking Garages</u>	<u>Total</u>
Liabilities:				
Current liabilities:				
Due to other funds	\$ 207	230	—	437
Accounts payable and accrued expenses	67,052	9,287	335	76,674
Accrued payroll	30,484	4,357	52	34,893
Accrued vacation and sick leave	22,084	3,824	—	25,908
Accrued workers' compensation	22,043	3,350	—	25,393
Accrued claims	50,200	13,852	—	64,052
Grants received in advance	57,025	76	—	57,101
Unearned revenue and other liabilities	4,228	2,654	6	6,888
Payable from restricted assets	3,244	1,722	—	4,966
Accrued interest payable	3,717	1,073	—	4,790
Bonds, loans, capital leases, and other payables	6,486	2,664	265	9,415
Total current liabilities	<u>266,770</u>	<u>43,089</u>	<u>658</u>	<u>310,517</u>
Noncurrent liabilities:				
Accrued vacation and sick leave, net of current portion	15,834	2,669	78	18,581
Accrued workers' compensation, net of current portion	99,191	17,998	—	117,189
Accrued claims, net of current portion	35,856	14,467	—	50,323
Other postemployment benefits obligation	600,251	92,369	—	692,620
Net pension liability	538,739	81,729	—	620,468
Bonds, loans, capital leases, and other payables, net of current portion	270,266	70,045	11,859	352,170
Total noncurrent liabilities	<u>1,560,137</u>	<u>279,277</u>	<u>11,937</u>	<u>1,851,351</u>
Total liabilities	<u>1,826,907</u>	<u>322,366</u>	<u>12,595</u>	<u>2,161,868</u>
Deferred inflows of resources:				
Unamortized gain on refunding of debt	—	200	—	200
Related to pensions	107,808	22,102	—	129,910
Related to other postemployment benefits	43,650	6,989	—	50,639
Total deferred inflows of resources	<u>151,458</u>	<u>29,291</u>	<u>—</u>	<u>180,749</u>
Net position:				
Net investment in capital assets	4,422,733	313,011	(521)	4,735,223
Restricted:				
Debt service	11,823	7,184	—	19,007
Other purposes	84,149	28,217	1,824	114,190
Unrestricted	(596,841)	(8,430)	858	(604,413)
Total net position	<u>\$ 3,921,864</u>	<u>339,982</u>	<u>2,161</u>	<u>4,264,007</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, 2020

(In thousands)

	Transit	Sustainable Streets	Parking Garages	SFMTA Eliminations	Total
Operating revenues:					
Passenger fares	\$ 152,924	—	—	—	152,924
Parking and transportation	—	85,275	6,899	—	92,174
Fines, forfeitures, and penalties	—	74,095	—	—	74,095
Charges for services	1,346	26,211	—	—	27,557
Licenses, permits, and franchises	—	14,707	—	—	14,707
Advertising	21,414	—	—	—	21,414
Rents and concessions	2,643	3,887	45	—	6,575
Other	—	1,211	16	—	1,227
Total operating revenues	178,327	205,386	6,960	—	390,673
Operating expenses:					
Personnel services	768,005	106,258	2,317	—	876,580
Contractual services	83,567	64,339	1,399	—	149,305
Materials and supplies	63,224	6,203	127	—	69,554
Depreciation and amortization	188,200	16,653	259	—	205,112
Services from other City departments	67,359	8,900	—	—	76,259
General and administrative	47,216	8,739	427	—	56,382
Other operating expenses	(10,911)	7,297	1,028	—	(2,586)
Total operating expenses	1,206,660	218,389	5,557	—	1,430,606
Operating income (loss)	(1,028,333)	(13,003)	1,403	—	(1,039,933)
Nonoperating revenues (expenses):					
Operating assistance:					
Federal	205,959	4,746	—	—	210,705
State and other grants	165,179	—	—	—	165,179
Interest and investment income	13,157	5,952	1	—	19,110
Interest expense	(5,232)	(2,196)	(383)	—	(7,811)
Other, net	13,375	2,591	—	—	15,966
Total nonoperating revenues, net	392,438	11,093	(382)	—	403,149
Income (loss) before capital contributions and transfers	(635,895)	(1,910)	1,021	—	(636,784)
Capital contributions:					
Federal	252,989	2,190	—	—	255,179
State and others	83,755	16,593	—	—	100,348
Total capital contributions	336,744	18,783	—	—	355,527
Transfers in:					
City and County of San Francisco – General Fund	357,995	115,973	—	—	473,968
San Francisco County Transportation Authority	8,862	645	—	—	9,507
City and County of San Francisco – Other City departments	9,635	3,240	—	—	12,875
SFMTA operating transfers in	196,792	1,386	—	(198,178)	—
Total transfers in	573,284	121,244	—	(198,178)	496,350
Transfers out:					
City and County of San Francisco – Other City departments	—	—	(388)	—	(388)
SFMTA operating transfers out	—	(196,792)	(1,386)	198,178	—
Net transfers	573,284	(75,548)	(1,774)	—	495,962
Change in net position	274,133	(58,675)	(753)	—	214,705
Total net position, beginning of year	3,647,731	398,657	2,914	—	4,049,302
Total net position, end of year	\$ 3,921,864	339,982	2,161	—	4,264,007

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Supplemental Schedule of Grants – Federal

Year ended June 30, 2020

(In thousands)

