SFMTA Annual Report – June 30, 2012

Description of Issuer

The SFMTA is an enterprise department of the City and County of San Francisco (the "City") and a multi-modal transportation agency responsible for planning, designing, constructing, managing, operating and maintaining public transit, paratransit, street and traffic management and improvements, bicycle and pedestrian safety and enhancement programs, on and off-street parking improvements and programs, and the regulation of taxis and commercial vehicles within the City. 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 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. Among City departments, the SFMTA was given exceptional authority to control its operations, purchasing, contracting, and labor relations, as well as a guaranteed share of City General Fund resources. The voters approved additional Charter amendments in 2007 and 2010 (Proposition A and Proposition G, respectively) that further increased the autonomy of and revenues to the SFMTA.

The SFMTA promotes the safe and efficient movement of people and goods throughout the City through many programs. It manages the City's public transportation system, including its motor buses, trolley buses, light rail vehicles, historic streetcars, and cable cars ("Muni"). The SFMTA also oversees the management and operation of 40 public off-street parking facilities owned by the SFMTA, the San Francisco Department of Recreation and Park and the Parking Authority of the City and County of San Francisco, a separate legal entity created under the laws of the State of California. The SFMTA also manages traffic engineering functions within San Francisco, including the placement of signs, signals, traffic striping, curb markings, and parking meters. Finally, the SFMTA regulates the taxi industry within the City.

For additional information about the SFMTA, please go to the Investor Information section of the SFMTA Website, under About Us. The information contained on the SFMTA website, including in the Investor Information section, is not incorporated by reference herein.

One South Van Ness Ave.
Seventh Floor
San Francisco, CA 94103

Tele: 415.701.4500

www.sfmta.com

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Continuing Disclosure Information

Transit

Of Muni's four fixed route modes of service, motorbuses serve the highest number of passengers, followed by trolley buses, light rail and cable car. During the five-year period from Fiscal Year 2007-08 through Fiscal Year 2011-12, annual Muni ridership varied between approximately 213 million passengers and approximately 226 million boardings. (A Fiscal Year begins on July 1 and ends on June 30.)

TABLE 2

HISTORIC FIXED ROUTE RIDERSHIP BY MODE
(ANNUAL BOARDINGS IN THOUSANDS)
(FISCAL YEARS ENDED JUNE 30)

	2008	***2009***	***2010***	***2011***	***2012***
Mode					
Motor Bus	89,913	95,190	91,609	89,451	95,625
Trolley Bus	72,395	72,142	66,968	66,233	67,545
Light Rail	50,313	50,745	49,397	51,022	43,608
Street Rail (1)	-	-	-	-	8,078
Cable Car	7,425	7,913	8,008	7,042	7,270
Total Ridership	220,046	225,990	215,982	213,748	222,126

(1) Effective Fiscal Year 2011-12, NTD reports Street Rail data separate from Light Rail data.

Source: SFMTA

Financial Operations

The SFMTA's financial operations are supported from each of the following sources: 1) passenger fares, 2) City General Fund Transfer No. 1 and City General Fund Transfer No. 2 (each defined below), 3) federal, State and regional grants, and 4) local parking revenues. This diversity of sources gives the SFMTA a relatively stable base of operating revenues.

TABLE 5

SFMTA HISTORICAL OPERATING REVENUES AND EXPENSES
(FISCAL YEARS ENDING JUNE 30)

