

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Basic Financial Statements and Supplemental Schedules

June 30, 2025 and 2024

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Basic Financial Statements and Supplemental Schedules
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INDEPENDENT AUDITOR'S 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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the San Francisco Municipal Transportation Agency (SFMTA), an enterprise fund of the City and County of San Francisco, California, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the SFMTA's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the SFMTA, as of June 30, 2025, and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of San Francisco Japan Center Garage Corporation and the Portsmouth Plaza Parking Corporation which represents 0.2% of total assets and 0.1% of net position of the SFMTA as of June 30, 2025 and 2024, and 0.7% and 0.6%, respectively, of the total revenues of the SFMTA 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 those entities are based solely on the reports of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SFMTA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Portsmouth Plaza Parking Corporation were not audited in accordance with Government Auditing Standards.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the SFMTA and do not purport to, and do not, present fairly the financial position of the City and County of San Francisco, California, as of June 30, 2025, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2, SFMTA adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*, which resulted in a restatement of the July 1, 2023 net position in the amount of \$50,463,000. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SFMTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audits were 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 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is 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 7, 2025 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and the "LLP" being more compact.

Crowe LLP

San Francisco, California
November 7, 2025

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2025 and 2024

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 years ended June 30, 2025 and 2024. We encourage readers to consider the information presented here in conjunction with the information contained in the financial statements.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,363.7 million and \$5,265.5 million at the close of fiscal years 2025 and 2024, respectively.
- Net position increased by \$98.2 million in 2025 and by \$9.5 million in 2024 over the prior fiscal year.
- Net investment in capital assets was \$5,559.7 million and \$5,413.4 million as of June 30, 2025 and 2024, respectively.
- Total revenues and net transfers were \$1,844.5 million and \$1,707.6 million for the years ended June 30, 2025 and 2024, respectively.
- Total operating expenses were \$1,746.3 million and \$1,647.7 million for the years ended June 30, 2025 and 2024, 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 all applicable Governmental Accounting Standards Board (GASB) pronouncements. The SFMTA is a major enterprise fund of the City, and its financial statements are included in the City's Annual Comprehensive Financial Report. More information regarding the SFMTA's organization and the basis of presentation are contained in Notes 1 and 2(a).

The statements of net position 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 the four elements presented in the statements. 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, 2025 and 2024.

The statements of revenues, expenses, and changes in net position present information showing how the SFMTA's net position changed over the course of the fiscal years ended June 30, 2025 and 2024. 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 present information about the cash receipts and payments of the SFMTA during the fiscal years ended June 30, 2025 and 2024. These statements show the effect 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.

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Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2025 and 2024

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 19 through 63 of this report.

Other Information

The supplemental schedules found on pages 64 through 80 of this report are presented for the purpose of providing additional analysis and are not a required part of the financial statements.

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 \$5,363.7 million at the close of the most recent fiscal year.

Condensed Summary of Net Position

June 30, 2025, 2024, and 2023

(In thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets:			
Current assets	\$ 1,154,687	1,065,943	1,016,541
Restricted noncurrent assets	138,649	220,909	301,670
Other noncurrent assets	72,279	83,652	82,081
Capital assets, net	<u>6,127,468</u>	<u>6,035,308</u>	<u>5,956,829</u>
Total assets	<u>7,493,083</u>	<u>7,405,812</u>	<u>7,357,121</u>
Deferred outflows of resources	<u>461,091</u>	<u>448,971</u>	<u>363,655</u>
Liabilities:			
Total current liabilities	387,762	408,357	346,480
Total noncurrent liabilities	<u>2,009,701</u>	<u>1,974,065</u>	<u>1,832,655</u>
Total liabilities	<u>2,397,463</u>	<u>2,382,422</u>	<u>2,179,135</u>
Deferred inflows of resources	<u>193,045</u>	<u>206,906</u>	<u>285,644</u>
Net position:			
Net investment in capital assets	5,559,700	5,413,421	5,332,130
Restricted	83,075	159,736	278,690
Unrestricted	<u>(279,109)</u>	<u>(307,702)</u>	<u>(354,823)</u>
Total net position	<u>\$ 5,363,666</u>	<u>5,265,455</u>	<u>5,255,997</u>

Fiscal Year 2025

During fiscal year 2025, the net position increased by \$98.2 million or 1.9% compared to the prior year. The SFMTA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,363.7 million.

Current assets increased by \$88.7 million or 8.3%. This increase was from increases in restricted and unrestricted cash and investments of \$187.1 million and inventories of \$9 million, offset by decreases in receivables of \$107.3 million and prepaid assets of \$0.1 million. The overall increase was attributable to

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Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2025 and 2024

higher revenue collections from operating and capital grants, City's General Fund allocation, passenger fares, and penalties.

The restricted noncurrent assets decreased by \$82.3 million or 37.2%, attributable to decreases of \$69.5 million in capital project support from the City's general obligation bonds, \$9.4 million in capital funding from revenue bonds, \$3.1 million in collections levied from Transit Sustainability Fees, and \$1.2 million in nonprofit garage reserve, and \$0.3 million in capital project support from the City's special tax bond, offset by an increase of \$1.2 million in revenues from the Traffic Congestion Mitigation Tax.

The capital assets increased by \$92.2 million or 1.5%, mainly from procurement of new revenue vehicles including light rail vehicle, hybrid motor bus, and electric bus.

Total noncurrent liabilities increased by \$35.6 million or 1.8%. The increase was due to increases in net pension liability of \$50.4 million primarily due to liability experience losses and offset by an investment experience gain, net other postemployment benefits liability of \$24.1 million, workers' compensation of \$9.7 million, and compensated absences of \$1.4 million. The increases were offset by decreases in debt payable of \$25 million and estimated claims of \$25 million.

The largest portion of the \$5,363.7 million SFMTA's net position as of June 30, 2025 reflects its \$5,559.7 million net investment in capital assets (specifically land, building structure and improvements, equipment, infrastructure, intangible assets, and construction in progress). The value of these capital assets of \$8,918.2 million was offset by accumulated depreciation and amortization of \$2,790.7 million and related liabilities and deferred resource flows of \$567.8 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 position. The restricted net position include deposits, investments, and receivables, net of payables.

Fiscal Year 2024

During fiscal year 2024, the net position increased by \$9.5 million or 0.2% compared to the prior year. The SFMTA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,265.5 million.

Current assets increased by \$49.4 million or 4.9%. This increase includes receivables of \$130.3 million and inventories of \$3.1 million, offset by a decrease in restricted and unrestricted cash and investments of \$83.9 million and prepaid assets of \$0.1 million. The increase was attributable to operating grants receivables from the Federal Transit Administration for the American Rescue Plan Act (ARPA) and from the Metropolitan Transportation Commission for the State Transit Assistance Program and operating and capital grants due from the San Francisco County Transportation Authority.

The restricted noncurrent assets decreased by \$80.8 million or 26.8%, attributable to decreases of \$56.3 million in capital project support from the City's general obligation bonds, \$16.4 million in capital funding from revenue bonds, \$5.2 million in collections levied from Transit Sustainability Fees, \$2.4 million in revenues from the Traffic Congestion Mitigation Tax, \$0.9 million in capital project support from the City's special tax bond, offset by an increase of \$0.4 million in nonprofit garage reserve funds.

The capital assets increased by \$78.5 million or 1.3%, mainly from procurement of new revenue vehicles including light rail vehicle, motor bus, electric bus, and trolley bus.

Total noncurrent liabilities increased by \$141.4 million or 7.7%. The increase was due to increases in net pension liability of \$133.5 million primarily due to investment losses and net liability experience losses, net other postemployment benefits liability of \$18.2 million, accrued compensated absences of 16.6 million, and workers' compensation of \$4.7 million. The increases were offset by decreases in debt payable of \$17.2 million and estimated claims of \$14.4 million.

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Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2025 and 2024

The largest portion of the \$5,265.5 million SFMTA's net position as of June 30, 2024 reflects its \$5,413.4 million net investment in capital assets (specifically land, building structure and improvements, equipment, infrastructure, intangible assets, and construction in progress). The value of these capital assets of \$8,649.1 million was offset by accumulated depreciation and amortization of \$2,613.8 million and related liabilities and deferred resource flows of \$621.9 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 position. The restricted net position include deposits, investments, and receivables, net of payables.

Condensed Summary of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2025, 2024, and 2023

(In thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Revenues:			
Total operating revenues	\$ 395,849	353,767	350,656
Total nonoperating revenues, net	487,844	456,480	385,945
Total capital contributions	<u>322,455</u>	<u>284,189</u>	<u>260,927</u>
Total revenues	1,206,148	1,094,436	997,528
Net transfers	<u>638,347</u>	<u>613,163</u>	<u>584,238</u>
Total revenues and net transfers	1,844,495	1,707,599	1,581,766
Expenses:			
Total operating expenses	<u>1,746,284</u>	<u>1,647,678</u>	<u>1,423,618</u>
Change in net position	<u>98,211</u>	<u>59,921</u>	<u>158,148</u>
Net position at beginning of year, as previously reported	5,265,455	5,255,997	5,097,849
Cumulative effect of accounting change	<u>—</u>	<u>(50,463)</u>	<u>—</u>
Net position at beginning of year, as restated	<u>5,265,455</u>	<u>5,205,534</u>	<u>5,097,849</u>
Net position at end of year	<u>\$ 5,363,666</u>	<u>5,265,455</u>	<u>5,255,997</u>

Fiscal Year 2025

Total revenues and net transfers for the year ended June 30, 2025 were \$1,844.5 million, an increase of \$136.9 million or 8% compared to the prior year. This was due to increases in operating revenues, nonoperating revenues, capital contributions, and net transfers.

Operating revenues increased by \$42.1 million or 11.9% compared to the prior year. This was due to increases in passenger fares revenue by \$13.3 million or 13.8%, penalties of \$11.6 million or 13.3%, permits revenue by \$7.3 million or 35.9%, parking fees of \$6.8 million or 7%, advertising revenue by \$2.2 million or 26.2%, charges for services by \$0.8 million or 2.5%, and taxi revenue by \$0.5 million or 100%. These increases were offset by a decrease in rental income of \$0.4 million or 2.9%. The increase in passenger fares was mainly from higher transit cash fare collections due to an 8% to 10% increase in Clipper and Muni Mobile single ride fares, as well as a rise in ridership. Penalties increased primarily from parking fines. The increase in permits revenue was due to an increase in issuance of commuter shuttle and residential parking permits. Parking fees increased due to higher collections from parking meters via PayByPhone transactions and the San Francisco General Hospital Campus garage facility. Increase in advertising revenue was from an increase in minimum annual guarantee payments for advertisements at transit shelters.

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Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2025 and 2024

Nonoperating revenues include operating support received from other sources, primarily federal and state operating grants, development fees, and interest income. Nonoperating revenue increased by \$31.4 million or 6.9%, mainly from increases in state and other operating grants of \$75 million and interest and investment income of \$0.6 million. These increases were offset by decreases in federal grants of \$32.2 million and development fees of \$5.9 million, as well as increases in the loss on disposal of assets of \$5.1 million and interest expense of \$1 million. The increase in state and other operating grants was largely from the first year allocation of \$99.5 million from the California Senate Bill 125 (SB125) funds. The increase in interest and investment income was due to higher interest earned on pooled cash and investments. Federal operating grants decreased mainly due to reduced drawdowns from the ARPA grant compared to prior year.

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 2025 compared to the prior year, mostly related to spending on light rail vehicle procurement along with motor coach and trolley overhaul projects offset by reduction in L Taraval Track Rail & Overhead Rehab project. This resulted in an increase in capital contributions by \$38.3 million or 13.5% when compared to fiscal year 2024.

Net transfers increased by \$25.2 million or 4.1% due to \$31.2 million funding from the City's General Fund for revenue baseline subsidy, in lieu of parking tax, and population-based allocation, and \$0.8 million from proceeds of the Traffic Congestion Mitigation Tax, offset by \$5 million from other City departments and \$1.8 million in paratransit operating services support from the San Francisco County Transportation Authority.

Total operating expenses were \$1,746.3 million, an increase of \$98.6 million or 6% compared to the prior year. The resulting net increase comprises trend changes from various expense categories. Personnel services increased by \$124.7 million or 12.8%, primarily from significant increases in salaries and other postemployment benefits. Depreciation and amortization expense increased by \$9.4 million or 3.4% primarily due to new light rail vehicles and trolley buses placed in service. Services from other City departments increased by \$2.1 million or 2% due to higher costs for utilities, employment services, fiscal support, and risk management. The increases were offset by decreases in several categories. General and administrative costs declined by \$24.9 million or 80.7% due to lower judgment and claims costs, as well as a reduction in claim liabilities accrued. Contractual services decreased by \$5.2 million, or 2.6% attributable to decrease in non-capitalized project costs related to the design and construction of canopies at Market Street BART/Muni stations. Other operating expenses decreased by \$4.3 million or 20.3% mainly due to a higher proportion of equipment purchases being capitalized compared to the prior year. Materials and supplies decreased by \$3.2 million or 3.9% largely due to lower spending on equipment maintenance supplies and fuel.

