SFMTA Annual Report – June 30, 2013

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 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 (Proposition A), which increased the autonomy of and revenues to the SFMTA, and other Charter amendment in 2010 (Proposition G), which increased management flexibility.

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 ("MUNI"), including its motor buses, trolley buses, light rail vehicles, historic streetcars, and cable cars. 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.

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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 2008-09 through Fiscal Year 2012-13, annual Muni ridership varied between approximately 214 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)

Mode	*2009*	*2010*	*2011*	*2012*	*2013*
Motor Bus	95,190	91,609	89,451	95,625	97,181
Trolley Bus	72,142	66,968	66,233	67,545	65,248
Light Rail[(1)]	50,745	49,397	51,022	43,608	45,359
Street Rail[(1)]	N/A	N/A	N/A	8,078	8,390
Cable Car	7,913	8,008	7,042	7,270	6,813
Total Ridership	225,990	215,982	213,748	222,126	222,991

[(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 6

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

	2009	2010	2011	2012	2013
Operating Revenues					
Passenger Fares (fixed route & paratransit)	$153,011,068	$187,628,510	$191,626,285	$202,272,010	$220,090,131
Fines, Fees, Permits & Taxi	110,445,114	106,626,573	123,326,527	120,313,199	126,835,008
Parking Meters	32,468,579	38,868,351	40,530,598	47,138,412	53,856,002
Parking Garage	30,534,468	32,079,597	46,025,396	44,024,673	56,572,912
General Fund Transfer No. 2[(1)]	51,774,048	53,190,000	58,190,000	61,320,000	65,320,000
Other (includes rent, advertising & interest)	20,785,588	20,336,101	23,734,857	23,638,801	26,275,183
Operating Grants:					
Regional Grants (AB 1107, TDA, Bridge Tolls)	$ 66,735,979	$ 60,102,028	$ 64,854,252	$66,512,285	$79,608,421
State Transit Assistance (STA)	15,487,938	-	36,344,667	31,044,664	46,576,187
Gas Tax Adjustment	6,704,668	3,353,616	3,173,568	2,979,709	3,055,028
Restricted Paratransit Grants (5307, Prop K, STA, other)	18,632,349	14,028,740	9,978,723	14,776,767	14,767,218
Subtotal Operating Grants	$107,560,934	$ 77,484,384	$114,351,210	$115,313,425	$144,006,854
General Fund Transfer No. 1[(1)]	177,880,000	183,730,000	196,700,000	212,640,000	222,390,000
Appropriated Fund Balance	30,220,854	41,840,121	-	-	-
TOTAL OPERATING REVENUES	**$714,680,653**	**$741,783,637**	**$794,484,873**	**$826,660,520**	**$915,346,090**
Operating Expenses					
Salaries	$368,007,109	$366,686,250	$360,199,083	$365,402,874	$367,955,701
Less: Overhead/Recoveries	(24,807,684)	(41,319,807)	(33,560,836)	(26,091,232)	(28,945,005)
Net Salaries	$343,199425	$325,366,443	$326,638,247	$339,311,642	$339,010,696
Fringe Benefits:					
Pension	$ 28,723,827	$ 42,161,528	$ 50,572,435	$63,557,023	$65,627,360
Medical	63,348,746	67,871,784	72,150,750	82,321,832	85,429,332
Less: Overhead/Recoveries	(7,410,087)	(12,342,280)	(10,024,665)	(7,793,485)	(8,645,911)
Net Pension & Medical	$ 84,662,486	$ 97,691,032	$112,698,520	$138,085,370	$142,410,781
All Other Fringe Benefits	$ 34,881,466	$ 31,441,484	$ 29,342,159	$33,063,255	28,782,621
Fuel & Lubricants	15,851,837	13,015,737	16,109,183	19,486,160	19,474,408
All Other Materials and Supplies	49,888,338	47,602,192	48,887,647	51,796,213	55,265,880
Paratransit Service Contract	20,083,243	18,580,657	16,993,086	18,140,982	17,893,750
All Other Professional Services	22,338,671	21,659,345	31,530,326	31,547,683	47,761,971
Service of Other City Departments[(2)]	49,773,810	49,317,582	45,287,150	52,662,798	55,278,596
Rent and Buildings	13,587,328	14,683,304	16,449,535	14,386,146	15,435,334
Insurance and Claims	39,922,731	43,299,618	39,006,208	44,121,393	32,729,884
Payments to Other Governmental Entities	20,344,022	17,945,920	19,206,675	22,261,080	24,710,321
Debt Service	7,465,181	3,741,819	2,690,890	2,685,035	5,886,249
Operating Expenses before Transfers	$701,998,538	$684,345,133	$704,839,626	$767,547,757	$784,640,491
Transfers:					
Transfers to Current Capital Projects	149,037	22,769,830	17,742,000	3,074,716	5,790
Transfers to Future Capital Projects and Net Changes in Operating Carryforward	9,778,398	32,331,800	29,261,264	30,765,000	69,927,137
Transfers to Reserves	-	-	20,000,000	8,000,000	17,000,000
TOTAL OPERATING EXPENSES & TRANSFERS	**$711,925,973**	**$739,446,763**	**$771,842,890**	**$809,387,473**	**$871,573,418**