	Authorized grants as of July 1, 2019	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2020	Amounts not expended as of June 30, 2020	Grants receivable as of June 30, 2020
Capital grants:							
FY 2014 Section 5307 Urban Area Formula	\$ 5,444	—	(5,444)	—	—	—	—
FY 2016 Section 5307 Urban Area Formula	6,123	—	(2,545)	—	3,578	(1,924)	1,654
FY 2013 Section 5307 CMAQ and Surface Transportation Program	3,771	—	—	—	3,771	(2,980)	791
FY 2015 Section 5307 Formula Fund	299	—	(299)	—	—	—	—
FY 2016 Section 5307 Formula Fund	—	—	(208)	208	—	—	—
FY 2017 Section 5307 Formula Fund	2,134	—	(2,134)	—	—	—	—
FY 2017 Section 5307 Vision Zero Safety Investments	3,897	—	(1,555)	—	2,342	(2,342)	—
FY 2018 Section 5307 Geary Rapid Project	5,619	—	(138)	—	5,481	(4,765)	716
FY 2018 Section 5307 Van Ness Avenue BRT	7,300	—	—	—	7,300	(7,300)	—
FY 2019 Section 5307 New Central Subway	—	15,980	(15,980)	—	—	—	—
FY 2019 Section 5307 Geary Rapid	—	6,939	(4)	—	6,935	(6,351)	584
FY 2019 Section 5307 Formula Funds	—	41,657	—	—	41,657	(36,605)	5,052
FY 2011 Section 5309 Bus and Facilities	1,196	—	(1,196)	—	—	—	—
FY 2013 Section 5309 Bus Livability	1,712	—	(1,569)	—	143	(71)	72
FY 2011 Section 5309 Fixed Guideway	398	—	(398)	—	—	—	—
FY 2012 Section 5309 Fixed Guideway	4,937	—	(4,937)	—	—	—	—
FY 2007 Section 5309 New Starts	58,999	150,000	(119,489)	—	89,510	(40,959)	48,551
FY 2016 Section 5309 New Starts	41,106	—	(21,945)	—	19,161	(11,235)	7,926
FY 2013 Section 5337 State of Good Repair	200	—	(200)	—	—	—	—
FY 2014 Section 5337 State of Good Repair	635	—	(635)	—	—	—	—
FY 2015 Section 5337 State of Good Repair	9,762	—	(2,142)	—	7,620	(6,290)	1,330
FY 2016 Section 5337 State of Good Repair	19,252	—	(3,682)	—	15,570	(14,516)	1,054
FY 2017 Section 5337 State of Good Repair	7,761	—	(4,817)	—	2,944	(2,188)	756
FY 2018 Section 5337 State of Good Repair	123,959	—	(77,026)	—	46,933	(40,921)	6,012
FY 2019 Section 5337 State of Good Repair	—	72,319	(1,045)	—	71,274	(70,415)	859
FY 2019 Section 5339 Bus and Bus Facilities	—	3,617	—	—	3,617	(3,214)	403
Total capital grants	<u>\$ 304,504</u>	<u>290,512</u>	<u>(267,388)</u>	<u>208</u>	<u>327,836</u>	<u>(252,076)</u>	<u>75,760</u>
Operating grants:							
FY 2013 Section 5307 CMAQ and Surface Transportation Program	\$ 168	—	(113)	—	55	(55)	—
FY 2016 Section 5307 Formula Fund	220	—	—	(208)	12	(12)	—
FY 2018 Section 5307 Formula Funds	6,239	—	(6,239)	—	—	—	—
FY 2019 Section 5307 Formula Funds	—	4,344	—	—	4,344	—	4,344
FY 2020 Section 5307 CARES Act	—	197,191	(179,235)	—	17,956	—	17,956
FY 2017 Section 5310 Enhanced Mobility of Seniors and Individuals With Disabilities	427	—	(171)	—	256	(256)	—
Total operating grants	<u>\$ 7,054</u>	<u>201,535</u>	<u>(185,758)</u>	<u>(208)</u>	<u>22,623</u>	<u>(323)</u>	<u>22,300</u>

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Supplemental Schedule of Grants – California Transportation Commission

Year ended June 30, 2020

(In thousands)