Fiscal Year 2024

Total revenue and net transfers for the year ended June 30, 2024 were \$1,707.6 million, an increase of \$125.8 million or 8% compared to the prior year. This was due to increases in operating revenues, nonoperating revenues, capital contributions, and net transfers.

Operating revenues increased by \$3.1 million or 0.9% compared to the prior year. This was due to increases in passenger fares revenue by \$8.8 million or 10%, charges for services by \$1.7 million or 5.5%, advertising revenue by \$1.1 million or 15.6%, and permits revenue by \$0.3 million or 1.4%. These increases were offset by decreases in parking fees of \$8 million or 7.6% and penalties of \$0.8 million or 1%. The increase in passenger fares was mainly due to increase in transit cash fare collections and improved enforcement. Charges for services increased due to higher tow surcharge fees collected. Increase in advertising revenue was from increase in minimum annual guarantee payment from transit shelter advertising. The increase in permits revenue was due to increase in issuance of special traffic permits which are required for obstruction of traffic on streets and sidewalks. Parking fees decreased due to lower garages

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Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2025 and 2024

collections as a result of decline in parking activities. Penalties decreased primarily from powered scooter share parking fines.

Nonoperating revenues includes operating support received from other sources, primarily federal and state operating grants, development fees, and interest income. Nonoperating revenue increased by \$70.5 million or 18.3%, mainly from federal grants of \$48.8 million, interest and investment income of \$19.8 million, state and other operating grants of \$19.5 million, and decrease in interest expense of \$0.1 million. The increases were offset by decreases in development fees of \$13.9 million, net other nonoperating revenues of \$2.7 million, and loss on disposal of assets of \$1.1 million. The increase in federal operating grants was mainly due to an increase in drawdowns from the ARPA grant compared to prior year. State and other operating grants increased largely from sales tax allocations from the Transportation Development Act and State Transit Assistance Program. Increase in interest and investment income was due to higher unrealized gain and interest earned on pooled cash and investments.

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 2024 compared to the prior year, mostly related to spending on light rail vehicle procurement along with motor coach and trolley overhaul projects offset by reduction in Van Ness Bus Rapid Transit project. This resulted in an increase in capital contributions by \$23.3 million or 8.9% when compared to fiscal year 2023.

Net transfers increased by \$28.9 million or 5% due to \$21.4 million funding from the City's General Fund for revenue baseline subsidy, in lieu of parking tax, and population-based allocation, \$5.1 million from other City departments, \$2.3 million in paratransit operating services support from the San Francisco County Transportation Authority, and \$0.1 million from proceeds of the Traffic Congestion Mitigation Tax.

Total operating expenses were \$1,647.7 million, an increase of \$224.1 million or 15.7% compared to the prior year. The resulting net increase comprises trend changes from various expense categories. Personnel services increased by \$83.9 million or 9.4%, primarily from significant increases in salaries and pension expenses. Depreciation and amortization expense increased by \$49.7 million or 21.7% mostly from Central Subway Project infrastructures placed in service. Contractual services increased by \$41.4 million or 26.6%, attributable to increases in equipment maintenance and service contracts related to garage operators and vehicle towing. General and administrative costs increased by \$33.1 million or 1,471.5% mainly due to an increase in claim liabilities per actuarial report. Services from other City departments increased by \$10.3 million or 11% largely from utilities, technology infrastructure, legal services, risk management, and police security services. Materials and supplies increased by \$4.7 million or 6.1% mostly from vehicle parts & supplies. Other operating expenses decreased by \$1 million or 4.6% due to lower paratransit expenses and non-capitalized project costs.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2025 and 2024

The tables below illustrate the SFMTA's operating revenues by source and expenses by category for fiscal years 2025, 2024, and 2023 as follows:

Operating Revenues Comparative

Years ended June 30, 2025, 2024, and 2023

(In thousands)

	2025	2024	2023
Passenger fares	\$ 109,916	96,614	87,803
Parking and transportation	103,434	96,641	104,640
Fines, forfeitures, and penalties	98,490	86,896	87,739
Charges for services	33,138	32,335	30,642
Licenses, permits, and franchises	27,479	20,216	19,939
Advertising	10,626	8,423	7,287
Rents and concessions	12,281	12,642	12,606
Other	485	—	—
Total operating revenues	\$ 395,849	353,767	350,656

Operating Expenses Comparative

Years ended June 30, 2025, 2024, and 2023

(In thousands)

	2025	2024	2023
Personnel services	\$ 1,101,263	976,519	892,654
Contractual services	191,959	197,125	155,725
Materials and supplies	78,577	81,794	77,100
Depreciation and amortization	288,340	278,974	229,262
Services from other City departments	105,861	103,767	93,497
General and administrative	5,954	30,846	(2,249)
Other operating expenses	(25,670)	(21,347)	(22,371)
Total operating expenses	\$ 1,746,284	1,647,678	1,423,618

Capital Assets and Debt Administration*Capital Assets*

The SFMTA's investment in capital assets amounts to \$6,127.5 million net of accumulated depreciation and amortization as of June 30, 2025. This investment includes land and land improvements, building structures and improvements, equipment, infrastructure, intangible assets, and construction in progress. The increase in capital assets was \$92.2 million or 1.5% compared to the previous year. This increase was attributed to acquisition of new revenue vehicles including light rail vehicle, hybrid motor bus, and electric bus.

The SFMTA's investment in capital assets amounts to \$6,035.3 million net of accumulated depreciation and amortization as of June 30, 2024. This investment includes land and land improvements, building structures and improvements, equipment, infrastructure, intangible assets, and construction in progress. The increase in capital assets was \$78.5 million or 1.3% compared to the previous year. This increase was attributed to acquisition of new revenue vehicles including light rail vehicle, motor bus, electric bus, and trolley bus.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2025 and 2024

Summary of Capital Assets

(In thousands)

	<u>Balance, June 30, 2025</u>	<u>Balance, June 30, 2024</u>	<u>Balance, June 30, 2023</u>
Capital assets not being depreciated/amortized:			
Land	\$ 59,442	59,442	59,525
Construction in progress	684,684	729,806	680,227
Total capital assets not being depreciated/amortized	<u>744,126</u>	<u>789,248</u>	<u>739,752</u>
Capital assets being depreciated/amortized:			
Building structures and improvements	971,503	962,359	946,798
Equipment	2,604,692	2,512,989	2,402,752
Infrastructure	4,426,911	4,213,035	4,143,318
Right-to-use assets	170,987	171,435	161,546
Total capital assets being depreciated/amortized	<u>8,174,093</u>	<u>7,859,818</u>	<u>7,654,414</u>
Less accumulated depreciation/amortization for:			
Building structures and improvements	473,497	446,865	421,700
Equipment	1,202,593	1,162,228	1,117,781
Infrastructure	1,076,534	977,769	881,304
Right-to-use assets	38,127	26,896	16,552
Total accumulated depreciation/amortization	<u>2,790,751</u>	<u>2,613,758</u>	<u>2,437,337</u>
Total capital assets being depreciated/amortized, net	<u>5,383,342</u>	<u>5,246,060</u>	<u>5,217,077</u>
Total capital assets, net	<u>\$ 6,127,468</u>	<u>6,035,308</u>	<u>5,956,829</u>

Construction in progress is made up of various transportation projects. The five projects that have the highest balances on June 30, 2025 are the light rail vehicle procurement, street improvements, facility upgrades, traffic signal upgrades, and Muni Forward Program.

Significant capital asset additions during fiscal year 2025 included:

Construction in progress – A majority of the \$451.8 million in costs incurred were for the light rail vehicle procurement, street improvements, buses midlife overhaul, and facilities upgrades.

Facilities and improvements – The total of \$9.1 million was incurred mainly for facility upgrades, Muni Forward Program, and Islais Creek-Woods Annex.

Equipment – The total of \$212.4 million was incurred mainly for light rail vehicles, hybrid motor buses and paratransit vehicles procurement, parking meters replacement, and traffic sign installation.

Infrastructure – The total of \$213.9 million was incurred mainly for street improvements, rail replacement, Muni Forward Program, and the Central Subway.

Significant capital asset additions during fiscal year 2024 included:

Construction in progress – A majority of the \$463.9 million in costs incurred were for the light rail vehicle procurement, facility upgrades, street improvements, and rail replacement.

Facilities and improvements – The total of \$15.6 million was incurred mainly for facility upgrades, Muni Forward Program, Islais Creek-Woods Annex, and subscription assets.

Equipment – The total of \$214.8 million was incurred mainly for light rail vehicles and trolley buses procurement, facility upgrades, paratransit vehicles, and hybrid motor bus procurement.

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Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2025 and 2024

Infrastructure – The total of \$125.8 million was incurred mainly for Muni Forward Program, facility upgrades, street improvements, and rail replacement.

Debt Administration

At June 30, 2025 and 2024, the SFMTA's bond debt obligations outstanding totaled \$427.6 million and \$443.1 million, respectively. The following table summarizes the balances in debt between fiscal years 2025, 2024, and 2023 (in thousands):

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Bonds payable	\$ 427,604	443,107	458,402

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

The SFMTA's total bond-related debt decreased by \$15.5 million or 3.5% as of June 30, 2025. The decrease represents principal payments and amortization of issuance premium. During the fiscal year, the SFMTA carried underlying debt ratings of A+ from Standard & Poor's Global Ratings and Aa3 from Moody's Investors Service as of June 30, 2025.

The SFMTA's total bond-related debt decreased by \$15.3 million or 3.3% as of June 30, 2024. The decrease represents principal payments and amortization of issuance premium. During the fiscal year, the SFMTA carried underlying debt ratings of A+ from Standard & Poor's Global Ratings and Aa3 from Moody's Investors Service as of June 30, 2024.

More detailed information about the SFMTA's debt activity is presented in Note 6 to the financial statements.

FY2025 and FY2026 Budget

The SFMTA's adopted two-year operating budget supports its strategic plan goals and transit-first policy principles. The approved operating budgets for fiscal years 2025 and 2026 are \$1,431.9 million and \$1,438.3 million, respectively. The budget also includes \$89.9 million in fiscal year 2025 and \$115.3 million in fiscal year 2026 for capital expenditures. The combined total appropriation for operating and capital expenditures and reserves is \$1,521.8 million in fiscal year 2025 and \$1,553.6 million in fiscal year 2026. In addition to the City's Annual Appropriation Ordinance, the SFMTA has a capital budget of \$423.3 million and \$477 million in fiscal years 2025 and 2026, respectively.

The budget includes 5,994 full time employees for fiscal year 2025 and 5,649 for fiscal year 2026. Salaries and fringe benefit amounts budgeted in fiscal years 2025 and 2026 total \$919.4 million and \$935.6 million, representing 64.2% and 65% of the operating budget, respectively.

The SFMTA is reliant on downtown San Francisco office workers for the generation of three primary revenue sources: passenger fares, parking fees/fines, and the City's General Fund. While there is small year-over-year improvement in passenger fare and parking fee/fine revenue, the slow return of office workers to downtown San Francisco continues to depress revenue relative to pre-pandemic. Given revenue limitations, the SFMTA cut service one percent in summer 2025 and going forward, will make only revenue neutral changes to transit service.

Economic Factors and Future Outlook

Local and Regional Revenue Measures

On October 13, 2025, California Governor Gavin Newsom signed Senate Bill (SB) 63, authored by State Senators Wiener and Arreguin. The bill authorizes a 14-year regional transportation sales tax to be placed on the November 2026 ballot in Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara Counties. If approved by voters, the sales tax would be levied at a rate of one cent in San Francisco and one-half cent in each of the other four counties. The measure would generate roughly \$1 billion annually

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2025 and 2024

across the region, including an estimated \$170 million in fiscal year 2031. Funds would be allocated to the SFMTA and other transit agencies to sustain operations and address structural deficits, to county transportation authorities for local priorities, and to the Metropolitan Transportation Commission to support rider-focused regional improvements.

On September 9, 2025, San Francisco Mayor Daniel Lurie signed Executive Directive 25-04 "Heart of the City" which includes among the 100-day actions to "Explore and align on a sufficient, fair and supportable Parcel Tax structure to fund Muni while continuing to make transit safe, reliable, affordable, accountable and efficiently budgeted."