(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 7 (extracted from Table 6) represent the SFMTA revenues that constituted "Pledged Revenues" in Fiscal Year 2012-13 and SFMTA revenues that would have constituted "Pledged Revenues" under the Indenture in earlier Fiscal Years had the Indenture been in effect at such time. Revenues shown in Table 6 but not in Table 7 would not have constituted "Pledged Revenues" under the Indenture.

TABLE 7

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

REVENUE SOURCE	FY2009	FY2010	FY2011	FY2012	FY2013
Passenger Fares (fixed route & paratransit)(1)	$153,011	$187,629	$191,626	$202,272	$220,090
Fines, Fees, Permits & Taxi(1), (2)	110,445	106,627	123,327	120,313	126,835
Parking Meters(1), (3)	32,469	38,868	40,531	47,138	53,856
Parking Garages(1), (4)	30,534	32,080	46,025	44,025	56,573
Other (includes rent, advertising & interest)	20,786	20,336	23,735	23,639	26,275
AB 1107	30,767	27,767	30,145	32,501	34,812
State Transit Assistance (STA)(5)	15,488(6)	-(6)	36,345(6)	31,045	46,576
TDA	33,282	29,647	32,021	31,324	42,108
Total Pledged Revenues(7)	$426,782	$442,954	$523,755	$532,257	$607,125

(1) Managed Revenues over which the SFMTA has rate-setting authority.
(2) The SFMTA assumed responsibility for regulating the San Francisco taxi industry on March 1, 2009. Increase in Fiscal Year 2010-11 is due to the implementation of a medallion sales pilot program.
(3) Amounts shown include all parking meter revenues received by the SFMTA in the applicable Fiscal Year. Parking meter revenues constitute Pledged Revenues only to the extent Bonds or other Parity Obligations have financed traffic regulation and control functions. As of October 1, 2013, Outstanding Bonds have financed or refinanced sufficient traffic regulation and control functions so as to result in all parking meter revenues constituting Pledged Revenues for such Bonds in the Fiscal Years set forth in Table 7. Should this change in the future, however, some or all of such parking meter revenues may be unavailable to pay debt service on the Bonds.
(4) Net of operating and maintenance expenses from non-profit garage corporations.
(5) A portion of the State Transit Assistance grant funds received by the SFMTA are restricted to application for paratransit purpose and therefore do not constitute Pledged Revenues under the Indenture.
(6) Annual Amounts have varied as a result of legislative action.
(7) 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 9

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)]
2013	$220,090	222,991	0.4%	$0.99	8.4%
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

(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, 2013 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, June 30, 2012 and June 30, 2013, the amounts contributed to the plan and changes in the net OPEB obligations.

TABLE 17

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

	2011[1]	2012[2]	2013[3]
Annual Required Contribution	$ 50,338	$ 51,232	$ 52,025
Interest on net OPEB Obligation	4,747	6,017	7,297
Adjustment to ARC	(3,721)	(4,987)	(6,050)
Annual Net OPEB Cost	51,364	52,262	53,272
Contribution Made	(24,898)	(25,352)	(25,984)
Increase in net OPEB Obligation	26,466	26,910	27,288
Net OPEB Obligation at beginning of Fiscal Year	99,993	126,459	153,369
Net OPEB Obligation at end of Fiscal Year	126,459	153,369	180,657

(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 4,539 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.

(3) In Fiscal Year 2012-13, the City had 28,410 funded positions and the SFMTA had 4,443 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, calculated in accordance with GAAP