	2008	**2009**	**2010**	**2011**	**2012**
Operating Revenues					
Passenger Fares (fixed route & paratransit)	$151,454,691	$153,011,068	$187,628,510	$191,626,285	$202,272,010
Fines, Fees, & Permits	108,872,125	110,445,114	106,626,573	123,326,527	120,313,199
Parking Meters	31,625,512	32,468,579	38,868,351	40,530,598	47,138,412
Parking Garage	34,516,382	30,534,468	32,079,597	46,025,396	44,024,673
General Fund Transfer No. 2[(1)]	27,061,488	51,774,048	53,190,000	58,190,000	61,320,000
Other (includes rent, advertising & interest)	23,161,625	22,479,687	22,565,222	25,897,807	25,760,923
Operating Grants:					
Regional Grants (AB 1107, TDA, Bridge Tolls)	$ 71,581,473	$ 66,735,979	$ 60,102,028	$ 64,854,252	$66,512,285
State Transit Assistance (STA)	17,961,810	16,297,571	381,640	37,448,494	31,958,535
Gas Tax Adjustment	9,409,373	6,704,668	3,353,616	3,173,568	2,979,709
Restricted Paratransit Grants (5307, Prop K)	14,860,858	17,822,716	13,647,100	8,874,896	9,745,458
Subtotal Operating Grants	$113,813,514	$107,560,934	$ 77,484,384	$114,351,210	$111,195,987
General Fund Transfer No. 1[(1)]	176,609,303	177,880,000	183,730,000	196,700,000	212,640,000
Appropriated Fund Balance	27,734,195	30,220,854	41,840,121	-	-
TOTAL OPERATING REVENUES	**$694,848,835**	**$716,374,752**	**$744,012,758**	**$796,647,823**	**$824,665,204**
Operating Expenses					
Salaries	$352,275,810	$368,007,109	$366,686,250	$360,199,083	$365,402,874
Less: Overhead/Recoveries	(18,606,844)	(23,503,227)	(39,603,384)	(31,895,364)	(28,420,233)
Net Salaries	$333,668,966	$344,503,882	$327,082,866	$328,303,719	$336,982,641
Fringe Benefits:					
Pension	$ 29,619,313	$ 28,723,827	$ 42,161,528	$ 50,572,435	$63,557,023
Medical	59,181,777	63,348,746	67,871,784	72,150,750	82,321,832
Less: Overhead/Recoveries	(5,557,888)	(7,020,445)	(11,829,582)	(9,527,187)	(8,489,160)
Net Pension & Medical	$ 83,243,202	$ 85,052,128	$ 98,203,730	$113,195,998	$137,389,695
All Other Fringe Benefits	$ 38,392,725	$ 34,881,466	$ 31,441,484	$ 29,342,159	$33,063,255
Fuel & Lubricants	14,209,722	15,851,837	13,015,737	16,109,183	19,486,160
All Other Materials and Supplies	41,192,365	49,888,338	47,602,192	48,887,647	51,796,213
Paratransit Service Contract	19,151,752	20,083,243	18,580,657	16,993,086	18,140,982
All Other Professional Services	23,787,066	22,338,671	21,659,345	31,530,326	31,547,683
Service of Other City Departments[(2)]	37,134,316	49,773,810	49,317,582	45,287,150	52,662,798
Rent and Buildings	13,974,546	13,587,328	14,683,304	16,449,535	14,386,146
Insurance and Claims	33,685,031	39,922,731	43,299,618	39,006,208	44,121,393
Payments to Other Governmental Entities	19,639,691	20,344,022	17,945,920	19,206,675	22,261,080
Debt Service	9,747,315	7,465,181	3,741,819	2,690,890	2,685,035
Transfers to Current Capital Projects	2,179,970	149,037	22,769,830	17,742,000	4,104,076
Transfers to Future Capital Projects	12,747,908	9,778,398	32,331,800	29,261,264	30,765,000
Transfers to Reserves	-	-	-	20,000,000	8,000,000
TOTAL OPERATING EXPENSES	**$682,754,575**	**$713,620,072**	**$741,675,884**	**$774,005,840**	**$807,392,157**

[(1)] General Fund Transfer No. 1 is reported in the SFMTA's audited financial statements as "General Fund Baseline Transfer (by City Charter)." General Fund Transfer No. 2 is reported in the SFMTA's audited financial statements as "General Fund - in lieu of Parking Tax."

[(2)] Service of Other City Departments includes amounts paid to the SFPUC for electricity.

Source: SFMTA

The amounts in Table 6 (extracted from Table 5) represent the SFMTA revenues that would have constituted "Pledged Revenues" under the Indenture had the Indenture been in effect during such Fiscal Years. Revenues shown in Table 5 but not in Table 6 would not have constituted "Pledged Revenues" under the Indenture.

