San Francisco Municipal Transportation Agency of the City and County of San Francisco

Annual Disclosure Report For Fiscal Year Ending June 30, 2016

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November 30, 2016

VIA: MSRB EMMA

Dear Investors, Friends, Stakeholders, and Interested Parties:

We are pleased to present the Annual Disclosure Report for fiscal year ending June 30, 2016 for the San Francisco Municipal Transportation Agency of the City and County of San Francisco (SFMTA). It is delivered pursuant to the continuing disclosure certificates (the "Continuing Disclosure Certificates") that the SFMTA has executed in connection with the following bond issues:

- San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A, dated July 11, 2012
- San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012B, dated July 11, 2012
- San Francisco Municipal Transportation Agency Revenue Bonds, Series 2013, dated December 4, 2013
- San Francisco Municipal Transportation Agency Revenue Bonds, Series 2014, dated December 10, 2014

This Annual Disclosure Report is being provided by the SFMTA in connection with our undertaking entered into in accordance with Rule 15c2-12, promulgated by the U.S. Securities and Exchange Commission. The information provided in this Annual Disclosure Report speaks only as of its date, November 30, 2016. The delivery of this Annual Disclosure Report may not, under any circumstances, create an implication that there has been no other change to the information provided in any final official statement. Other than as set forth in the Continuing Disclosure Agreement, SFMTA has not agreed to notify the secondary market of subsequent changes to the information in this Annual Disclosure Report ("Report").

The filing of this Report does not constitute or imply any representation (1) that any or all of the information provided is material to investors, (2) regarding any other financial, operating or other information relating to the security for the referenced securities, (3) that no changes, circumstances or events have occurred which may have a bearing on the security for the referenced securities or an investor's decision to buy, sell, or hold the referenced securities. Any statements regarding the referenced securities, other than a statement made by the City and County of San Francisco in an official release or subsequent notice or annual report, published in a financial newspaper of general circulation and/or filed with the Municipal Securities Rulemaking Board (MSRB) or on Electronic Municipal Market Access (EMMA), are not authorized by the

SFMTA. The SFMTA shall not be responsible for the accuracy, completeness, or fairness of any such unauthorized statement.

If you need additional information, please refer to the year ending audits and other financial information available at the following link: https://www.sfmta.com/about-sfmta/investor-relations.

Please direct any questions regarding this Annual Disclosure Report to Sonali Bose, Chief Financial Officer at (415) 701-4617 or by e-mail at Sonali.Bose@sfmta.com.

Sincerely,

Sonali Bose
Chief Financial Officer

Enclosure: Annual Disclosure Report

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SFMTA Annual Disclosure Report
Fiscal Year Ended June 30, 2016

Description of Issuer

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 financial statements include the entire San Francisco's (the City's) surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and off and on street parking, regulation of the taxi industry, and three 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 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 seventh largest system in the United States. It currently has more than 232 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 City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 19 City-owned garages and 19 metered parking lots. In March 2009, the former Taxi Commission was merged with the SFMTA, which then has assumed responsibility for taxi regulation to advance industry reforms.

Three non-profit corporations provide 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. The activities of these nonprofit garages are accounted for in the parking garages account.

Continuing Disclosure Information

Transit

Of Muni's five fixed route modes of service, motorbuses serve the highest number of passengers, followed by trolley buses, light rail, street rail and cable car. During the five-year period from Fiscal Year 2012 through Fiscal Year 2016, annual Muni ridership varied between approximately 219 million passengers and approximately 232 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)

	2012	***2013***	***2014***	***2015***	***2016***[(1)]
Mode					
Motor Bus	95,625	97,181	98,366	95,005	101,847
Trolley Bus	67,545	65,248	65,328	60,554	65,121
Light Rail	43,608	45,359	48,779	49,076	52,125
Street Rail	8,078	8,390	8,172	7,857	7,456
Cable Car	7,270	6,813	7,332	6,834	5,800
Total Ridership	222,126	222,991	227,977	219,326	232,349

[(1)] Fiscal Year 2016 ridership numbers have been submitted but have not yet been approved by the Federal Transit Administration and the National Transit Database ("NTD")

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)