State Loan Program

On September 10, 2025, Governor Gavin Newsom announced the state will offer short-term financial assistance to support Bay Area transit agencies with hundreds of millions of dollars. The Department of Finance and the California State Transportation Agency will work with agencies and regional partners to design short-term financing tools — such as structured loans or other mechanisms — that align with operational needs, protect service, and support fiscal reforms, with clear and reliable repayment plans. The Newsom administration will continue to evaluate these options to ensure assistance remains responsive to agencies' stated needs and strengthens the long-term financial stability of Bay Area transit. These resources are in addition to sustained Cap-and-Invest program support for transit under fiscal year 2026 proposed budget reauthorization. Together, these resources help agencies protect service, advance zero-emission transitions, deliver capital upgrades, and improve rider experience while supporting the state's climate and equity goals.

2026 General Obligation Bond

The San Francisco Fiscal Year 2026-35 Capital Plan (<https://onesanfrancisco.org/cap-plan-2026/overview>) includes the City's schedule for future General Obligation bond issuances that are backed by the City's property tax revenues. The schedule includes \$235 million in transportation investments for voter approval on the November 2026 ballot. The current Capital Plan was adopted by the San Francisco Board of Supervisors on April 15, 2025. If approved by voters, the bond proceeds will support investments to rehabilitate and improve San Francisco's transportation, which may include investments in fleet, infrastructure, facility and communications system projects.

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 and Administrative Officer, SFMTA, One South Van Ness Avenue, 7th Floor, San Francisco, CA 94103.

Questions regarding the City and County of San Francisco or a request for a copy of the City's Annual Comprehensive 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, 2025 and 2024

(In Thousands)

	<u>2025</u>	<u>2024</u>
Assets:		
Current assets:		
Cash and investments with City Treasury	\$ 826,083	639,134
Cash and investments outside City Treasury	7,918	7,983
Cash on hand	186	112
Receivables:		
Grants	139,351	204,179
Due from the San Francisco County Transportation Authority	51,637	96,303
Due from other City departments	482	510
Charges for services (net of allowance for doubtful accounts of \$51 in 2025 and 2024)	6,272	5,867
Lease receivable	12,111	9,807
Interest and other	12,735	13,194
Inventories	96,846	87,825
Current prepaids and other assets	162	227
Restricted cash and investments with City Treasury	893	792
Restricted cash and investments outside City Treasury	11	10
Total current assets	<u>1,154,687</u>	<u>1,065,943</u>
Noncurrent assets:		
Restricted cash and investments with City Treasury, net of current portion	134,805	213,781
Restricted cash and investments outside City Treasury, net of current portion	2,405	4,606
Restricted interest and other receivables	1,439	2,522
Lease receivable, net of current portion	72,279	83,652
Capital assets not being depreciated/amortized	744,126	789,248
Capital assets being depreciated/amortized	<u>5,383,342</u>	<u>5,246,060</u>
Total noncurrent assets	<u>6,338,396</u>	<u>6,339,869</u>
Total assets	<u>7,493,083</u>	<u>7,405,812</u>
Deferred outflows of resources:		
Unamortized loss on refunding of debt	674	730
Related to pensions	334,413	316,880
Related to other postemployment benefits	<u>126,004</u>	<u>131,361</u>
Total deferred outflows of resources	<u>\$ 461,091</u>	<u>448,971</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Net Position

June 30, 2025 and 2024

(In Thousands)

	<u>2025</u>	<u>2024</u>
Liabilities:		
Current liabilities:		
Due to other funds	\$ —	807
Accounts payable and accrued expenses	71,293	76,536
Accrued payroll	63,659	55,753
Accrued compensated absences	70,525	68,867
Accrued workers' compensation	37,641	34,545
Accrued claims	41,276	37,037
Grants received in advance	55,218	58,727
Unearned revenue and other liabilities	11,638	9,452
Payable from restricted assets	7,203	37,508
Accrued interest payable	5,782	5,659
Bonds, loans, leases, and other payables	23,527	23,466
Total current liabilities	<u>387,762</u>	<u>408,357</u>
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	42,985	41,556
Accrued workers' compensation, net of current portion	155,200	145,547
Accrued claims, net of current portion	12,769	37,757
Net other postemployment benefits liability	684,822	660,685
Net pension liability	556,813	506,378
Bonds, loans, leases, and other payables, net of current portion	557,112	582,142
Total noncurrent liabilities	<u>2,009,701</u>	<u>1,974,065</u>
Total liabilities	<u>2,397,463</u>	<u>2,382,422</u>
Deferred inflows of resources:		
Related to leases	71,345	81,402
Related to pensions	16,768	33,931
Related to other postemployment benefits	104,932	91,573
Total deferred inflows of resources	<u>193,045</u>	<u>206,906</u>
Net position:		
Net investment in capital assets	5,559,700	5,413,421
Restricted for capital projects	80,552	156,057
Restricted for other purposes	2,523	3,679
Unrestricted	(279,109)	(307,702)
Total net position	<u>\$ 5,363,666</u>	<u>5,265,455</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, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
Operating revenues:		
Passenger fares	\$ 109,916	96,614
Parking and transportation	103,434	96,641
Fines, forfeitures, and penalties	98,490	86,896
Charges for services	33,138	32,335
Licenses, permits, and franchises	27,479	20,216
Advertising	10,626	8,423
Rents and concessions	12,281	12,642
Other	485	—
Total operating revenues	<u>395,849</u>	<u>353,767</u>
Operating expenses:		
Personnel services	1,101,263	976,519
Contractual services	191,959	197,125
Materials and supplies	78,577	81,794
Depreciation and amortization	288,340	278,974
Services from other City departments	105,861	103,767
General and administrative	5,954	30,846
Other operating expenses	(25,670)	(21,347)
Total operating expenses	<u>1,746,284</u>	<u>1,647,678</u>
Operating loss	<u>(1,350,435)</u>	<u>(1,293,911)</u>
Nonoperating revenues (expenses):		
Operating assistance:		
Federal	164,133	196,341
State and other grants	297,004	222,039
Interest and investment income	47,983	47,394
Interest expense	(17,015)	(15,981)
Other, net	(4,261)	6,687
Total nonoperating revenues, net	<u>487,844</u>	<u>456,480</u>
Loss before capital contributions and transfers	<u>(862,591)</u>	<u>(837,431)</u>
Capital contributions:		
Federal	208,452	136,204
State and others	114,003	147,985
Total capital contributions	<u>322,455</u>	<u>284,189</u>
Transfers in:		
City and County of San Francisco – General Fund	609,077	577,878
San Francisco County Transportation Authority	13,009	14,821
City and County of San Francisco – Other City departments	17,273	21,429
Total transfers in	<u>639,359</u>	<u>614,128</u>
Transfers out:		
City and County of San Francisco – Other City departments	(1,012)	(965)
Net transfers	<u>638,347</u>	<u>613,163</u>
Change in net position	<u>98,211</u>	<u>59,921</u>
Net position at beginning of year, as previously reported	5,265,455	5,255,997
Cumulative effect of accounting change	—	(50,463)
Net position at beginning of year, as restated	<u>5,265,455</u>	<u>5,205,534</u>
Net position at end of year	<u>\$ 5,363,666</u>	<u>5,265,455</u>

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Cash Flows
Years ended June 30, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from passengers and service contracts	\$ 346,938	320,548
Cash received from fines, forfeitures, and penalties	98,490	86,967
Cash received from tenants for rent	2,412	3,254
Cash paid to employees for services	(1,018,785)	(974,795)
Cash paid to suppliers for goods and services	(440,248)	(457,980)
Cash paid for judgments and claims	(12,665)	(24,911)
Net cash used in operating activities	<u>(1,023,858)</u>	<u>(1,046,917)</u>
Cash flows from noncapital financing activities:		
Operating grants	535,553	325,699
Transfers from the City and County of San Francisco - General Fund	609,077	577,878
Transfers from San Francisco County Transportation Authority	13,009	14,821
Transfers from the City and County of San Francisco –		
Other City departments	17,273	21,429
Transfers to the City and County of San Francisco –		
Other City departments	(1,012)	(965)
Other noncapital increases	1,255	23,669
Net cash provided by noncapital financing activities	<u>1,175,155</u>	<u>962,531</u>
Cash flows from capital and related financing activities:		
Capital grants	357,130	262,847
Development fees	1,815	6,669
Receipts from leases	11,314	9,597
Proceeds from sale of capital assets	48	(88)
Acquisition of capital assets	(420,320)	(362,439)
Retirement of leases, subscriptions, bonds, and loans	(23,658)	(22,877)
Interest paid on long-term debt	(18,159)	(17,063)
Net cash used in capital and related financing activities	<u>(91,830)</u>	<u>(123,354)</u>
Cash flows from investing activities:		
Interest and investment income	46,416	42,509
Net cash provided by investing activities	<u>46,416</u>	<u>42,509</u>
Net increase in cash and cash equivalents	105,883	(165,231)
Cash and cash equivalents – beginning of year	866,418	1,031,649
Cash and cash equivalents – end of year	<u>\$ 972,301</u>	<u>866,418</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and investments with City Treasury:		
Unrestricted	826,083	639,134
Restricted	135,698	214,573
Cash and investments held outside City Treasury:		
Unrestricted	7,918	7,983
Restricted	2,416	4,616
Total cash and investments	972,115	866,306
Cash on hand	186	112
Total cash and cash equivalents, end of year	<u>\$ 972,301</u>	<u>866,418</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCYStatements of Cash Flows
Years ended June 30, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,350,435)	(1,293,911)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	288,340	278,974
Lease revenue amortization	(9,870)	(10,024)
Changes in operating assets and liabilities:		
Receivables	316	(2,780)
Inventories	(9,021)	(3,109)
Prepaid and others	66	71
Accounts payable and accrued expenses	(3,088)	(292)
Accrued payroll	7,301	5,370
Accrued compensated absences	3,087	3,876
Accrued workers' compensation	12,749	7,061
Accrued claims	(20,749)	(9,806)
Net other postemployment benefits liability	42,853	(22,505)
Net pension liability/asset	15,739	8,580
Due to other funds	(807)	213
Unearned revenues and other liabilities	<u>(339)</u>	<u>(8,635)</u>
Net cash used in operating activities	(1,023,858)	(1,046,917)
Non-cash capital and related financing activities :		
Accrued capital asset costs	\$ 42,223	78,329

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

(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 and County of San Francisco's (the City) 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 Annual Comprehensive 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 its 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; (4) in 2014 (Proposition B), which increases general fund allocation to SFMTA based on the City's population increase; and (5) in 2019 (Proposition D), which imposes tax on fares charged by commercial shared and private rides to fund transportation operations and infrastructure for traffic congestion mitigation in the City.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area, and the eighth largest in the United States. 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 Streets initiates and coordinates improvements to the City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 22 City-owned garages and 18 metered parking lots. In March 2009, the former Taxi Commission was merged with the SFMTA under the Taxis, Access and Mobility Services Division which regulates taxis and enhances mobility in the City.

Nonprofit corporations provide operational oversight to two garages, namely City of San Francisco Japan Center Garage Corporation (Japan Center) and Portsmouth Plaza Parking Corporation (Portsmouth). Of these two garages, Portsmouth garage is owned by the Recreation and Park Department but managed by the SFMTA. The SFMTA approves and oversees the budget and capital improvements and as authorized by the City Charter, sets the parking rates in garages under SFMTA's jurisdiction including the two parking garages. The financial statements of these nonprofit garages, which are audited by other auditors, are provided to the SFMTA and accounted for in the parking garages account. The nonprofit corporations' annual financial statements are publicly available.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

(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 personnel costs, contractual services, materials and supplies, depreciation and amortization 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 2025

(i) GASB Statement No. 101

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. GASB Statement No. 101 requires that liabilities for compensated absences be recognized if the leave is attributable to services already rendered and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means and establishes definitions, guidance, and disclosure requirements related to compensated absences. The new standard is effective for periods beginning after December 15, 2023. SFMTA adopted the provisions of GASB Statement 101 in fiscal year 2025. In accordance with GASB Statement No. 100, Accounting Changes and Error Corrections, the SFMTA reported the implementation of GASB Statement No. 101 as a change in accounting principle. The cumulative effect of applying the new recognition and measurement guidance was recorded as a restatement of accrued compensated absences and beginning net position as of July 1, 2023 (in thousands).