	Authorized grants as of July 1, 2019	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2020	Amounts not expended as of June 30, 2020	Grants receivable as of June 30, 2020
Capital grants:							
FY 2008 Prop 1B: 3rd St. Light Rail	\$ 1,233	—	—	—	1,233	(1,233)	—
FY 2008 Prop 1B: Operator Restrooms	732	—	(20)	—	712	(712)	—
FY 2009 Prop 1B: New Central Subway	1,084	—	(24)	—	1,060	(1,060)	—
FY 2010 Prop 1B: Balboa Park Eastside Connection	209	—	(124)	—	85	(85)	—
FY 2013 Prop 1B: Mission Mobility Maximization	1,738	—	(852)	—	886	(886)	—
FY 2013 Prop 1B: 8X Mobility Maximization	1,474	—	(203)	—	1,271	(1,271)	—
FY 2014 Prop 1B: LRV Procurement	2,657	—	(312)	—	2,345	(2,345)	—
FY 2014 Prop 1B: Flynn Lifts	770	—	—	—	770	(770)	—
FY 2017 Prop 1B: 31 Balboa Project	725	—	—	—	725	(725)	—
Total Prop 1B	10,622	—	(1,535)	—	9,087	(9,087)	—
FY 2015 Prop 1B: Transit Security	2,835	—	(839)	—	1,996	(1,996)	—
FY 2016 Prop 1B: Transit Security	6,264	—	(300)	—	5,964	(5,964)	—
FY 2017 Prop 1B: Transit Security	4,643	—	(1,442)	—	3,201	(3,201)	—
Total Transit Security	13,742	—	(2,581)	—	11,161	(11,161)	—
FY 2019 Transit and Intercity Rail Capital Program	24,449	—	(24,449)	—	—	—	—
FY 2020 Transit and Intercity Rail Capital Program	—	26,867	—	—	26,867	(6,993)	19,874
Total Transit and Intercity Rail Capital Program	24,449	26,867	(24,449)	—	26,867	(6,993)	19,874
FY 2019 Low Carbon Transit Operations Grant - LRV	—	—	—	4,116	4,116	(4,116)	—
FY 2019 Low Carbon Transit Operations Grant -CS	—	—	(4,000)	4,000	—	—	—
FY 2019 Low Carbon Transit Operations Grant West Portal Optimization	—	—	(1,367)	2,185	818	(818)	—
Total Low Carbon	—	—	(5,367)	10,301	4,934	(4,934)	—
Total capital grants	\$ 48,813	26,867	(33,932)	10,301	52,049	(32,175)	19,874
Operating grant:							
FY 2017 Low Carbon Transit Operations Grant	\$ 7,235	—	—	—	7,235	(7,235)	—
FY 2018 Low Carbon Transit Operations Grant	5,034	—	(2,974)	—	2,060	(2,060)	—
FY 2019 Low Carbon Transit Operations Grant - Prototype Battery Conv.	15,901	—	—	(10,301)	5,600	(5,600)	—
Total operating grants	\$ 28,170	—	(2,974)	(10,301)	14,895	(14,895)	—

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Supplemental Schedule of Grants – Metropolitan Transportation Commission

Year ended June 30, 2020

(In thousands)

	Authorized grants as of July 1, 2019	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2020	Amounts not expended as of June 30, 2020	Grants receivable as of June 30, 2020
Capital grants:							
Bridge Toll:							
Match to Capital Grants	\$ 123,553	45,730	(41,799)	19	127,503	(85,539)	41,964
State Transit Assistance:							
State of Good Repair	18,901	9,816	(1,817)	—	26,900	(26,900)	—
Total capital grants	<u>\$ 142,454</u>	<u>55,546</u>	<u>(43,616)</u>	<u>19</u>	<u>154,403</u>	<u>(112,439)</u>	<u>41,964</u>
Operating grants:							
AB1107 Sales Tax	\$ 3,643	45,500	(44,995)	(1,014)	3,134	—	3,134
State Transit Assistance	17,801	66,707	(65,360)	(3,743)	15,405	—	15,405
Transportation Development Act	—	49,898	(46,202)	(464)	3,232	—	3,232
RM2:							
Owl Service	188	188	(188)	(17)	171	—	171
T-Third Light Rail	—	2,500	—	(219)	2,281	—	2,281
Lifeline Cycle 5:							
Expanded Late Night Transit	—	911	(911)	—	—	—	—
Shopping Shuttle	—	32	(32)	—	—	—	—
Wheelchair Accessible Taxis	—	30	(30)	—	—	—	—
Bayview Transit Assistance	—	17	—	(17)	—	—	—
Total operating grants	<u>\$ 21,632</u>	<u>165,783</u>	<u>(157,718)</u>	<u>(5,474)</u>	<u>24,223</u>	<u>—</u>	<u>24,223</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, 2020

(In thousands)

