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

Annual Disclosure Report For Fiscal Year Ending June 30, 2019

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December 20, 2019

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, 2019 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
- San Francisco Municipal Transportation Agency Revenue Bonds, Series 2017, dated June 7, 2017

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, December 9, 2019. 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 Leo Levenson, Chief Financial Officer at (415) 646-2355 or by e-mail at Leo.Levenson@sfmta.com.

Sincerely,

A handwritten signature in cursive script that reads "Leo Levenson".

Leo Levenson
Chief Financial Officer

Enclosure: Annual Disclosure Report

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SFMTA Annual Disclosure Report Fiscal Year Ended June 30, 2019

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's 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 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 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 223 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 21 City-owned garages and 18 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.

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 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.

Continuing Disclosure Information

Transit

Of Muni's five fixed route modes of service, motorbuses serve the highest number of passengers, followed by light rail, trolley buses, street rail and cable car. During the five-year period from Fiscal Year 2015 through Fiscal Year 2019, annual Muni ridership varied between approximately 219 million and 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)

	2015	2016	2017	2018	2019⁽¹⁾
Mode					
Motor Bus	95,005	101,847	107,796	111,809	112,130
Trolley Bus	60,554	65,121	53,301	49,200	49,248
Light Rail	49,076	52,125	50,993	49,834	49,796
Street Rail	7,857	7,456	7,472	7,476	7,387
Cable Car	6,834	5,800	6,224	6,292	5,704
Total Ridership	219,326	232,349	225,786	224,611	222,938

⁽¹⁾ Fiscal Year 2019 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)

	2015	2016	2017	2018	2019
Operating Revenues					
Passenger Fares (fixed route & paratransit)	\$214,698,258	206,757,542	197,226,565	203,786,619	197,109,784
Fines, Fees, Permits & Taxi	129,419,061	127,316,062	142,189,098	146,843,303	151,066,069
Parking Meters	56,957,628	63,603,024	66,681,541	63,813,492	61,264,074
Parking Garages	68,765,838	68,183,966	65,117,322	70,747,995	72,412,231
General Fund Transfer No. 2 ⁽¹⁾	69,767,003	68,812,637	67,420,000	66,790,000	68,820,000
Other (includes rent, advertising & interest)	33,632,250	34,568,135	30,920,928	37,147,775	50,477,804
<i>Operating Grants:</i>					
Regional Grants (AB 1107, TDA, Bridge Tolls)	86,597,357	87,180,536	89,428,039	90,636,494	95,626,666
State Transit Assistance (STA)	40,508,387	36,379,697	27,211,840	42,630,948	64,726,627
Gas Tax Adjustment	3,621,936	3,098,525	3,098,525	3,098,525	3,098,525
Restricted Paratransit Grants (5307, Prop K, STA, other)	15,879,038	16,594,109	17,194,348	16,503,739	18,432,443
<i>Subtotal Operating Grants</i>	<i>146,606,718</i>	<i>143,252,867</i>	<i>136,932,752</i>	<i>152,869,706</i>	<i>181,884,261</i>
General Fund Transfer No. 1 ⁽¹⁾	272,340,000	284,730,000	312,600,000	338,850,000	408,734,000
Appropriated Fund Balance	20,000,000	20,009,965	45,350,000	47,088,034	33,200,000
TOTAL OPERATING REVENUES	\$1,012,186,756	1,017,234,198	1,064,438,206	1,127,936,924	1,224,968,223
Operating Expenses					
Salaries	\$412,865,964	450,546,839	478,547,829	506,525,413	531,992,859
Less: Overhead/Recoveries	(36,564,146)	(46,208,785)	(52,987,924)	(49,126,475)	(59,243,916)
Net Salaries	376,301,818	404,338,054	425,559,905	457,398,938	472,748,943
<i>Fringe Benefits:</i>					
Pension	87,077,155	78,590,585	77,067,260	82,088,678	83,112,307
Medical	88,499,604	99,515,495	105,639,073	112,087,780	116,887,329
Less: Overhead/Recoveries	(10,921,758)	(13,802,624)	(15,827,562)	(14,674,142)	(17,696,235)
Net Pension & Medical	164,655,001	164,303,456	166,878,771	179,502,316	182,303,401
All Other Fringe Benefits	32,780,502	36,018,903	37,909,733	40,266,143	41,810,394
Fuel & Lubricants	15,169,563	11,246,552	11,220,353	11,386,423	11,042,471
All Other Materials and Supplies	73,102,385	84,454,524	68,005,816	76,326,938	73,774,504
Paratransit Service Contract	21,626,945	22,545,250	24,008,387	24,557,402	27,369,236
All Other Professional Services	74,283,745	80,786,337	102,137,996	82,269,967	107,640,263
Service from Other City Departments ⁽²⁾	50,126,885	55,249,813	60,423,371	61,280,476	70,801,366
Rent and Buildings	12,201,599	12,858,888	14,310,866	15,369,687	17,270,986
Insurance and Claims	52,576,746	50,332,041	52,798,927	54,993,344	59,644,538
Payments to Other Governmental Entities	18,538,536	13,292,429	12,711,031	11,234,963	13,766,844
Debt Service	16,275,677	17,018,022	17,171,462	28,652,912	25,259,913
Operating Expenses before Transfers	907,639,402	952,444,269	993,136,618	1,043,239,509	1,103,432,859
<i>Transfers:</i>					
Transfers to Current Capital Projects	24,960,801	5,636,235	30,017,486	25,758,135	54,776,004
Transfers to Future Capital Projects and Net Changes in Operating Carryforward	3,493,121	3,559,394	13,427,343	7,089,918	(17,199,804)
Transfers to Reserves	2,340,000	2,340,000	6,165,317	2,340,000	2,340,000
TOTAL OPERATING EXPENSES & TRANSFERS	\$938,433,324	963,979,898	1,042,746,764	1,078,427,562	1,143,349,059