	2012	2013	2014	2015	2016
Operating Revenues					
Passenger Fares (fixed route & paratransit)	$202,284,295	$220,101,397	$212,860,558	$214,698,258	$206,757,542
Fines, Fees, Permits & Taxi	121,229,720	127,772,131	155,160,297	128,437,369	125,525,583
Parking Meters	47,138,412	53,856,002	59,964,106	56,957,628	63,603,024
Parking Garages	44,024,673	56,572,912	68,462,554	68,765,838	68,183,966
General Fund Transfer No. 2[(1)]	61,320,000	65,320,000	66,781,300	69,767,003	68,812,637
Other (includes rent, advertising & interest)	22,709,994	25,326,794	28,275,785	33,034,632	34,706,859
Operating Grants:					
Regional Grants (AB 1107, TDA, Bridge Tolls)	$66,512,285	$79,608,421	$81,497,955	$86,597,357	$84,493,035
State Transit Assistance (STA)	31,044,664	46,576,187	39,080,722	40,508,387	36,379,697
Gas Tax Adjustment	2,979,709	3,055,028	3,601,174	3,621,936	3,098,525
Restricted Paratransit Grants (5307, Prop K, STA, other)	14,776,767	14,767,218	15,056,121	15,879,038	16,594,109
Subtotal Operating Grants	$115,313,425	$144,006,854	$139,235,972	$146,606,718	$140,565,366
General Fund Transfer No. 1[(1)]	212,640,000	222,390,000	243,910,000	272,340,000	284,730,000
Appropriated Fund Balance	-	-	-	20,000,000	20,009,965
TOTAL OPERATING REVENUES	**$826,660,519**	**$915,346,090**	**$974,650,572**	**$ 1,010,607,446**	**$ 1,012,894,942**
Operating Expenses					
Salaries	$365,402,874	$367,955,701	$382,456,456	$412,865,964	$450,546,839
Less: Overhead/Recoveries	(26,091,232)	(28,945,005)	(35,412,815)	(38,379,646)	(47,137,282)
Net Salaries	$339,311,642	$339,010,696	$347,043,641	$ 374,486,318	$ 403,409,557
Fringe Benefits:					
Pension	$63,557,023	$65,627,360	$76,811,693	$ 87,077,155	$ 78,590,585
Medical	82,321,832	85,429,332	86,540,170	88,499,604	99,515,495
Less: Overhead/Recoveries	(7,793,485)	(8,645,911)	(10,577,854)	(11,464,050)	(14,079,967)
Net Pension & Medical	$138,085,370	$142,410,781	$152,774,009	$164,112,709	$164,026,113
All Other Fringe Benefits	$33,063,255	28,782,621	29,844,154	32,780,502	36,018,903
Fuel & Lubricants	19,486,160	19,474,408	19,231,499	15,169,563	11,246,552
All Other Materials and Supplies	51,796,213	55,265,880	75,307,240	74,960,295	90,347,126
Paratransit Service Contract	18,140,982	17,893,750	19,040,363	22,405,428	23,350,446
All Other Professional Services	31,547,683	47,761,971	58,304,451	65,443,462	71,520,662
Service from Other City Departments[(2)]	52,537,398	55,127,744	54,444,965	50,126,885	55,249,813
Rent and Buildings	14,386,146	15,435,334	18,353,315	19,016,959	17,517,139
Insurance and Claims	44,246,793	32,880,736	48,320,905	52,743,760	50,483,254
Payments to Other Governmental Entities	22,261,080	24,710,321	17,366,605	18,538,536	13,292,429
Debt Service	2,685,035	5,886,249	11,348,069	16,275,677	17,018,022
Operating Expenses before Transfers	$767,547,757	$784,640,491	$851,379,216	$ 906,060,094	$ 953,480,016
Transfers:					
Transfers to Current Capital Projects	3,074,716	5,790	9,714,063	29,965,983	5,636,235
Transfers to Future Capital Projects and Net Changes in Operating Carryforward	30,765,000	69,927,137	14,137,469	18,487,937	18,194,356
Transfers to Reserves	8,000,000	17,000,000	9,900,000	2,340,000	2,340,000
TOTAL OPERATING EXPENSES & TRANSFERS	**$809,387,473**	**$871,573,418**	**$885,130,748**	**$956,854,014**	**$979,650,607**

(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 from Other City Departments includes amounts paid to various cities departments for services such as SFPUC for electricity.

Source: SFMTA

The amounts in Table 7 (extracted from Table 6) represent the SFMTA revenues that constituted "Pledged Revenues" during Fiscal Years Ending 2012 through 2016 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 or, as applicable, would not have constituted "Pledged Revenues" under the Indenture.