	Authorized grants as of July 1, 2019	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjustment grants	Authorized grants as of June 30, 2020	Amounts not expended as of June 30, 2020	Grants receivable as of June 30, 2020
Capital grants:							
3rd Street Light Rail Projects	\$ 4,169	—	—	—	4,169	(4,169)	—
Central Subway	14,717	—	(14,717)	—	—	—	—
Escalator Replacement Study	5	—	—	—	5	—	5
Islais Creek Woods	485	—	—	—	485	(485)	—
Rail Replacement/Mntce Equip/Mission Bay	—	—	—	—	—	—	—
Radio Communications System and CAD	3,890	—	—	—	3,890	(3,890)	—
Central Train Control and Communication	5,359	—	(589)	—	4,770	(3,837)	933
Bus Rapid Transit (Geary and Van Ness)	26,423	—	(3,345)	—	23,078	(18,301)	4,777
Balboa Park Intermodal Improvements	742	—	(742)	—	—	—	—
Balboa Park Station Eastside Connection	134	—	(134)	—	—	—	—
Motor Coach NABI Replacement	3,193	—	—	—	3,193	(3,193)	—
Green Center Rail Replacement	—	—	—	—	—	—	—
50 Motor Coach Replacement	3,174	—	—	(3,174)	—	—	—
Central Subway Phase 3 Initial Study	404	540	(28)	—	916	(916)	—
60 Foot Trolley Coach Replacement	10,975	—	(2,511)	—	8,464	(1)	8,463
Phelan Plaza Development	91	—	—	—	91	(91)	—
Muni Forward	1,601	—	(355)	—	1,246	(781)	465
New Light Rail Vehicles	126,561	—	—	—	126,561	(125,756)	805
Geneva-Harvey Bus Rapid Transit Study	3,771	—	—	—	3,771	(3,105)	666
Muni Metro East (MME) Phase II	1,217	—	—	—	1,217	(1,217)	—
Fall Protection System	5,363	—	(1,826)	—	3,537	(3,351)	186
Replace M-Line Curve Tracks	964	—	—	—	964	(794)	170
Procurement of 30, 40 and 60 Ft Hybrid Buses	30,540	—	(12,717)	—	17,823	(17,821)	2
Kearny Corridor Multimodal Project	85	—	(66)	—	19	—	19
Fire Life Safety Upgrade	952	—	—	—	952	(482)	470
1570 Burke Facility Renovation	902	—	—	—	902	(902)	—
33 Stanyan Pole Replacement and Ovhd Recon	67	—	—	—	67	(30)	37
Rail Grinding Project	271	—	(19)	—	252	(252)	—
Cable Car Drive Reduction Gearbox Rehab	569	—	—	—	569	(101)	468
ATCS Tunnel Wiring Replacement	127	—	—	—	127	(79)	48
Elevator Safety and Reliability Project	261	—	—	—	261	(194)	67
Paratransit Van Replacement Project	98	—	—	—	98	(92)	6
Twin Peaks Tunnel Rail Replacement-Rev	5,296	—	(264)	—	5,032	(4,302)	730
Track Support System	1,649	—	(137)	—	1,512	(1,503)	9
Track Replacement and Upgrade	2,811	—	—	—	2,811	(2,811)	—
30' Coaches Replacement	217	—	—	(217)	—	—	—
Paratransit Sedan Procurement	270	—	—	—	270	—	270
Alternative Fuel Taxicab In	250	—	(18)	(35)	197	(197)	—
Cable Car Sheave Rebuild	281	—	—	—	281	(276)	5
Replacement Manual Switch S	592	—	—	—	592	(592)	—
MF Corridors PL and CE	3,339	—	(158)	—	3,181	(3,137)	44
Local Bus Transit Signal Priority	1,190	—	—	—	1,190	(41)	1,149
Paratransit Replacement	931	—	(2)	—	929	(490)	439
Eti Bus Lifts	4,400	—	—	—	4,400	(1,923)	2,477
LRV 2and3 HVAC Refurbish	3,200	—	—	—	3,200	(3,192)	8
LRV2 and LRV3 Overhauls	7,500	—	(9)	—	7,491	(7,082)	409
Streetcar Extension to Fort Mason	—	926	—	—	926	(920)	6
Muni Metro Expansion	—	3,488	—	—	3,488	(2,488)	1,000
Rehab of Historic Street Cars	—	1,076	—	—	1,076	(1,051)	25
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	—	—	1,500	(1,352)	148
Wheelchair Accessible Taxi	—	50	—	—	50	(50)	—
Total capital grants	\$ 279,036	91,849	(37,637)	(3,426)	329,822	(305,516)	24,306

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2020

(In thousands)

	Authorized grants as of July 1, 2019	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjustment grants	Authorized grants as of June 30, 2020	Amounts not expended as of June 30, 2020	Grants receivable as of June 30, 2020
Operating grants:							
Paratransit	\$ 2,849	9,682	(10,627)	—	1,904	(952)	952
Transit Corridor Investment Study	54	—	—	—	54	(54)	—
N-Judah Customer First	215	—	—	—	215	(215)	—
66 Quintara Reconfiguration Study	4	—	—	—	4	(4)	—
Van Gough Shuttles	—	228	—	—	228	(96)	132
Total operating grants	<u>\$ 3,122</u>	<u>9,910</u>	<u>(10,627)</u>	<u>—</u>	<u>2,405</u>	<u>(1,321)</u>	<u>1,084</u>

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Supplemental Schedule of Grants – Others

Year ended June 30, 2020

(In thousands)

	Authorized grants as of July 1, 2019	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2020	Amounts not expended as of June 30, 2020	Grants receivable as of June 30, 2020
Capital grants:							
Homeland Security:							
FY 2011 Federal Homeland Security – TSA K9 Project	\$ 197	—	—	(197)	—	—	—
Muni Metro Station Enhancement Phase I	2,465	—	—	(2,465)	—	—	—
Bus Rapid Transit (Geary and Van Ness)	237	—	—	(237)	—	—	—
BART Better Market Street	—	389	—	—	389	(389)	—
Total capital grants	<u>\$ 2,899</u>	<u>389</u>	<u>—</u>	<u>(2,899)</u>	<u>389</u>	<u>(389)</u>	<u>—</u>
Operating grants:							
FY 2017 Transit Security Grant Program	493	—	(425)	—	68	(66)	2
FY 2019 Transit Security Grant Program	—	5,228	—	—	5,228	(3,698)	1,530
FY 2020 Federal Homeland Security – TSA K9 Project	—	126	(196)	197	127	(30)	97
Total security grants	493	5,354	(621)	197	5,423	(3,794)	1,629
FY 2020 FEMA Funding for COVID 19	—	2,384	(2,384)	—	—	—	—
Total operating grants	<u>\$ 493</u>	<u>7,738</u>	<u>(3,005)</u>	<u>197</u>	<u>5,423</u>	<u>(3,794)</u>	<u>1,629</u>

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SUSTAINABLE STREETS**

Supplemental Schedule of Grants – Federal

Year ended June 30, 2020

(In thousands)