	6/30/2023 As Previously Reported	Changes in Accounting Principle	6/30/2023 As Restated
Net Position	\$ 5,255,997	(50,463)	5,205,534

(ii) GASB Statement No. 102

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. GASB Statement No. 102 requires state and local governments to disclose significant risks related to concentrations or constraints that could lead to substantial impacts. The new standard is effective for periods beginning after June 15, 2024. SFMTA adopted the provisions of this statement in fiscal year 2025, which did not have a significant impact on its financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

(c) Effects of Future Pronouncements

(i) GASB Statement No. 103

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. GASB Statement No. 103 introduces revisions to management's discussion and analysis (MD&A) and updates the presentation of proprietary funds, distinguishing between operating and nonoperating revenues and expenses. The new standard is effective for periods beginning after June 15, 2025. SFMTA will implement the provisions of GASB Statement No. 103 in fiscal year 2026.

(ii) GASB Statement No. 104

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets, such as Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements to be disclosed separately by major classes of underlying assets in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements are also required to be disclosed separately. Furthermore, the Statement requires intangible assets other than those three types to be disclosed separately by major class. Finally, the Statement requires additional disclosures for capital assets held for sale. The new standard is effective for periods beginning after June 15, 2025. SFMTA will implement the provisions of GASB Statement No. 104 in fiscal year 2026.

(d) Cash and Cash Equivalents and Investments

The SFMTA maintains its cash and investments and a portion of its restricted cash 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 statement 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 statement 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 statement of cash flows. The City also may hold non-pooled deposits and investments for the SFMTA. Non-pooled restricted deposits and highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

(e) Inventories

Inventories consist primarily of vehicle parts, maintenance materials, and operating supplies used in transit operations. They are stated at cost, determined using the average cost method, which approximates weighted-average cost. The consumption method of accounting is used, under which inventories are recorded as assets when purchased and expensed as they are consumed in operations.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

Rebuilt inventory items include motors, transmissions, and other smaller components that have been removed from existing coaches, overhauled, and repaired for reuse. These rebuilt items are valued at the cost of labor and materials incurred during the rebuilding process, consistent with the SFMTA's average cost inventory valuation policy.

Inventories are periodically reviewed for obsolescence or impairment, and items identified as no longer usable are written down to their estimated net realizable value or removed from inventory.

(f) Capital Assets

Capital assets are stated at cost except for lease and subscription right to use assets. 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 and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from 1 to 75 years for building structures and improvements, infrastructure, equipment, depreciable land improvement, intangible assets, and right to use assets. Generally, no depreciation is recorded in the year of acquisition, and a full year's depreciation is taken in the year of disposal.

	<u>Years</u>
Building structures and improvements	2 to 60
Infrastructure	1 to 75
Equipment	1 to 30
Land improvement, depreciable	5 to 50
Intangible assets	5 to 20
Right to use assets	1 to 74

(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 is offset against the related debt and is 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 straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

(i) *Accrued Compensated Absences*

Employees may accumulate earned, but unused leave benefits up to a specified maximum, as outlined in their applicable leave policies. In accordance with GASB Statement No. 101, *Compensated Absences*, the SFMTA recognizes liabilities for leaves that are attributable to services already rendered, will be paid upon separation or usage, and are more likely than not to be used or paid. Compensated absences that meet these criteria consist of vacation, sick, compensatory time, and other holidays and leaves. Compensated absences liability, including employer payroll taxes and the employer's share of social security and Medicare taxes, is reported as both current and noncurrent liabilities in the statement of net position. The current pay rates of active employees are applied to leave balances in effect at fiscal year-end.

(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 net position category represents 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, offset by related liabilities paid from restricted assets. At June 30, 2025 and 2024, the SFMTA reported \$80.6 million and \$156.1 million in restricted for capital projects and \$2.5 million and \$3.7 million in restricted for other purposes, respectively. The net investment in capital assets category includes capital assets net of accumulated depreciation and amortization and outstanding balances of debt invested in capital projects, including debt related deferred outflows and inflows of resources, that are 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 approved by the granting authority and 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 (FTA), 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 one-half cent transactions and use tax collected within San Francisco County for transit services.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

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.

(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. 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 share for transportation impacts from new residents and workers. TSF funds transit capital maintenance, transit capital facilities, and complete streets infrastructure. The fees are assessed by the Planning Department and collected by the Department of Building Inspection on behalf of the SFMTA.

The City imposes community improvement 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. Fees are collected by the Planning Department, and a portion is directed to the SFMTA depending on the area from which the fees are 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.

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 and TSF.

Development fees of \$1.9 million and \$7.8 million are recorded as nonoperating revenue for the years ended June 30, 2025 and 2024, respectively, in the accompanying statement of revenues, expenses, and changes in net position.

(n) Pensions

Information about the fiduciary net position of the San Francisco City and County Employees' Retirement System plan (SFERS 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. Investments are reported at fair value.

(o) Other Postemployment Benefits (OPEB)

As prescribed under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment 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.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

(p) Leases and Subscription-Based Information Technology Arrangements

Leases

Leases are defined as a contract that conveys control of the right to use another entity's underlying asset for a specified period. The SFMTA is a lessee and lessor for various noncancellable leases of land, building, equipment, advertising space, easement, etc.

Subscription-Based Information Technology Arrangements

Subscription-based information technology arrangements (SBITAs) are defined as a contract that conveys control of the right to use another entity's IT software, alone or in combination with tangible capital assets for a specified period. The SFMTA has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (SBITAs).

Short-term Leases or SBITAs

For leases or SBITAs with a maximum possible term of 12 months or less at commencement, the SFMTA recognizes lease revenue when the SFMTA enters into a lessor lease agreement or lease expense/subscription expense when SFMTA enters into a lessee lease or subscription agreement based on the provisions of the lease contract or SBITA. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

Leases or SBITAs Other Than Short-term

For all other leases or SBITAs that are not short-term, the SFMTA recognizes a lease/SBITA liability and intangible right to use lease asset for the SFMTA as lessee leases and subscription asset, or lease receivable and deferred inflow of resources for SFMTA as lessor leases.

Measurement of Lease Amounts (Lessee or Subscriber)

The SFMTA's lease liability or subscription liability is recorded at the present value of future minimum lease or subscription payments as of the date of inception. Subsequently, the lease liability or subscription liability is reduced by the principal portion of lease or subscription payments made. The lease asset or subscription asset is initially measured as the initial amount of the lease liability or subscription liability, plus lease or subscription payments made at or before the lease or subscription commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease or subscription incentives received at or before the lease or subscription commencement date. For SBITAs, subscription assets also include qualified software implementation costs. Subsequently, the lease asset or subscription asset is amortized into depreciation and amortization expense on a straight-line basis over the shorter of the lease/subscription term or the useful life of the underlying asset. If the City is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Measurement of Lease Amounts (Lessor)

The SFMTA's lease receivable is measured at the present value of payments expected to be received during the lease term, reduced by any provision of estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments collected. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, plus any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term, plus lease payments received from the lease at or before the commencement of the lease term that related to future periods. Subsequently, the deferred inflow of resources is recognized as lease revenue on a straight-line basis over the lease term.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

Key Estimates and Judgments

Key estimates and judgments include how the SFMTA determines (a) the discount rate it uses to calculate the present value of the expected lease/subscription payments, (b) lease/subscription terms, (c) lease/subscription payments, and (d) materiality threshold.

- The SFMTA generally uses its estimated incremental borrowing rate (IBR) as the discount rate for leases or SBITAs unless the rate is implicit in the agreement. The City's IBR is established using the average of Municipal Market Data (MMD) AAA benchmark interest rate index by maturity date (year 1 to 30+), plus the average credit spread based on City's Aa/AA, COP, Tax-exempt to generate the yield curve and discount rate table. The City's IBR for leases is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease payments under similar terms at the commencement or remeasurement date.
- The lease or subscription term includes the noncancellable period of the lease or SBITA, plus any additional periods covered by either lessee or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and lessor have an option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term.
- Payments are evaluated by the SFMTA to determine if they should be included in the measurement of the lease receivables or lease liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.
- Leases or SBITAs have a capitalization threshold of \$100,000. Leases that are 70% below market rent and/or ground leases determined to be below market rent (BMR) are excluded from lease capitalization.

Remeasurement of Lease or SBITA

The SFMTA monitors changes in circumstances that may require remeasurement of a lease or SBITA. When certain changes occur that are expected to significantly affect the amount of the lease receivable or lease/subscription liability, the receivable or liability is remeasured and a corresponding adjustment is made to the deferred inflow of resources or lease asset or subscription asset, respectively.

Presentation in Statement of Net Position

Lease assets and subscription assets are reported with capital assets. Lease liabilities and subscription liabilities are reported with current and long-term debt in the statement of net position.

(q) 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.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

(r) *Prior Year Reclassification*

In accordance with GASB Statement No. 100, certain components of the fiscal year 2024 ending net position have been reclassified to align with the current year's financial statement presentation. These reclassifications reflect changes in how amounts are categorized among net investment in capital assets, restricted for capital projects, and unrestricted net position. The changes were made to enhance comparability and consistency in financial reporting and had no effect on the total beginning net position, nor on total assets, liabilities, or deferred inflows/outflows of resources.

(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 Annual Comprehensive 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, 2025 and 2024, the SFMTA's unrestricted and restricted cash and investments with City Treasury totaled \$961.8 million and \$853.7 million, which represents 5.3% and 5.2% of the City's investment pool, respectively.

The unrestricted cash and investments outside the City Treasury are cash held by an independent trustee of \$4.5 million and \$4.7 million, taxi medallion collateral sale of \$1.9 million and \$1.9 million, cash held by two nonprofit parking garage corporations totaling \$1.3 million and \$1.2 million, revolving fund of \$0.2 million and \$0.2 million, and cash on hand of \$0.2 million and \$0.1 million as of June 30, 2025 and 2024, respectively. The SFMTA had restricted cash and investments of \$0.1 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, 2025. The SFMTA had restricted cash and investments of \$1.1 million held by an independent trustee outside the City's investment pool and \$3.5 million held at commercial banks covered by depository insurance as of June 30, 2024.

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
2025	20.8%	18.9%	17.5%	42.8%
2024	22.2%	19.5%	16.3%	42.0%

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

The following table shows the restricted and unrestricted cash and investments outside City Treasury as of June 30, 2025 and 2024 (in thousands):

Cash and investments outside City Treasury					
Investment	Fair value measurement	June 30, 2025		June 30, 2024	
		Maturities	Fair value	Maturities	Fair value
U.S. Treasury Notes	Level 1	Less than 1 year	\$ 54	Less than 1 year	\$ 1,073
Money Market Funds	Exempt	Less than 1 year	4,511	Less than 1 year	4,703
Cash and cash equivalents	Exempt		<u>5,769</u>		<u>6,823</u>
		Total	<u>\$ 10,334</u>	Total	<u>\$ 12,599</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.

(4) Capital Assets

Capital asset balances and their movements as of and for the year ended June 30, 2025 are as follows (in thousands):

	Balance, July 1, 2024	Increases	Decreases	Balance, June 30, 2025
Capital assets not being depreciated/amortized:				
Land	\$ 59,442	—	—	59,442
Construction in progress	<u>729,806</u>	<u>451,813</u>	<u>(496,935)</u>	<u>684,684</u>
Total capital assets not being depreciated/amortized	<u>789,248</u>	<u>451,813</u>	<u>(496,935)</u>	<u>744,126</u>
Capital assets being depreciated/amortized:				
Building structures and improvements	962,359	9,144	—	971,503
Equipment	<u>2,512,989</u>	<u>212,438</u>	<u>(120,735)</u>	<u>2,604,692</u>
Infrastructure	<u>4,213,035</u>	<u>213,876</u>	<u>—</u>	<u>4,426,911</u>
Right-to-use assets	<u>171,435</u>	<u>1,349</u>	<u>(1,797)</u>	<u>170,987</u>
Total capital assets being depreciated/amortized	<u>7,859,818</u>	<u>436,807</u>	<u>(122,532)</u>	<u>8,174,093</u>
Less accumulated depreciation/amortization for:				
Building structures and improvements	446,865	26,632	—	473,497
Equipment	<u>1,162,228</u>	<u>151,282</u>	<u>(110,917)</u>	<u>1,202,593</u>
Infrastructure	<u>977,769</u>	<u>98,765</u>	<u>—</u>	<u>1,076,534</u>
Right-to-use assets	<u>26,896</u>	<u>11,661</u>	<u>(430)</u>	<u>38,127</u>
Total accumulated depreciation/amortization	<u>2,613,758</u>	<u>288,340</u>	<u>(111,347)</u>	<u>2,790,751</u>
Total capital assets being depreciated/amortized, net	<u>5,246,060</u>	<u>148,467</u>	<u>(11,185)</u>	<u>5,383,342</u>
Total capital assets, net	<u>\$ 6,035,308</u>	<u>600,280</u>	<u>(508,120)</u>	<u>6,127,468</u>

Certain buses, light rail vehicles, vans, trucks, and other equipment were sold, disposed, and retired in fiscal year 2025. The net loss on disposal or retirement is \$7.2 million.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

Capital asset balances and their movements as of and for the year ended June 30, 2024 are as follows (in thousands):

	Balance, July 1, 2023	Increases	Decreases	Balance, June 30, 2024
Capital assets not being depreciated/amortized:				
Land	\$ 59,525	—	(83)	59,442
Construction in progress	680,227	463,918	(414,339)	729,806
Total capital assets not being depreciated/amortized	739,752	463,918	(414,422)	789,248
Capital assets being depreciated/amortized:				
Building structures and improvements	946,798	15,561	—	962,359
Equipment	2,402,752	214,816	(104,579)	2,512,989
Infrastructure	4,143,318	125,811	(56,094)	4,213,035
Right-to-use assets	161,546	9,900	(11)	171,435
Total capital assets being depreciated/amortized	7,654,414	366,088	(160,684)	7,859,818
Less accumulated depreciation/amortization for:				
Building structures and improvements *	421,700	25,165	—	446,865
Equipment	1,117,781	147,009	(102,562)	1,162,228
Infrastructure	881,304	96,465	—	977,769
Right-to-use assets	16,552	10,355	(11)	26,896
Total accumulated depreciation/amortization	2,437,337	278,994	(102,573)	2,613,758
Total capital assets being depreciated/amortized, net	5,217,077	87,094	(58,111)	5,246,060
Total capital assets, net	\$ 5,956,829	551,012	(472,533)	6,035,308

* The increases include \$20 lease modification of a facility at Van Ness/North Point Street Galileo High School.