⁽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.

The amounts in Table 7 (extracted from Table 6) represent the SFMTA revenues that constituted “Pledged Revenues” during Fiscal Years Ending 2015 through 2019 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	2015	2016	2017	2018	2019
Passenger Fares (fixed route and paratransit) ⁽¹⁾	214,698	206,758	197,227	203,787	197,110
Fines, Fees, Permits & Taxi ⁽¹⁾	129,419	127,316	142,189	146,843	151,066
Parking Meters ^{(1), (2)}	56,958	63,603	66,682	63,813	61,264
Parking Garages ^{(1), (3)}	68,766	68,184	65,117	70,748	72,412
Other (includes rent, advertising and interest)	33,632	34,568	30,921	37,148	50,478
AB 1107	38,811	40,262	41,215	43,009	46,776
State Transit Assistance (STA) ⁽⁴⁾	40,508	36,380	27,212	42,631	64,727
Transportation Development(TDA)	45,099	44,231	45,526	44,940	46,163
Total Pledged Revenues	627,891	621,302	616,089	652,919	689,996

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

⁽²⁾ 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.

⁽³⁾ Net of operating and maintenance expenses from non-profit garage corporations.

⁽⁴⁾ 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 2010 through 2019, annual Muni ridership varied between 214 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⁾
2019 ⁽³⁾	197,110	222,938 ⁽⁴⁾	-0.7%	0.88	-2.6%
2018 ⁽³⁾	203,787	224,611	-0.5	0.91	3.9
2017 ⁽³⁾	197,227	225,786	-2.8	0.87	-1.8
2016 ⁽³⁾	206,758	232,349	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

⁽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, 2016, 2017, 2018 and 2019 included payments for feeder services provided by SFMTA to BART of \$2.9 million, \$3.1 million, \$3.2 million, \$3.4 million, \$3.5 million and \$3.6 million, respectively.

⁽⁴⁾ Fiscal Year 2019 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 provisions of GASB Statement No. 75 are effective for the SFMTA's year ended June 30, 2018. 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. The SFMTA's proportionate share percentage of the Plan is determined based on its percentage of citywide pay-as-you-go contributions for the prior year ended June 30.

For Fiscal Year ended June 30, 2015 through June 30, 2017, the City 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 years ended June 30, 2015 through June 30, 2017 is based on a percentage of citywide pensionable salary.

The following table shows the components of the City's annual OPEB allocations for the SFMTA for the Fiscal Years ended June 30, 2015 through June 30, 2017 based on GASB 45, and for the Fiscal Year ended June 30,

2018 through June 30, 2019 based on GASB 75, 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)				
	2015⁽¹⁾	2016⁽²⁾	2017⁽³⁾	2018⁽⁴⁾	2019⁽⁵⁾
Annual Required Contribution	46,893	42,506	50,238		
Interest on net OPEB Obligation	10,672	13,496	13,652		
Adjustment to ARC	(8,898)	(10,973)	(5,521)		
Annual Net OPEB Cost	48,667	45,029	58,369	62,784	57,885
Contribution Made	(27,575)	(29,334)	(32,044)	(36,034)	(38,717)
Changes in Contributions subsequent to measurement date				36,034	19,549
Changes in Net difference between projected and actual earnings on plan investments				(1,060)	(58,081)
Increase in net OPEB Obligation	21,092	15,695	26,325	61,724	(19,364)
Net OPEB Obligation at beginning of Fiscal Year	199,205	220,297	235,992	262,317	657,062
Cumulative effect of change in accounting principle				333,021	
Net OPEB Obligation at end of Fiscal Year	220,297	235,992	262,317	657,062	637,698

⁽¹⁾ 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.

⁽²⁾ In Fiscal Year ending 2016, the City had 31,342 funded positions and the SFMTA had 5,308 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.

⁽³⁾ In Fiscal Year ending 2017, the City had 32,750 funded positions and the SFMTA had 5,660 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 2018, the City had 33,045 funded positions and the SFMTA had 5,692 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 2019, the City had 33,519 funded positions and the SFMTA had 5,842 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