	Authorized grants as of July 1, 2019	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2020	Amounts not expended as of June 30, 2020	Grants receivable as of June 30, 2020
Capital grants:							
FY 2009 CMAQ - SF Park	\$ 398	—	—	—	398	(398)	—
FY 2012 Safe Routes to School - Chinatown	18	—	—	(18)	—	—	—
FY 2013 Highway Safety Improvements - Continental Crosswalks	16	—	—	—	16	(14)	2
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	84	—	(40)	—	44	(4)	40
FY 2015 State Transportation Improvement - Crosswalks	11	—	—	—	11	(6)	5
FY 2015 State Transportation Improvement - Twin Peaks Connectivity	38	—	(22)	—	16	(16)	—
FY 2015 Section 5307 Formula Fund - Embarcadero Enhancement Project	40	—	(18)	—	22	—	22
FY 2016 and 2017 Highway Safety Improvement - South Van Ness Pedestrian Signals Projects	208	—	—	—	208	(208)	—
FY 2018 Highway Safety Improvement - NOMA SOMA Signal Timing Project	269	2,396	(1,574)	—	1,091	(136)	955
FY 2018 Advanced Transportation and Congestion Management Technologies Deployment Initiatives	10,979	—	(121)	—	10,858	(10,653)	205
Total capital grants	<u>\$ 13,261</u>	<u>2,396</u>	<u>(1,775)</u>	<u>(18)</u>	<u>13,864</u>	<u>(12,635)</u>	<u>1,229</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	10,487	—	(4,791)	—	5,696	(4,912)	784
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	285	—	(281)	—	4	(4)	—
FY 2019 Safe Routes to School - Non Infrastructure	—	2,813	(431)	—	2,382	(2,007)	375
FY 2010 and 2011 State Transportation Improvement Program - SF Pedestrian Safety and Encouragement	6	—	—	—	6	(6)	—
FY 2012 State Transportation Improvement - Church and 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	(14)	96
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	307	—	(55)	—	252	(252)	—
FY 2018 Section 5303 Short Range Transit Plan	—	43	—	—	43	(43)	—
Caltrans Planning SF Transit Corridor Study	438	—	—	—	438	(266)	172
Total operating grants	<u>\$ 13,167</u>	<u>2,856</u>	<u>(5,558)</u>	<u>—</u>	<u>10,465</u>	<u>(8,819)</u>	<u>1,646</u>

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SUSTAINABLE STREETS**

Supplemental Schedule of Grants – California Transportation Commission

Year ended June 30, 2020

(In thousands)

	Authorized grants as of July 1, 2019	New grants approved/ spending commences	Payments received	Expired/ rescinded/ Adjustment grants	Authorized grants as of June 30, 2020	Amounts not expended as of June 30, 2020	Grants receivable as of June 30, 2020
Capital grants:							
Prop 1B – Persia Triangle Improvements	\$ 141	—	—	(141)	—	—	—
FY 2013 Prop 1B: 8X Mobility Maximization	131	—	—	—	131	(131)	—
FY 2014 Prop 1B: LRV Procurement	142	—	(110)	—	32	(32)	—
Total Prop 1B	414	—	(110)	(141)	163	(163)	—
FY 2016 Prop 1B: Transit Security	177	—	—	(177)	—	—	—
FY 2017 Prop 1B: Transit Security	21	—	—	—	21	(21)	—
Total Transit Security	198	—	—	(177)	21	(21)	—
Citywide Bicycle Wayfinding	779	—	(387)	(392)	—	—	—
Affordable Housing and Sustainable Comm. Dev.	1,019	—	—	(935)	84	—	84
Safer Intersections Program	1,971	—	(225)	—	1,746	(1,463)	283
West Portal SR2SL	748	—	—	(748)	—	—	—
Total capital grants	\$ 5,129	—	(722)	(2,393)	2,014	(1,647)	367
Operating grants:							
Randolph/Farallones/Orizaba Transit Access	\$						
Pedestrian Safety	3	—	—	—	3	(3)	—
Addison and Dighy Traffic Circle	63	—	—	(63)	—	—	—
Class II and III Bikeways	51	—	—	(36)	15	—	15
West Portal Improvements School Access	162	—	—	(162)	—	—	—
Jean Parker Safe Routes to School	125	—	—	(125)	—	—	—
HSIP SSARP Bicycle Safety	59	—	—	—	59	(52)	7
District 11 Neighborhood Greenway Planning Project	17	—	—	(17)	—	—	—
Bayview CBTP	91	—	(91)	—	—	—	—
Hyde Street Safety Project	—	300	—	—	300	(300)	—
Total operating grants	\$ 571	300	(91)	(403)	377	(355)	22

See accompanying independent auditors' report

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SUSTAINABLE STREETS**

Supplemental Schedule of Grants – Metropolitan Transportation Commission

Year ended June 30, 2020

(In thousands)