Certain buses, light rail vehicles, vans, trucks, and other equipment were sold, disposed, and retired in fiscal year 2024. The net loss on disposal or retirement is \$2.1 million.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

Construction in progress consists of the following projects as of June 30, 2025 and 2024 (in thousands):

	<u>2025</u>	<u>2024</u>
Light Rail Vehicle Procurement	\$ 246,291	268,908
Street Improvements	129,056	154,845
Facility Upgrades	90,677	70,686
Traffic Signal Upgrades	54,667	44,271
Muni Forward Program	47,530	41,381
New Asset Management System	25,483	25,250
Customer Information System	24,713	21,995
Central Control System Upgrades	14,378	7,492
Rail Replacement	13,073	62,612
Traffic Sign Installation/Traffic Calming	10,019	10,289
Electric Bus Procurement	6,000	5,051
Motor Bus Hybrid Procurement	4,819	3,107
Cable Car Gearbox Rehab	4,194	3,597
Electric Vehicle Charge Station	3,250	622
Security Projects	870	1,151
Islais Creek-Woods Annex	869	868
Paratransit vehicles	357	120
Historic Street Car Renovation	150	494
Central Subway	132	132
Trolley Overhead Reconstruction	49	184
Others	8,107	6,751
	<u>\$ 684,684</u>	<u>729,806</u>

(5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were \$71.3 million and \$76.5 million at June 30, 2025 and 2024, respectively. This category consists of liabilities for goods and services either evidenced by vouchers approved for payment but not paid as of June 30, accrued expenses owed to private individuals or organizations for goods and services, and retainage payable on construction contracts.

As of June 30, 2025 and 2024, accounts payable and accrued expenses consisted of the following (in thousands):

	<u>2025</u>	<u>2024</u>
Vouchers payable	\$ 6,052	4,433
Accruals	62,845	70,271
Contracts retainage	2,396	1,832
Total accounts payable and accrued expenses	<u>\$ 71,293</u>	<u>76,536</u>

(6) 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.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

(a) Series 2021A and B Revenue Refunding Bonds

In February 2021, the SFMTA issued Revenue Refunding Bonds, Series 2021A and B in the total amount of \$175 million to refund all outstanding Series 2012A and B, Series 2013, and Series 2014 revenue bonds. The net proceeds of \$176.3 million (consisting of the \$170.5 million of the Series 2021A bonds, plus \$4.5 million par amount and \$1.3 million original issue premium of the Series 2021B bonds) were used to pay \$0.4 million underwriter discount and \$0.6 million in costs of issuance and deposit \$175.3 million into irrevocable escrow funds with the trustee to defease and refund \$156.2 million in revenue bonds. The refunding resulted in the recognition of a deferred accounting loss of \$0.9 million and an economic gain of \$24.5 million or 15.7% of the refunded bonds. The Series 2021A bonds bear interest at fixed rates between 0.249% and 2.804% and have a final maturity on March 1, 2044. The Series 2021B bonds bear interest at a fixed rate of 4% and have a final maturity on March 1, 2031.

(b) Series 2021C Revenue Bonds

In March 2021, the SFMTA issued its Revenue Bonds, Series 2021C in the total amount of \$104.3 million. The net proceeds of \$123.3 million (consisting of \$104.3 million of the Series 2021C bonds plus original issue premium of \$19 million) were used to pay \$0.2 million underwriter discount, \$0.6 million in costs of issuance, \$4.5 million in capitalized interests, and fund \$118 million for various transit and parking capital projects for the SFMTA. The Series 2021C bonds bear interest at fixed rates between 4% and 5% and have a final maturity on March 1, 2051.

(c) 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% and 5% and have a final maturity on March 1, 2047.

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, 2025</u>	<u>Balance June 30, 2024</u>
Revenue Bonds Series 2017	2047	3%–5%	\$ 148,350	152,420
Revenue Refunding Bonds Series 2021A	2044	0.824%–2.804%	145,125	155,235
Revenue Refunding Bonds Series 2021B	2031	4%	4,480	4,480
Revenue Bonds Series 2021C	2051	4%–5%	104,285	104,285
			<u>402,240</u>	<u>416,420</u>
Unamortized issuance premium			25,364	26,687
Total long-term obligations			<u>\$ 427,604</u>	<u>443,107</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

The bond debt service requirements are as follows (in thousands):

	<u>Principal</u>	<u>Bond interest</u>	<u>Total</u>
Year ending June 30:			
2026	\$ 14,445	13,481	27,926
2027	14,745	13,183	27,928
2028	15,080	12,846	27,926
2029	15,455	12,475	27,930
2030	15,860	12,066	27,926
2031-2035	74,090	53,605	127,695
2036-2040	65,460	44,302	109,762
2041-2045	76,080	32,786	108,866
2046-2050	90,515	16,887	107,402
2051	20,510	927	21,437
	<u>\$ 402,240</u>	<u>212,558</u>	<u>614,798</u>

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 these requirements for the fiscal year ended 2025. The SFMTA sets aside operational reserves to cover for contingencies and to provide liquidity in connection with its outstanding debt. The debt reserve is maintained at an amount equal to at least one year of its annual debt service requirement. The operational debt reserve was \$28 million and \$32.9 million in fiscal years 2025 and 2024, respectively. The SFMTA also maintains reserved contingency funds at 10% of operating expenditures of each year's Board approved budget. The contingency reserve was \$140.6 million in fiscal years 2025 and 2024.

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 SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and refunded previously issued bonds. These bonds are payable from all SFMTA operating revenues except for City's General Fund allocations and restricted sources and are payable through fiscal year 2051.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

Annual principal and interest payments for fiscal years 2025 and 2024 were 26.1% and 52.2%, 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 years 2025 and 2024, applicable net revenues, and funds available for bond debt service are as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Bonds issued with revenue pledge	\$ 457,065	457,065
Principal and interest remaining due at the end of the year	614,798	642,728
Principal and interest paid during the year	27,469	27,656
Net revenue for the year	77,713	25,288
Fund available for revenue bond debt service	105,182	52,944

On October 1, 2016, Portsmouth 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 agreement was amended on February 1, 2019 to reduce the maximum loan amount to \$12 million. The drawdowns are limited to once a month for a minimum of \$250 thousand each disbursement. 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 loan agreement requires the corporation to maintain a reserve account restricted for repayment of the loan. The reserve account held by the lender totaled \$0.9 million as of June 30, 2025 and 2024. 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. The loan balance was \$10.3 million and \$10.6 million, as of June 30, 2025 and 2024, respectively.

The SFMTA is not responsible for loan repayments and any aspect of loan performance other than reporting on behalf of another government entity.

The changes in long-term debt for the SFMTA for year ended June 30, 2025 are as follows (in thousands):

	<u>July 1, 2024</u>	<u>Interest accretion, and net increases</u>	<u>Maturities, retirements, and net decreases</u>	<u>June 30, 2025</u>	<u>Amounts due within one year</u>
Bonds payable:					
Revenue bonds	\$ 416,420	—	(14,180)	402,240	14,445
Add/less unamortized amounts:					
For issuance premiums	26,687	—	(1,323)	25,364	—
Total bonds payable	443,107	—	(15,503)	427,604	14,445
Notes, loans, leases, and other payables	162,501	1,391	(10,857)	153,035	9,082
Total long-term debt and loans	<u>\$ 605,608</u>	<u>1,391</u>	<u>(26,360)</u>	<u>580,639</u>	<u>23,527</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

The changes in long-term debt for the SFMTA for year ended June 30, 2024 are as follows (in thousands):

	July 1, 2023	Interest accretion, and net increases	Maturities, retirements, and net decreases	June 30, 2024	Amounts due within one year
Bonds payable:					
Revenue bonds	\$ 430,365	—	(13,945)	416,420	14,180
Add/less unamortized amounts:					
For issuance premiums	28,037	—	(1,350)	26,687	—
Total bonds payable	458,402	—	(15,295)	443,107	14,180
Notes, loans, leases, and other payables	161,636	9,880	(9,015)	162,501	9,286
Total long-term debt and loans	\$ 620,038	9,880	(24,310)	605,608	23,466

(7) Leases and Subscription-Based Information Technology Arrangements

(a) The SFMTA as Lessee and Subscriber

The SFMTA has entered into long-term leases for land, office space, communication site, data processing, machinery, and other equipment. The terms and conditions for these leases vary, which range between 1 and 74 years. The SFMTA also has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (SBITAs).

A summary of intangible right to use leases and subscription assets during the year ended June 30, 2025 is as follows (in thousands):

	Balance July 1, 2024	Increases	Decreases	Remeasurements	Balance June 30, 2025
Right-to-use assets:					
Land	\$ 23,424	—	—	—	23,424
Building/Facility	138,478	798	(43)	(1,277)	137,956
Equipment	2,771	—	—	—	2,771
Total lease assets	164,673	798	(43)	(1,277)	164,151
Less accumulated amortization for:					
Right-to-use assets:					
Land	1,017	339	—	—	1,356
Building/Facility	23,170	8,185	(43)	—	31,312
Equipment	1,465	898	—	—	2,363
Total accumulated amortization	25,652	9,422	(43)	—	35,031
Total lease assets, net	139,021	(8,624)	—	(1,277)	129,120
Subscription assets	6,762	461	(387)	—	6,836
Less accumulated amortization:	1,244	2,239	(387)	—	3,096
Total subscription assets, net	5,518	(1,778)	—	—	3,740
Total lease and subscription assets, net	\$ 144,539	(10,402)	—	(1,277)	132,860

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

A summary of intangible right to use leases and subscription assets during the year ended June 30, 2024 is as follows (in thousands):

	Balance July 1, 2023	Increases	Decreases	Remeasurements	Balance June 30, 2024
Right-to-use assets:					
Land	\$ 23,424	—	—	—	23,424
Building/Facility	134,964	3,482	(11)	43	138,478
Equipment	2,771	—	—	—	2,771
Total lease assets	161,159	3,482	(11)	43	164,673
Less accumulated amortization for:					
Right-to-use assets:					
Land	678	339	—	—	1,017
Building/Facility	15,140	8,021	(11)	20	23,170
Equipment	567	898	—	—	1,465
Total accumulated amortization	16,385	9,258	(11)	20	25,652
Total lease assets, net	144,774	(5,776)	—	23	139,021
Subscription assets	387	6,375	—	—	6,762
Less accumulated amortization:	167	1,077	—	—	1,244
Total subscription assets, net	220	5,298	—	—	5,518
Total lease and subscription assets, net	\$ 144,994	(478)	—	23	144,539

A summary of changes in the related lease liabilities and subscription liabilities during the year ended June 30, 2025 is as follows (in thousands):

	Balance July 1, 2024	Additions	Remeasurements	Deductions	Balance June 30, 2025	Amounts due within one year
Lease liabilities	\$ 147,507	965	(1,441)	6,838	140,193	6,198
SBITA liabilities	4,374	426	—	2,253	2,547	2,547
Total	\$ 151,881	1,391	(1,441)	9,091	142,740	8,745

A summary of changes in the related lease liabilities and subscription liabilities during the year ended June 30, 2024 is as follows (in thousands):

	Balance July 1, 2023	Additions	Remeasurements	Deductions	Balance June 30, 2024	Amounts due within one year
Lease liabilities	\$ 150,352	3,505	—	6,350	147,507	6,708
SBITA liabilities	350	6,375	—	2,351	4,374	2,253
Total	\$ 150,702	9,880	—	8,701	151,881	8,961

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

Future annual lease and subscription payments are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2026	\$ 8,745	2,557	11,302
2027	6,445	2,389	8,834
2028	5,848	2,285	8,133
2029	4,938	2,186	7,124
2030	5,076	2,094	7,170
2031-2035	28,145	8,983	37,128
2036-2040	35,409	6,062	41,471
2041-2045	24,927	2,743	27,670
2046-2050	—	2,284	2,284
2051-2055	—	2,647	2,647
2056-2060	—	3,069	3,069
2061-2065	—	3,558	3,558
2066-2070	—	4,124	4,124
2071-2075	—	4,781	4,781
2076+	23,207	9,826	33,033
	<u>\$ 142,740</u>	<u>59,588</u>	<u>202,328</u>

Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. Such amounts are recognized as lease expenses in the period in which the obligation for those payments is incurred.