TABLE 7

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

REVENUE SOURCE	2012	2013	2014	2015	2016
Passenger Fares (fixed route and paratransit)[1]	$202,284	$220,101[2]	$212,861	$214,698	$206,758
Fines, Fees, Permits & Taxi[1], [3]	121,230	127,772	155,160	128,437	125,526
Parking Meters[1], [4]	47,138	53,856	59,964	56,958	63,603
Parking Garages[1], [5]	44,025	56,573	68,463	68,766	68,184
Other (includes rent, advertising and interest)	22,710	25,327	28,276	33,035	34,707
AB 1107	32,501	34,812	36,912	38,811	40,262
State Transit Assistance (STA)[6]	31,045	46,576	39,081	40,508	36,380
TDA	31,324	42,108	41,898	45,099	44,231
Total Pledged Revenues	$532,257	$607,125	$642,615	$626,312	$619,651

(1) Managed Revenues over which the SFMTA has rate-setting authority.

(2) Includes one-time payment from BART for feeder service provided by the SFMTA.

(3) The increase in Fiscal Year 2014 is due to more taxi medallion sales.

(4) 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 November 1, 2014, 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.

(5) Net of operating and maintenance expenses from non-profit garage corporations.

(6) A portion of the State Transit Assistance funds received by the SFMTA are restricted to application for paratransit purpose and therefore do not constitute Pledged Revenues under the Indenture and not included in Table 7.

Source: SFMTA

During Fiscal Years ending 2007 through 2016, annual Muni ridership varied between 206 million and 232 million boardings. The table below shows the average fare per passenger.

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)]
2016[(3)]	$206,758	232,349[(4)]	5.9%	$0.89	-9.1%
2015[(3)]	214,698	219,326	-3.8	0.98	4.8
2014[(3)]	212,861	227,977	2.2	0.93	-5.4
2013[(3)]	220,101	222,991	0.4	0.99	8.4
2012[(3)]	202,284	222,126	3.9	0.91	1.6
2011[(3)]	191,637	213,748	-1.0	0.90	3.2
2010[(3)]	187,642	215,982	-4.4	0.87	28.3
2009	153,016	225,990	2.7	0.68	-1.6
2008	151,456	220,046	6.6	0.69	-0.7
2007	143,079	206,459	-2.1	0.69	7.2

(1) Average fare per passenger is equal to revenue divided by boardings and reflects the impact of transfers, monthly passes and discounted fares. Rounded to the nearest $0.01.

(2) Percentages based on non-rounded average fare per passenger.

(3) Pursuant to a contract finalized with BART in Fiscal Year 2013, Fare Revenues for Fiscal Year ending 2013 include a one-time payment totaling approximately $8.0 million made by BART for feeder services provided by SFMTA during Fiscal Years ending 2010 through 2012, and a payment of approximately $2.8 million for feeder services provided by SFMTA in Fiscal Year ending 2013. Fare Revenues for Fiscal Years ending 2014, 2015 and 2016 included payments for feeder services provided by SFMTA to BART of $2.9 million, $3.1 million and $3.2 million, respectively.

(4) Fiscal Year 2016 ridership numbers have been submitted but have not yet been approved by the Federal Transit Administration and the National Transit Database (“NTD”)

Source: SFMTA

Labor Relations

The City has determined a citywide 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, 2016 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, 2012 through June 30, 2016, the amounts contributed to the plan and changes in the net OPEB obligation.

TABLE 17

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

	2012[(1)]	**2013[(2)]**	**2014[(3)]**	**2015[(4)]**	**2016[(5)]**
Annual Required Contribution	$ 51,232	$ 52,025	$ 44,080	$ 46,893	$ 42,506
Interest on net OPEB Obligation	6,017	7,297	9,225	10,672	13,496
Adjustment to ARC	(4,987)	(6,050)	(7,691)	(8,898)	(10,973)
Annual Net OPEB Cost	52,262	53,272	45,614	48,667	45,029
Contribution Made	(25,352)	(25,984)	(27,066)	(27,575)	(29,334)
Increase in net OPEB Obligation	26,910	27,288	18,548	21,092	15,695
Net OPEB Obligation at beginning of Fiscal Year	126,459	153,369	180,657	199,205	220,297
Net OPEB Obligation at end of Fiscal Year	153,369	180,657	199,205	220,297	235,992

(1) In Fiscal Year ending 2012, the City had 28,074 funded positions and the SFMTA had 4,514 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 ending 2013, the City had 28,386 funded positions and the SFMTA had 4,751 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 ending 2014, the City had 29,238 funded positions and the SFMTA had 4,852 funded positions for operations and capital project support. The total number of active employees during any Fiscal Year may vary from the number of authorized funded positions.

(4) In Fiscal Year ending 2015, the City had 30,156 funded positions and the SFMTA had 5,056 funded positions for operations and capital project support. The total number of active employees during any Fiscal Year may vary from the number of authorized funded positions.

(5) In Fiscal Year ending 2016, the City had 30,788 funded positions and the SFMTA had 5,304 funded positions for 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 and City CAFR, calculated in accordance with GAAP