	<u>Authorized grants as of July 1, 2019</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, 2020</u>	<u>Amounts not expended as of June 30, 2020</u>	<u>Grants receivable as of June 30, 2020</u>
Capital grants:							
TDA:							
TDA FY2020 Allocation	\$ —	486	—	—	486	(486)	—
TDA FY2019 Allocation	462	—	—	—	462	(390)	72
TDA FY2018 Allocation	442	—	(175)	—	267	—	267
TDA FY2017 Allocation	85	—	(85)	—	—	—	—
CBTP:							
Western Addition CBTP	<u>2</u>	<u>—</u>	<u>—</u>	<u>(2)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total capital grants	<u>\$ 991</u>	<u>486</u>	<u>(260)</u>	<u>(2)</u>	<u>1,215</u>	<u>(876)</u>	<u>339</u>
Operating grants:							
TDA:							
Long-Term Bike Parking	\$ 21	—	—	—	21	(21)	—
Bridge Tolls (RM2):							
Bicycle Transit System Integ	<u>26</u>	<u>—</u>	<u>—</u>	<u>(26)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total operating grants	<u>\$ 47</u>	<u>—</u>	<u>—</u>	<u>(26)</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, 2020

(In thousands)

	Authorized grants as of July 1, 2019	New grants approved/ spending commences	Payments received	Expired/ rescinded/ Adjustment grants	Authorized grants as of June 30, 2020	Amounts not expended as of June 30, 2020	Grants receivable as of June 30, 2020
Capital grants:							
Bicycle Program Projects	\$ 1,437	565	(741)	(12)	1,249	(874)	375
Pedestrian Safety Program Projects	1,029	1,970	(145)	—	2,854	(1,884)	970
Traffic Calming Program Projects	6,567	10,678	(2,248)	—	14,997	(10,335)	4,662
Traffic Signal/Traffic Sign Projects	23,857	2,251	(11,440)	—	14,668	(10,284)	4,384
Transit Study and Street Improvement Projects	1,617	—	(218)	(352)	1,047	(943)	104
Transportation/Land Use Coordination	—	—	(32)	32	—	—	—
Transportation Demand/Parking Management	623	195	(106)	—	712	(624)	88
Total capital grants	<u>\$ 35,130</u>	<u>15,659</u>	<u>(14,930)</u>	<u>(332)</u>	<u>35,527</u>	<u>(24,944)</u>	<u>10,583</u>
Pass-through capital grants:							
Bicycle Program Projects	\$ 120	358	(120)	—	358	(135)	223
Taxi Vehicle Alternative Fuel Program	214	—	—	—	214	(214)	—
Total pass-through capital grants	<u>\$ 334</u>	<u>358</u>	<u>(120)</u>	<u>—</u>	<u>572</u>	<u>(349)</u>	<u>223</u>
Operating grants:							
Bicycle Program Projects	\$ 185	932	(178)	(1)	938	(819)	119
Pedestrian Safety Program Projects	504	—	—	—	504	(149)	355
Traffic Calming Program Projects	94	353	(90)	—	357	(205)	152
Traffic Signal/Traffic Sign Projects	596	—	(23)	—	573	(459)	114
Transit Study and Street Improvement Projects	157	—	(94)	—	63	(63)	—
Transportation/Land Use Coordination	—	280	—	320	600	(358)	242
Total operating grants	<u>\$ 1,536</u>	<u>1,565</u>	<u>(385)</u>	<u>319</u>	<u>3,035</u>	<u>(2,053)</u>	<u>982</u>
Pass-thru operating grants:							
Bicycle Program Projects	\$ 72	—	—	—	72	(72)	—
Transportation Outreach Program	105	—	(26)	—	79	(79)	—
Total pass-through operating grants	<u>\$ 177</u>	<u>—</u>	<u>(26)</u>	<u>—</u>	<u>151</u>	<u>(151)</u>	<u>—</u>

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SUSTAINABLE STREETS**

Supplemental Schedule of Grants – Others

Year ended June 30, 2020

(In thousands)

	Authorized grants as of July 1, 2019	New grants approved/ spending commences	Payments received	Expired/ rescinded/ Adjustment grants	Authorized grants as of June 30, 2020	Amounts not expended as June 30, 2020	Grants receivable as June 30, 2020
Capital grants:							
Electronic Bicycle Lockers	\$ 100	—	—	—	100	(14)	86
TA Traffic/Bike Programs	1,671	—	(1,409)	—	262	—	262
Total capital grants	<u>\$ 1,771</u>	<u>—</u>	<u>(1,409)</u>	<u>—</u>	<u>362</u>	<u>(14)</u>	<u>348</u>
Operating grants:							
UCSF - 18th St and Minnesota Signal	\$ 574	—	—	—	574	(574)	—
Group I - Bryant and Sterling Construction	200	—	—	—	200	(200)	—
Equity Residential Mariposa and Pennsylvania	20	—	—	—	20	(20)	—
Lake Merced Pedestrian Safety CBTP	—	75	—	—	75	(73)	2
FY 2020 FEMA Funding for COVID 19	—	54	(54)	—	—	—	—
Total operating grants	<u>\$ 794</u>	<u>129</u>	<u>(54)</u>	<u>—</u>	<u>869</u>	<u>(867)</u>	<u>2</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, 2020

(In thousands)

Project title	Allocation	Beginning balance July 1, 2019	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2020
First Allocation Fiscal Year 2007–2008:								
Third Street Light Rail Interest	\$ —	176	—	—	35	—	—	211
Third Street/Metro East CP/Other Direct	1,383	289	—	—	—	—	—	289
LRV4 VCC Support	2,200	1,121	—	—	—	—	—	1,121
Elevator Safety and Reliability Project	117	4	—	—	—	—	—	4
Subtotal PTSB01	3,700	1,590	—	—	35	—	—	1,625
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	1,600	—	—	35	—	—	1,635
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	—	—	—	—	—	79