Certain equipment or facility rental leases require the SFMTA to make variable lease payments based on usage, index, and insurance payments made by the lessor; these amounts are generally determined annually. The amounts recognized as expense for variable lease payments not included in the measurement of the lease liability were \$504 thousand and \$1.1 million during the years ended June 30, 2025 and 2024, respectively.

As of June 30, 2025 and June 30, 2024, no variable subscription payments were noted for the SFMTA's subscription arrangements.

(b) SFMTA as Lessor

The SFMTA has leased facilities, easements, communication sites, and equipment to various tenants. The terms and conditions for these leases vary, which range between 1 and 46 years.

Variable payments include percentage of sales, or payments depended on an index made by the lessee; these amounts are generally determined periodically. The SFMTA did not incur revenue related to residual value guarantees or lease termination penalties. The amounts recognized as revenue for variable lease payments not included in the measurement of the lease receivable was \$13 thousand during the year ended June 30, 2025. There was none in fiscal year 2024.

In fiscal years 2025 and 2024, the SFMTA recognized \$10.9 million and \$10.1 million in lease revenue, respectively, and \$2 million in interest income in each year for the related leases.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

Principal and interest requirements to maturity for the lease receivable at June 30, 2025 are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2026	\$ 12,111	1,822	13,933
2027	11,500	1,536	13,036
2028	11,794	1,246	13,040
2029	11,892	943	12,835
2030	1,515	758	2,273
2031-2035	4,456	3,388	7,844
2036-2040	3,243	3,007	6,250
2041-2045	3,590	2,660	6,250
2046-2050	3,974	2,276	6,250
2051-2055	4,399	1,851	6,250
2056-2060	4,870	1,380	6,250
2061-2065	5,391	859	6,250
2066-2070	5,655	283	5,938
2071-2075	—	—	—
2076+	—	—	—
	<u>\$ 84,390</u>	<u>22,009</u>	<u>106,399</u>

(8) Other Long-Term Liabilities

The changes in other long-term obligations for the SFMTA for year ended June 30, 2025 are as follows (in thousands):

	<u>July 1, 2024</u>	<u>Net increases</u>	<u>Net decreases</u>	<u>June 30, 2025</u>	<u>Amounts due within one year</u>
Accrued compensated absences	\$ 110,423	3,087	—	113,510	70,525
Accrued workers' compensation	180,092	51,538	(38,789)	192,841	37,641
Accrued claims	74,794	2,914	(23,663)	54,045	41,276
Net other postemployment benefits liability	660,685	24,137	—	684,822	—
Net pension liability	<u>506,378</u>	<u>50,435</u>	<u>—</u>	<u>556,813</u>	<u>—</u>
Total other long-term liabilities	<u>\$ 1,532,372</u>	<u>132,111</u>	<u>(62,452)</u>	<u>1,602,031</u>	<u>149,442</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

The changes in other long-term obligations for the SFMTA for year ended June 30, 2024 are as follows (in thousands):

	July 1, 2023	Net increases	Net decreases	June 30, 2024	Amounts due within one year
Accrued compensated absences	\$ 56,084	1,918	(1,435)	56,567	32,975
Accrued workers' compensation	173,031	42,231	(35,170)	180,092	34,545
Accrued claims	84,600	15,105	(24,911)	74,794	37,037
Net other postemployment benefits liability	642,513	18,172	—	660,685	—
Net pension liability	372,813	133,565	—	506,378	—
Total other long-term liabilities	\$ 1,329,041	210,991	(61,516)	1,478,516	104,557

(9) Employee Benefit Plans

(a) Pensions – City and County of San Francisco

The SFMTA participates in the City's retirement plan. The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension plan (SFERS Plan). 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 SFERS Plan, and additions to/deductions from the SFERS Plan's fiduciary net position have been determined on the same basis as they are reported by the SFERS 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.

Replacement Benefits Plan – The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code (IRC) Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Plan. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415(b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

GASB Statements No. 68 and No. 73 require that the SFERS Plan and RBP reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Fiscal Year 2025	
Valuation Date (VD)	June 30, 2023 updated to June 30, 2024
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024
Fiscal Year 2024	
Valuation Date (VD)	June 30, 2022 updated to June 30, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

SFERS Plan – The City is an employer of the plan with a proportionate share of 94.7% as of June 30, 2024 (measurement date) and 94.85% as of June 30, 2023 (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 2024 and 2023. 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 14.74% as of June 30, 2024 and 14.64% as of June 30, 2023 (measurement dates).

Replacement Benefits Plan – The SFMTA's allocation percentage was determined based on the SFMTA's total pension liabilities divided by the City's total headcount for fiscal year 2024. The SFMTA's total 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 0.25% as of June 30, 2024 and 0.31% as of June 30, 2023 (measurement dates).

SFERS 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 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.

SFERS 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.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

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 Consumer Price Index (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. Proposition A passed on November 8, 2022 making members who retired before November 6, 1996 (Pro96 Retirees) eligible for a Supplemental COLA, even if SFERS is not fully funded based on the market value of assets. Also, Pre96 Retirees' base retirement allowances were adjusted to account for Supplemental COLAs not received in 2013, 2014, 2017, 2018, and 2019 due to the full funding requirement. Effective with Proposition A, Pre96 Retirees receive the same Supplemental COLAs as the after November 6, 1996 and 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.

Funding and Contribution Policy

SFERS Plan – Contributions are made 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 11% and 7.5% to 11.5%, as a percentage of gross covered salary in fiscal years 2025 and 2024, respectively. 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, 2023 actuarial report, the required employer contribution rate for fiscal year 2025 ranges from 14.91% to 16.91%. Based on the July 1, 2022 actuarial report, the required employer contribution rate for fiscal year 2024 ranges from 15.24% to 18.24%.

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 years ended June 30, 2024 and 2023 (measurement year) were \$637 million and \$638 million, respectively. The SFMTA's allocation of employer contributions for fiscal years 2024 was \$93.2 million and \$93 million for fiscal year 2023.

Replacement Benefits Plan – The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid \$3.1 million and \$4.6 million replacement benefits in the years ended June 30, 2025 and 2024, respectively. The SFMTA's allocated portion was \$7.8 thousand and \$14.5 thousand in the years ended June 30, 2025 and 2024, respectively.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

Fiscal Year 2025

As of June 30, 2025, the City reported net pension liability for its proportionate share of the net pension liability of the SFERS Plan and net pension liability of RBP of \$3.9 billion. The City's net pension liability for the SFERS Plan is measured as the proportionate share of the net pension liability. The net pension liability of the SFERS Plan is measured as of June 30, 2024 (measurement date), and the total pension liability for the SFERS Plan and RBP used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 rolled forward to June 30, 2024 using standard update procedures. The City's proportion of the net pension liability for the SFERS Plan 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.

As of June 30, 2025, the SFMTA's allocation of the City's proportionate share of the net pension liability for each plan was as follows (in thousands):

	June 30, 2024 (Measurement Date)	
	SFMTA Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan	14.7382%	\$ 556,472
Replacement Benefits Plan	0.2474%	341
Total		\$ 556,813

For the year ended June 30, 2025, the City's recognized pension expense was \$734.4 million including amortization of deferred outflow/inflow related pension items. Pension expense/(benefit) increased from the prior year, largely due to the amortization of deferrals. The SFMTA's allocation of pension expense/(benefit) including amortization of deferred outflows/inflows related pension items was as follows (in thousands):

	Pension Expenses/ (Benefits)
SFERS Plan	\$ 111,960
Replacement Benefits Plan	(193)
Total	\$ 111,767

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

At June 30, 2025, the SFMTA's reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources (in thousands):

	SFERS Plan		Replacement Benefits Plan	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	\$ 96,028	—	—	—
Differences between expected and actual experience	87,722	—	29	59
Changes in assumptions	43,888	13,384	4	58
Net difference between projected and actual earnings on pension plan investments	102,814	—	—	—
Changes in employer's proportion	3,701	3,238	227	29
Total	<u>\$ 334,153</u>	<u>16,622</u>	<u>260</u>	<u>146</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	
	SFERS Plan	Replacement Benefits Plan
Year ending June 30:		
2026	\$ (18,905)	23
2027	196,694	36
2028	35,479	31
2029	8,235	24
	<u>\$ 221,503</u>	<u>114</u>

At June 30, 2025, the SFMTA reported \$96 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net pension liability in the reporting year ended June 30, 2026.

Fiscal Year 2024

As of June 30, 2024, the City reported net pension liability for its proportionate share of the net pension liability of the SFERS Plan and net pension liability of RBP of \$3.6 billion. The City's net pension liability for the SFERS Plan is measured as the proportionate share of the net pension liability. The net pension liability of the SFERS Plan is measured as of June 30, 2023 (measurement date), and the total pension liability for the SFERS Plan and RBP used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 rolled forward to June 30, 2023 using standard update procedures. The City's proportion of the net pension liability for the SFERS Plan 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.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

As of June 30, 2024, the SFMTA's allocation of the City's proportionate share of the net pension liability for each plan were as follows (in thousands):

	June 30, 2023 (Measurement Date)	
	SFMTA Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan	14.6373%	\$ 505,965
Replacement Benefits Plan	0.3136%	413
Total		\$ <u>506,378</u>

For the year ended June 30, 2024, the City's recognized pension expense was \$667.2 million, including amortization of deferred outflow/inflow related pension items. Pension expense/(benefit) increased from the prior year, largely due to the amortization of deferrals. The SFMTA's allocation of pension expense/benefit, including amortization of deferred outflows/inflows related pension items was as follows (in thousands):

	Pension Expenses/ (Benefits)
SFERS Plan	\$ 102,029
Replacement Benefits Plan	(212)
Total	\$ <u>101,817</u>

At June 30, 2024, the SFMTA's reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources (in thousands):

	SFERS Plan		Replacement Benefits Plan	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	\$ 93,238	—	—	—
Differences between expected and actual experience	54,365	—	36	105
Changes in assumptions	65,482	29,878	32	85
Net difference between projected and actual earnings on pension plan investments	95,755	—	—	—
Changes in employer's proportion	7,777	3,784	195	79
Total	\$ <u>316,617</u>	<u>33,662</u>	<u>263</u>	<u>269</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

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	
		SFERS Plan	Replacement Benefits Plan
Year ending June 30:			
2025	\$	2,150	(2)
2026		(26,987)	(9)
2027		187,457	—
2028		27,097	5
	\$	<u>189,717</u>	<u>(6)</u>

At June 30, 2024, the SFMTA reported \$93.2 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net pension liability/(asset) in the reporting year ended June 30, 2025.

Actuarial Assumptions

Fiscal Year 2025

A summary of the actuarial assumptions and methods used to calculate the total pension liability for both SFERS Plan and RBP as of June 30, 2024 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2023 actuarial valuation. Refer to the July 1, 2023 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	SFERS Plan			
Valuation Date	July 1, 2023 updated to June 30, 2024			
Measurement Date	June 30, 2024			
Actuarial Cost Method	Entry-Age Normal Cost			
Expected Rate of Return	7.20% net of investment expenses			
Municipal Bond Yield	3.93% as of June 30, 2024			
	3.65% as of June 30, 2023			
	Bond Buyer 20-Bond GO Index, June 29, 2023 and June 27, 2024			
Inflation	2.50%			
Projected Salary Increases	3.25% plus merit component based employee classification and years of service			
Discount Rate	7.20% as of June 30, 2024			
	7.20% as of June 30, 2023			
Administrative Expenses	0.60% of payroll as of June 30, 2024			
	0.60% of payroll as of June 30, 2023			
Basic COLA		Old Miscellaneous and all New Plans	Old Police & Fire Pre 7/1/75	Old Police & Fire Charters A8.595 and A8.596
	June 30, 2024	2.00%	1.90%	2.50%
	June 30, 2023	2.00%	1.90%	2.50%
				Old Police & Fire Charters A8.559 and A8.585
				3.60%
				3.60%

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

Changes of Assumptions SFERS Plan – There were no changes in the discount rate for the measurement period ended June 30, 2024. The municipal bond yield increased from 3.65% to 3.93%.