TABLE 6

PLEDGED REVENUES
(IN THOUSANDS)
(FISCAL YEARS ENDING JUNE 30)

REVENUE SOURCE	FY2008	FY2009	FY2010	FY2011	FY2012
Passenger Fares (fixed route & paratransit)(1)	$151,455	$153,011	$187,629	$191,626	$202,272
Fines, Fees & Permits(1)	108,872	110,445	106,627	123,327	120,313
Parking Meters(1)	31,626	32,469	38,868	40,531	47,138
Parking Garages(1), (2)	34,516	30,534	32,080	46,025	44,025
Other (includes rent, advertising & interest)	23,162	22,480	22,565	25,898	25,761
AB 1107	33,833	30,767	27,767	30,145	32,501
TDA	35,061	33,282	29,647	32,021	31,324
Total Pledged Revenues(3):	$418,525	$412,988	$445,183	$489,573	$503,334

(1) Managed Revenues over which the SFMTA has rate-setting authority.
(2) Net of operating and maintenance expenses for four non-profit garages.
(3) Totals may not add due to rounding.

Source: SFMTA

Since Fiscal Year 2002-03, Muni's adult cash fare, the cost of an adult monthly pass and Muni's average fare per passenger have increased significantly, but annual ridership has remained relatively stable.

TABLE 8

FARE REVENUE, RIDERSHIP AND AVERAGE FARES PER PASSENGER

Fiscal Year	Total Fare Revenue (In Thousands)	Total Annual Boardings (In Thousands)	Percentage Change in Boardings	Average Fare Per Passenger(1)	Percentage Change in Average Fare(2)
2012	$202,272	222,126	3.9%	$0.91	1.6%
2011	191,626	213,748	-1.0	0.90	3.2
2010	187,629	215,982	-4.4	0.87	28.3
2009	153,011	225,990	2.7	0.68	-1.6
2008	151,455	220,046	6.6	0.69	-0.7
2007	143,078	206,459	-2.1	0.69	7.2
2006	136,329	210,848	-2.8	0.65	16.8
2005	120,072	216,918	0.6	0.55	3.4
2004	115,467	215,744	0.1	0.54	18.6
2003	97,291	215,594		0.45	

(1) Rounded to the nearest $0.01. Average fare per passenger is equal to boardings divided by revenue and reflects the impact of transfers, discounted fares and monthly passes.
(2) Percentages based on non-rounded fare totals.

Source: SFMTA

Labor Relations

The City has determined a City-wide Annual Required Contribution ("ARC"), interest on net Other Post-Employment Benefits ("OPEB") obligation, ARC adjustment and OPEB cost based on an actuarial valuation performed in accordance with GASB 45, by the City's actuaries. The City's allocation of OPEB costs to the SFMTA for the year ended June 30, 2012 based on a percentage of Citywide Pensionable Salary is presented below. The following table shows the components of the City's annual OPEB allocations for the SFMTA for the Fiscal Years ended June 30, 2011 and June 30, 2012, the amounts contributed to the plan and changes in the net OPEB obligations.

TABLE 16

SFMTA OPEB ALLOCATIONS AND CONTRIBUTIONS
(IN THOUSANDS)
(FISCAL YEARS ENDING JUNE 30)

	2011[1]	2012[2]
Annual Required Contribution	$ 50,338	$ 51,232
Interest on net OPEB Obligation	4,747	6,017
Adjustment to ARC	(3,721)	(4,987)
Annual Net OPEB Cost	51,364	52,262
Contribution Made	(24,898)	(25,352)
Increase in net OPEB Obligation	26,466	26,910
Net OPEB Obligation at beginning of Fiscal Year	99,993	126,459
Net OPEB Obligation at end of Fiscal Year	126,459	153,369

(1) In Fiscal Year 2010-11, the City had 27,994 funded positions and the SFMTA had 4,528 funded positions for both operations and capital project support. The total number of active employees during any fiscal year may vary from the number of authorized funded positions.
(2) In Fiscal Year 2011-12, the City had 28,073 funded positions and the SFMTA had 4,534 funded positions for both operations and capital project support. The total number of active employees during any fiscal year may vary from the number of authorized funded positions.

Source: SFMTA