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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

Year ended June 30, 2020

(In thousands)

Project title	Allocation	Beginning balance July 1, 2019	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2020
STA Prop 1B; FY0708; Operator Restrooms	\$ —	66	—	—	14	—	—	80
Operator-Restroom	2,164	—	—	—	—	—	—	—
Woods Lifts Heavy Maintenance Shop	10	—	—	—	—	—	—	—
Cable Car Safety and Reliability Improvement	422	385	—	—	—	—	(42)	343
Transportation Capital Infrastructure	369	348	—	—	—	—	21	369
Subtotal PTSB07	2,965	799	—	—	14	—	(21)	792
STA Prop 1B; FY0708; Wsysd Fare Collect Eq	—	37	—	—	1	—	—	38
Wayside Fare Collection	1,000	—	—	—	—	—	—	—
Subtotal PTSB08	1,000	37	—	—	1	—	—	38
Subtotal Allocation	13,665	915	—	—	15	—	(21)	909
First Allocation Fiscal Year 2008–2009:								
STA Prop 1B; FY0910; Central Subway	—	134	—	—	25	—	—	159
Operator-Restroom	19	—	—	—	—	—	—	—
New Central Subway	20,001	—	—	—	—	—	—	—
Wayside/Central Train Control System	3,345	866	—	—	—	—	59	925
Mid-Life Rehabilitation of Neoplan Buses	1,404	—	—	—	—	—	—	—
Subway CCTV Surveillance System	1,169	—	—	—	—	—	—	—
Vehicle Video Surveillance Replacement	689	63	—	—	—	—	(24)	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	1,218	—	—	25	—	35	1,278
STA Prop 1B; FY0910; Interim Line Mgt	—	19	—	—	—	—	—	19
Central Control and Communications Program	400	—	—	—	—	—	—	—
Subtotal PTSB12	400	19	—	—	—	—	—	19
STA Prop 1B; FY0910; Lt RI Op Cont Ctr	—	60	—	—	1	—	—	61
Central Control and Communications Program	1,300	—	—	—	—	—	—	—
Subtotal PTSB13	1,300	60	—	—	1	—	—	61
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	1,358	—	—	26	—	35	1,419

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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

Year ended June 30, 2020

(In thousands)

Project title	Allocation	Beginning balance July 1, 2019	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2020
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	—	—	—	—	—	26
Central Control and Communications Program	817	—	—	—	—	—	—	—
Subtotal PTSB16	817	26	—	—	—	—	—	26
Subtotal Allocation	4,807	40	—	—	—	—	—	40
Third Allocation Fiscal Year 2008–2009:								
Islais Creek-woods Annex	—	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; FY0809 LRV Restoration Prgm	—	46	—	—	1	—	—	47
LRV Collision Repairs	3,831	—	—	—	—	—	—	—
Subtotal PTSB19	3,831	46	—	—	1	—	—	47
New Central Subway	719	—	—	—	—	—	—	—
Subtotal PTSB20	719	—	—	—	—	—	—	—
Subtotal Allocation	9,812	222	—	—	1	—	—	223
First Allocation Fiscal Year 2009–2010:								
STA Prop 1B; FY2009-2010 PTMISEA Funds	13	27	—	—	3	—	—	30
Hunters View Revitalize Transit Stop Connection	497	—	—	—	—	—	—	—
New Central Subway	20,216	—	—	—	—	—	—	—
LRV Collision Repairs	770	—	—	—	—	—	—	—
Mid-Life Rehabilitation of Neoplan Buses	700	—	—	—	—	—	—	—
Balboa Park Station Eastside Connection	864	220	—	—	—	—	(135)	85
Green Center Rail Replacement	—	51	—	—	—	—	(51)	—
Capital Program Controls System Procurement	—	101	—	—	—	—	—	101
Safer Market Street	—	1	—	—	—	—	—	1
Subtotal PTSB22	23,060	400	—	—	3	—	(186)	217
Subtotal Allocation	23,060	400	—	—	3	—	(186)	217

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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

Year ended June 30, 2020

(In thousands)

Project title	Allocation	Beginning balance July 1, 2019	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2020
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	—	—	—	—	—	210
Randolph/Farallones/Orizaba	395	—	—	—	—	—	—	—
Subtotal PKSB03	395	—	—	—	—	—	—	—
Subtotal Allocation	16,440	210	—	—	—	—	—	210
Third Allocation Fiscal Year 2009–2010:								
STA Prop1B; Central Subway and Persia	—	88	—	—	3	—	—	91
Persia Triangle Improvements	676	88	—	—	—	—	—	88
New Central Subway	48,400	—	—	—	—	—	—	—
Central Subway Goodwill	—	55	—	—	—	—	—	55
Green Center Rail Replacement	—	106	—	—	—	—	(106)	—
Capital Program Controls System Procurement	—	14	—	—	—	—	—	14
Subtotal PTSB24	49,076	351	—	—	3	—	(106)	248
Subtotal Allocation	49,076	351	—	—	3	—	(106)	248
First Allocation Fiscal Year 2010–2011:								
STA Prop1B; FY12-13 PTMISEA Fnds Central	—	12	—	—	6	—	—	18
Islais Creek-woods Annex	—	156	—	—	—	—	—	156
Twin Peaks Tunnel Rail	—	38	—	—	—	—	—	38
Traffic Signal E 89	—	270	—	—	—	—	—	270
New Central Subway	117,681	—	—	—	—	—	—	—
FY10 TSGP Subway CCTV Surveillance System	—	—	—	—	—	—	—	—
Subtotal PTSB26	117,681	476	—	—	6	—	—	482
Subtotal Allocation	117,681	476	—	—	6	—	—	482
Second Allocation Fiscal Year 2010–2011:								
STA Prop1B; FY13 PTMISEA Mission Mobility	—	122	—	—	32	—	—	154
Islais Creek-woods Annex	—	124	—	—	—	—	—	124
14 Mission Customer First	836	492	—	—	—	—	—	492
Muni Forward - West Portal/St Francis Circle	1,743	830	—	(830)	—	—	—	—
Cable Car Safety and Reliability Improvement	978	—	—	—	—	—	—	—
Muni Forward - Lower Haight Street (71)	1,500	1,133	—	—	—	—	(20)	1,113
MT L Taraval Track Rail and OH	—	—	—	830	—	—	(830)	—
Subtotal PTSB27	5,057	2,701	—	—	32	—	(850)	1,883