Key Actuarial Assumptions	Replacement Benefits Plan
Valuation Date	July 1, 2023 updated to June 30, 2024
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost
Municipal Bond Yield	3.93% as of June 30, 2024
	Bond Buyer 20-Bond GO Index, June 29, 2023 and June 27, 2024
Inflation	2.50%
Projected Salary Increases	3.25% plus merit component based employee classification and years of service
Discount Rate	3.93% as of June 30, 2024
Administrative Expenses	0.60% of payroll as of June 30, 2024

		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, 2024	2.00%	1.90%	2.50%	3.60%
	June 30, 2023	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions Replacement Benefits Plan – Both discount rate for the measurement period ended June 30, 2024 and the municipal bond yield increased from 3.65% to 3.93%.

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2024 measurement date were based upon the results of a demographic experience study for the period July 1, 2014 through June 30, 2019 and a review of economic assumptions as of July 1, 2023.

Fiscal Year 2024

A summary of the actuarial assumptions and methods used to calculate the total pension liability for both SFERS Plan and RBP as of June 30, 2023 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2022 actuarial valuation. Refer to the July 1, 2022 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	SFERS Plan
Valuation Date	July 1, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.20% net of investment expenses
Municipal Bond Yield	3.65% as of June 30, 2023
	3.54% as of June 30, 2022
	Bond Buyer 20-Bond GO Index, June 30, 2022 and June 29, 2023
Inflation	2.50%
Projected Salary Increases	3.25% plus merit component based employee classification and years of service
Discount Rate	7.20% as of June 30, 2023
	7.20% as of June 30, 2022
Administrative Expenses	0.60% of payroll as of June 30, 2023
	0.60% of payroll as of June 30, 2022

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

		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, 2023	2.00%	1.90%	2.50%	3.60%
	June 30, 2022	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions SFERS Plan – There were no changes in the discount rate for the measurement period ended June 30, 2023. The municipal bond yield increased from 3.54% to 3.65%.

Key Actuarial Assumptions	Replacement Benefits Plan
Valuation Date	June 30, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost
Municipal Bond Yield	3.65% as of June 30, 2023
Inflation	Bond Buyer 20-Bond GO Index, June 30, 2022 and June 29, 2023 2.50%
Projected Salary Increases	3.25% plus merit component based employee classification and years of service
Discount Rate	3.65% as of June 30, 2023
Administrative Expenses	0.60% of payroll as of June 30, 2023

		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, 2023	2.00%	1.90%	2.50%	3.60%
	June 30, 2022	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions Replacement Benefits Plan – Both discount rate for the measurement period ended June 30, 2023 and the municipal bond yield increased from 3.54% to 3.65%.

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2023 measurement date were based upon the results of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2021.

Discount Rate

Fiscal Year 2025

SFERS Plan - 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 7.2% as of June 30, 2024 (measurement date).

The discount rate used to measure the total pension liability as of June 30, 2024 was 7.2%. 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, 2023 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.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

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. However, the change due to Proposition A was amortized over 10 years. In the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted effective July 1, 2013 was amortized over 17 years. For the July 1, 2021 valuation, all amortization periods for actuarial gains and losses and prior assumption changes were reduced to 5 years. The assumption change effective July 1, 2021 is amortized over 20 years. Future experience gains and losses and assumption or method changes on or after July 1, 2021 are amortized over 20 years. If the plan becomes 100% funded based on the actuarial value of assets, any new net surpluses are amortized over a rolling 20-year period. All amortization schedules are established as a level percentage of payroll so payments increase 3.25% 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 were hired 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 were hired after Proposition C passed, the market value of assets must also exceed the actuarial liability 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. Most members receive a 1.5% Supplemental COLA when a full Supplemental COLA is granted.

A 0.5% Supplemental COLA is expected to be payable as of July 1, 2024 for most non-Prop C members due to the favorable investment returns for fiscal year 2024. The table below shows the net assumed Supplemental COLA for members with a 2% Basic COLA for sample years.

<u>FYE</u>	<u>96 - Prop C</u>	<u>Before 11/6/96 or After Prop C</u>
2026+	0.75%	0.50%

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 future benefit payments for current members through 2106. Projected benefit payments are discounted at the long-term expected return on assets of 7.2% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.93% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2024 is 7.2%.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

The long-term expected rate of return on pension plan investments was 7.2%. 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 best-estimate of expected future nominal rates of return for each major asset class over 10 and 30-year horizons. These estimates were combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric long-term expected real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset Class	Target Allocation from January 2021 - June 2024	Target Allocation	Long-Term Expected Real Rate of Return
		effective as of July 2024	
Global Equity	37.0%	32.0%	4.2%
Treasuries	8.0	8.0	1.8
Liquid Credit	5.0	12.0	3.9
Private Credit	10.0	10.0	5.9
Private Equity	23.0	20.0	7.2
Real Assets	10.0	10.0	5.5
Absolute Return	10.0	10.0	4.4
Cash	—	1.0	1.2
Leverage	(3.0)	(3.0)	1.6
	<u>100.0%</u>	<u>100.0%</u>	

Replacement Benefits Plan – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 3.93% as of June 30, 2024. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 29, 2023 and June 27, 2024. These are the rates used to determine the total pension liability as of June 30, 2024.

The inflation assumption of 2.5% compounded annually was used for projecting the annual IRC Section 415(b) limitations. The actual IRC Section 415(b) limitations published by the IRS of \$275 thousand was used for the 2024 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

On June 30, 2025, City's membership in the RBP had a total of 284 active members and 154 retirees and beneficiaries currently receiving benefits. The SFMTA had 4 active members and 2 retirees and beneficiaries currently receiving benefits.

Fiscal Year 2024

SFERS Plan - 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 7.2% as of June 30, 2023 (measurement date).

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

The discount rate used to measure the total pension liability as of June 30, 2023 was 7.2%. 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, 2022 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. However, the change due to Proposition A was amortized over 10 years. In the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted effective July 1, 2013 was amortized over 17 years. For the July 1, 2021 valuation, all amortization periods for actuarial gains and losses and prior assumption changes were reduced to 5 years. The assumption change effective July 1, 2021 is amortized over 20 years. Future experience gains and losses and assumption or method changes on or after July 1, 2021 are amortized over 20 years. If the plan becomes 100% funded based on the actuarial value of assets, any new net surpluses are amortized over a rolling 20-year period. All amortization schedules are established as a level percentage of payroll so payments increase 3.25% 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 were hired 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 were hired after Proposition C passed, the market value of assets must also exceed the actuarial liability 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. Most members receive a 1.5% Supplemental COLA when a full Supplemental COLA is granted.

No Supplemental COLA was payable as of July 1, 2023 due to the unfavorable investment return for fiscal year 2023. The table below shows the net assumed Supplemental COLA for members with a 2% Basic COLA for sample years.

<u>FYE</u>	<u>96 - Prop C</u>	<u>Before 11/6/96 or After Prop C</u>
2025+	0.75%	0.50%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

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 through 2104. Projected benefit payments are discounted at the long-term expected return on assets of 7.2% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.65% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2023 is 7.2%.

The long-term expected rate of return on pension plan investments was 7.2%. 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 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	37.0%	4.6%
Treasuries	8.0	1.7
Liquid Credit	5.0	3.5
Private Credit	10.0	5.8
Private Equity	23.0	7.8
Real Assets	10.0	5.3
Hedge Funds/Absolute Return	10.0	4.4
Leverage	(3.0)	1.4
	<u>100.0%</u>	

Replacement Benefits Plan – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 3.65% as of June 30, 2023. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 30, 2022 and June 29, 2023. These are the rates used to determine the total pension liability as of June 30, 2023.

The inflation assumption of 2.5% compounded annually was used for projecting the annual IRC Section 415(b) limitations. The actual IRC Section 415(b) limitations published by the IRS of \$265 thousand for was used for the 2023 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

On June 30, 2024, City's membership in the RBP had a total of 277 active members and 149 retirees and beneficiaries currently receiving benefits. The SFMTA had 3 active members and 2 retirees and beneficiaries currently receiving benefits.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

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/(asset) for the SFERS 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 2025

Employer	1% decrease share of NPL/(NPA) @ 6.20%	Share of NPL/(NPA) @ 7.20%	1% increase share of NPL/(NPA) @ 8.20%
SFMTA	\$ 1,280,982	556,472	(40,515)

Fiscal Year 2024

Employer	1% decrease share of NPL/(NPA) @ 6.20%	Share of NPL/(NPA) @ 7.20%	1% increase share of NPL/(NPA) @ 8.20%
SFMTA	\$ 1,186,755	505,965	(55,345)

The following presents the SFMTA's allocation of the employer's proportionate share of the total pension liability for the Replacement Benefits 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 2025

Employer	1% decrease share @ 2.93%	Measurement date @ 3.93%	1% increase share @ 4.93%
SFMTA	\$ 402	341	292

Fiscal Year 2024

Employer	1% decrease share @ 2.65%	Measurement date @ 3.65%	1% increase share @ 4.65%
SFMTA	\$ 491	413	354

(b) Deferred Compensation Plan

The City offers its employees, including the SFMTA employees, a deferred compensation plan created in accordance with IRC 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. 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.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

(c) Other Postemployment Benefits

The SFMTA participates in a 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 2025

Valuation Date (VD)	June 30, 2024
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

Fiscal Year 2024

Valuation Date (VD)	June 30, 2022 updated to June 30, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

The SFMTA's proportionate share percentage of the Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the year ended June 30, 2024 and June 30, 2023. The SFMTA's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows, and OPEB expense are based on the SFMTA's allocated percentage. The SFMTA's proportionate share of the City's OPEB elements was 17.46% and 16.83% as of the measurement dates June 30, 2024 and June 30, 2023, respectively.

Benefits

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 Any age with 10 years of credited service
Disabled Retirement ²		5 years of credited service at separation
Terminated Vested		

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 under Charter Section 8.603.

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.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical:	PPO – Blue Shield (self-insured) and UHC Medicare Advantage (fully-insured) HMO – Kaiser (fully-insured), Blue Shield (flex-funded) and Health Net (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.

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 pre-tax 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 pre-tax compensation.

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 pre-tax compensation into the Trust Fund. Beginning on July 1st 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 pre-tax 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 1st 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.

For the fiscal years ended June 30, 2025 and 2024, the City’s funding was based on “pay-as-you-go” plus a contribution of \$52.1 million and \$48.8 million, respectively, to the Retiree Healthcare Trust Fund. The “pay-as-you-go” portion paid by the City was \$248.8 million for a total contribution of \$300.9 million for the fiscal year ended June 30, 2025, and \$230 million, for a total contribution of \$278.7 million for the fiscal year ended June 30, 2024. The SFMTA’s proportionate share of the City’s contributions for fiscal year 2025 and 2024 was \$52.5 million and \$46.9 million, respectively.

OPEB Liabilities, OPEB Expenses, and Deferred Outflows/Inflows of Resources Related to OPEB

Fiscal Year 2025

As of June 30, 2025, the City reported net OPEB liabilities related to the Plan of \$3.9 billion. The SFMTA’s proportionate share of the City’s net OPEB liability as of June 30, 2025 was \$684.8 million.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

For the year ended June 30, 2025, the City's recognized OPEB expense was \$259.6 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 \$95.4 million.

As of June 30, 2025, the SFMTA reported its proportionate share of the City's deferred outflows/inflows of resources related to OPEB from the following sources (in thousands):

	Deferred outflows of resources	Deferred inflows of resources
	\$	
Contributions subsequent to measurement date	52,548	—
Differences between expected and actual experience	20,651	64,154
Changes in assumptions	29,144	—
Net difference between projected and actual earnings on plan investments	—	7,669
Change in proportion	23,661	33,109
Total	\$ 126,004	104,932

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 (benefit) as follows (in thousands):

	Deferred outflows (inflows) of resources
Year ending June 30:	
2026	\$ (5,797)
2027	(7,563)
2028	(9,295)
2029	(3,040)
2030	(2,890)
Thereafter	(2,891)
	\$ (31,476)

At June 30, 2025, the SFMTA reported \$52.5 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net OPEB liability/(asset) in the reporting year ending June 30, 2026.