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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

Year ended June 30, 2020

(In thousands)

Project title	Allocation	Beginning balance July 1, 2019	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2020
STA Prop1B; FY13 PTMISEA 8X Mobility Max	\$ —	205	—	(6)	42	—	—	241
Potrero Hill Ped Safety and Transit Impv	216	96	—	—	—	—	(2)	94
Operator-Restroom	186	—	—	—	—	—	—	—
FY10 TSGP Subway CCTV Surveillance System	1,060	—	—	—	—	—	—	—
Balboa Park Station Area and Plaza Improvement	1,460	—	—	6	—	—	(6)	—
Mission Bay Transit Loop	448	—	—	—	—	—	—	—
8X Customer First	1,763	1,324	—	—	—	—	(89)	1,235
Transportation Capital Infrastructure	152	152	—	(152)	—	—	—	—
MT Special Trackwork Replacement	—	—	—	152	—	—	(115)	37
Subtotal PTSB28	5,285	1,777	—	—	42	—	(212)	1,607
STA Prop1B; FY13 PTMISEA Mission Bay Loop	—	35	—	—	1	—	—	36
Mission Bay Transit Loop	1,382	—	—	—	69	—	—	69
Subtotal PTSB29	1,382	35	—	—	70	—	—	105
Subtotal Allocation	11,724	4,513	—	—	144	—	(1,062)	3,595
First Allocation Fiscal Year 2013–2014:								
STA Prop1B; FY14 LRV Procurement	—	256	—	(80)	—	—	—	176
Islais Creek-woods Annex	—	57	—	—	—	—	(57)	—
Van Ness Bus Rapid Transit	639	155	—	—	—	—	195	350
Mission Bay Transit Loop	2,197	—	—	—	—	—	—	—
Muni Forward	1,008	299	—	—	—	—	(52)	247
Elevator Safety and Reliability Project	2,200	2,021	—	—	—	—	(291)	1,730
Muni Metro Subway Station Enhancement	287	81	—	—	—	—	(13)	68
MS Arguello Traffic Signal	249	34	—	—	—	—	(2)	32
MT Cable Car Curved Track Rep	—	—	—	80	—	—	(80)	—
Subtotal PTSB31	6,580	2,903	—	—	—	—	(300)	2,603
STA Prop1B; FY14 Central Subway	—	1,177	—	—	502	—	—	1,679
Islais Creek-woods Annex	—	194	—	—	—	—	—	194
Twin Peaks Tunnel Rail	—	56	—	—	—	—	—	56
New Central Subway	81,880	—	—	—	—	—	—	—
Potrero Facility Vehicle Lifts	—	215	—	—	—	(215)	—	—
MT Transportn Capital CPT995	—	—	—	—	—	215	—	215
Subtotal PTSB33	81,880	1,642	—	—	502	—	—	2,144
Subtotal Allocation	88,460	4,545	—	—	502	—	(300)	4,747
First Allocation Fiscal Year 2015–2016:								
STA Prop1B; FY16 PTMISEA Van Ness Brt	—	72	—	—	1	—	—	73
Van Ness Bus Rapid Transit	5,550	—	—	—	—	—	—	—
Subtotal PTSB36	5,550	72	—	—	1	—	—	73
Subtotal Allocation	5,550	72	—	—	1	—	—	73

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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

Year ended June 30, 2020

(In thousands)

Project title	Allocation	Beginning balance July 1, 2019	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2020
First Allocation Fiscal Year 2016–2017:								
Prop 1B: 31 Balboa	\$ 725	725	—	—	—	—	—	725
Subtotal CTR25	725	725	—	—	—	—	—	725
Subtotal Allocation	725	725	—	—	—	—	—	725
Residual Allocation Fiscal Year 2008–2009 and 2009–2010:								
FY2014 Prop1B: Flynn Lifts	770	770	—	—	—	—	—	770
Subtotal CTR1055	770	770	—	—	—	—	—	770
Subtotal Allocation	770	770	—	—	—	—	—	770
Grand Total	\$ 410,382	16,197	—	—	736	—	(1,640)	15,293

See accompanying independent auditors' report.



KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

**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, 2020, 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 November 19, 2020. Our report includes a reference to other auditors who audited the financial statements of Japan Center Garage Corporation (Japan Center) and City of San Francisco 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
November 19, 2020