Fiscal Year 2024

As of June 30, 2024, the City reported net OPEB liabilities related to the Plan of \$3.9 billion. The SFMTA's proportionate share of the City's net OPEB liability as of June 30, 2024 was \$660.7 million.

For the year ended June 30, 2024, the City's recognized OPEB expense was \$261.2 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 \$24.4 million.

As of June 30, 2024, the SFMTA reported its proportionate share of the City's deferred outflows/inflows of resources related to OPEB from the following sources (in thousands):

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
	\$	
Contributions subsequent to measurement date	46,915	—
Differences between expected and actual experience	28,385	76,589
Changes in assumptions	19,205	—
Net difference between projected and actual earnings on plan investments	5,057	—
Change in proportion	<u>31,799</u>	<u>14,984</u>
Total	\$ <u><u>131,361</u></u>	<u><u>91,573</u></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 OPEB expense (benefit) as follows (in thousands):

	<u>Deferred outflows (inflows) of resources</u>
Year ending June 30:	
2025	\$ (6,819)
2026	(320)
2027	(2,025)
2028	(3,786)
2029	<u>5,823</u>
	\$ <u><u>(7,127)</u></u>

At June 30, 2024, the SFMTA reported \$46.9 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net OPEB liability/(asset) in the reporting year ending June 30, 2025.

Actuarial Assumptions

Fiscal Year 2025

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2024 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2024
Measurement Date	June 30, 2024
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 6.87% trending down to ultimate rate of 3.94% in 2075 Medicare trend starts at 6.87% trending down to ultimate rate of 3.93% in 2075 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075 Vision and expenses trend remains a flat 3.0% for all years
Expected rate of return on plan assets	7.00%
Salary increase rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00%

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Notes to Financial Statements

June 30, 2025 and 2024

	Craft: 0.50% - 3.75%
	Misc: 0.30% - 5.50%
Inflation rate	Wage Inflation: 3.25% compounded annually
	Consumer Price Inflation: 2.50% 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 ending June 30, 2019.

	Published Table	Adjustment Factor	
		Male	Female
Non-Annuityants			
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubG-2010 Employee	1.011	0.979
Healthy Retirees			
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	0.947	1.044
Disabled Retirees			
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubG-2010 Employee	0.916	0.995
Beneficiaries			
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

Change in Assumption – For the measurement date June 30, 2024, the healthcare cost trend rates change as follow:

Healthcare Cost Trend	June 30, 2024 (Measurement Date)
Pre-Medicare	starts at 6.87% trending down to ultimate rate of 3.94% in 2075
Medicare	starts at 6.87% trending down to ultimate rate of 3.93% in 2075
10-County average	starts at 5.00% trending down to ultimate rate of 3.94% in 2075

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

Fiscal Year 2024

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2023 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
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 7.24% trending down to ultimate rate of 3.94% in 2075 Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075 Vision and expenses trend remains a flat 3.0% for all years
Expected rate of return on plan assets	7.00%
Salary increase rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00%

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

	Craft: 0.50% - 3.75%
	Misc: 0.30% - 5.50%
Inflation rate	Wage Inflation: 3.25% compounded annually
	Consumer Price Inflation: 2.50% 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 ending June 30, 2019.

	Published Table	Adjustment Factor	
		Male	Female
Non-Annuityants			
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubG-2010 Employee	1.011	0.979
Healthy Retirees			
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	0.947	1.044
Disabled Retirees			
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubG-2010 Employee	0.916	0.995
Beneficiaries			
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

Change in Assumption – For the measurement date June 30, 2023, the healthcare cost trend rates change as follow:

Healthcare Cost Trend	June 30, 2023 (Measurement Date)
Pre-Medicare	starts at 7.24% trending down to ultimate rate of 3.93% in 2075
Medicare	starts at 7.72% trending down to ultimate rate of 3.93% in 2075
10-County average	starts at 5.00% trending down to ultimate rate of 3.93% in 2075

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

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):

Fiscal Year 2025

Employer		1% Decrease	Healthcare Trend	1% Increase
SFMTA	\$	577,156	684,822	818,295

Fiscal Year 2024

Employer		1% Decrease	Healthcare Trend	1% Increase
SFMTA	\$	561,854	660,685	783,317

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

Discount Rate

Fiscal Year 2025

The discount rates used to measure the total OPEB liability as of June 30, 2024 was 7%. 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.

The long-term expected rate of return on OPEB plan investments was 7% 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. Large Cap	25.0%	5.5%
U.S. Small Cap	2.0	6.4
Developed Market Equity (non-U.S.)	13.0	5.9
Emerging Market Equity	10.0	5.9
Credit		
Bank Loans	3.0	3.7
High Yield Bonds	3.0	3.9
Rate Securities		
Investment Grade Bonds	7.0	1.9
Short-term Treasury Inflation-Protected Securities	5.0	0.9
Private Markets		
Private Equity	10.0	6.9
Private Debt	5.0	6.2
Core Private Real Estate	5.0	5.2
Infrastructure (Core Private)	2.0	6.0
Risk Mitigating Strategies		
Global Macro	10.0	1.6
Total	100.0%	

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):

Employer	1% decrease 6.00%	Discount rate 7.00%	1% increase 8.00%
SFMTA	\$ 807,268	684,822	584,318

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

Fiscal Year 2024

The discount rate used to measure the total OPEB liability as of June 30, 2023 was 7%. 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.

The long-term expected rate of return on OPEB plan investments was 7% 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. Large Cap	25.0%	6.1%
U.S. Small Cap	2.0	6.7
Developed Market Equity (non-U.S.)	13.0	7.2
Emerging Market Equity	10.0	7.4
Credit		
Bank Loans	3.0	4.4
High Yield Bonds	3.0	4.7
Rate Securities		
Investment Grade Bonds	7.0	2.8
Short-term Treasury Inflation-Protected Securities	5.0	1.0
Private Markets		
Private Equity	10.0	8.4
Private Debt	5.0	6.4
Core Private Real Estate	5.0	3.9
Infrastructure (Core Private)	2.0	5.2
Risk Mitigating Strategies		
Global Macro	10.0	3.1
Total	100.0%	

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):

Employer	1% decrease 6.00%	Discount rate 7.00%	1% increase 8.00%
SFMTA	\$ 773,266	660,685	568,363

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

The City issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City's postemployment health care obligations. The report may be obtained by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102, or by calling (415) 554-7500.

(10) 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 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. Workers' compensation	Self-insured
c. Property	Self-insured and purchase insurance
d. Employee (transit operators)	Purchase insurance
e. Directors and officers	Purchase insurance
f. Active assailant	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. As of June 30, 2025 and 2024, the reserve was \$43.1 million and \$38.8 million, respectively. In addition, the annual budget for claims was \$8.1 million for fiscal years 2025 and 2024, respectively.

During fiscal year 2025, the methodology for estimating claims liability was changed. The claims liability had historically been actuarially determined. As of June 30, 2025, claim liabilities for pending and threatened lawsuits are estimated based on the Office of the City Attorney's assessment of probable claims and historical trends for incurred but not reported losses. The recorded liability represents management's best estimate based on currently available information and aligns more closely with the Office of City Attorney's judgment of the SFMTA's potential exposure. This change in accounting estimate is intended to enhance the understandability, relevance, and timeliness of the financial information. Affected financial statement items include current and noncurrent estimated claims payables in the statement of net position and general and administrative expenses in the statement of revenues, expenses, and changes in net position.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

The changes in general/transit liability for years ended June 30, 2025 and 2024 are as follows (in thousands):

		<u>Beginning of year</u>	<u>Claims and changes in estimates</u>	<u>Claim payments</u>	<u>End of year</u>
2025	\$	74,794	2,914	(23,663)	54,045
2024		84,600	15,105	(24,911)	74,794

(b) *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 statement of revenues, expenses, and changes in net position.

The changes in workers' compensation liability for years ended June 30, 2025 and 2024 are as follows (in thousands):

		<u>Beginning of year</u>	<u>Claims and changes in estimates</u>	<u>Claim payments</u>	<u>End of year</u>
2025	\$	180,092	51,538	(38,789)	192,841
2024		173,031	42,231	(35,170)	180,092

(c) *Property*

The SFMTA purchases property insurance on its facilities, light rail cars, and personal property. Insurance is also 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 the City and SFMTA's property.

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

SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance for transit operators per the memorandum of understanding with the Transport Workers' Union.

(e) *Directors and Officers Insurance*

SFMTA has purchased insurance to cover errors and omissions of its Board members and senior management.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

(f) Active Assailant Insurance

SFMTA has purchased insurance to cover third-party bodily injury, property damage, business interruption, and crisis 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.

(11) 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. In fiscal years 2025 and 2024, the amount of General Fund subsidy to the SFMTA reflected in the accompanying financial statements were \$609.1 million and \$577.9 million, respectively.

The General Fund support from the City includes total revenue baseline transfers of \$452.6 million and \$434.9 million in fiscal years 2025 and 2024, respectively. In addition, the SFMTA received \$65 million and \$69.3 million allocation in fiscal years 2025 and 2024, respectively, from in lieu of parking tax.

Proposition B, approved by the voters in November 2014, provides additional City General Fund allocation to address transportation needs tied to the City's population growth. In fiscal year 2025, the SFMTA received \$88.7 million from this source, of which \$28.7 million was allocated for operations and \$60 million for capital projects. In fiscal year 2024, the SFMTA received \$68.6 million from this source, of which \$30 million was allocated for operations and \$38.6 million for capital projects.

In fiscal year 2025, the SFMTA received an additional General Fund allocation of \$2.3 million for the Mission Bay Transportation Improvement Fund and \$0.5 million to support free two-hour parking in Portsmouth garage for the Lunar New Year Parade. In fiscal year 2024, the SFMTA received an additional General Fund allocation of \$4.9 million for the Chase Event Center and mixed-use development project and \$0.2 million to support free two-hour parking in Portsmouth garage for the Lunar New Year Parade.

(12) 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, 2025 and 2024, the SFMTA had approved capital grants with unused balances amounting to \$599 million and \$566.4 million, respectively, while capital grants receivable totaled \$145.7 million and \$184.3 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, 2025 and 2024, the SFMTA had various operating grants receivable of \$45.3 million and \$116.2 million, respectively. In fiscal years 2025 and 2024, the SFMTA received operating assistance from BART's Americans with Disability Act related support of \$2.1 million and \$2.1 million, respectively, and other federal, state, and local grants of \$2.8 million and \$6.4 million, respectively, to fund project expenses that are operating in nature.

The operating assistance from federal sources includes funds received from FTA in response to the COVID-19 pandemic. The American Rescue Plan Act (ARPA) was signed into law on March 11, 2021, which provided the SFMTA with supplemental appropriation for emergency transit operations. The SFMTA made drawdowns for \$155 million and \$184.5 million in fiscal years 2025 and 2024, respectively. Operating assistance from state sources includes funding allocated through Senate Bill 125 (SB125), enacted in September 2023, to provide emergency financial support and promote long-term financial sustainability for public transit agencies across California. As part of this initiative, the SFMTA received \$99.5 million in fiscal year 2025.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2025 and 2024

The capital and operating grants identified above include funds received and due from the SFCTA. During fiscal years 2025 and 2024, the SFCTA approved \$73.2 million and \$39.5 million, respectively, in new capital grants and the SFMTA received payments totaling \$88.7 million and \$91 million, respectively. As of June 30, 2025 and 2024, the SFMTA had \$38.7 million and \$81.4 million, respectively, in capital grants due from the SFCTA. Similarly, the SFMTA receives operating grants from SFCTA mostly for paratransit support. During fiscal years 2025 and 2024, the SFCTA approved \$13.6 million and \$14.2 million, respectively, in new operating grants and the SFMTA received payments totaling \$15 million and \$4.3 million, respectively. The SFMTA had \$12.9 million and \$14.9 million in operating grants due from the SFCTA, as of June 30, 2025 and 2024, respectively.

(13) 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) Other Commitments

As of June 30, 2025 and 2024, the SFMTA has outstanding commitments of approximately \$292.2 million and \$232.6 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 \$109.3 million and \$99.5 million in fiscal years 2025 and 2024, respectively, with third parties for noncapital expenditures. 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 the SFMTA.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Combining Schedule of Net Position

June 30, 2025

(In thousands)

	<u>Transit</u>	<u>Streets</u>	<u>Parking Garages</u>	<u>Total</u>
Assets:				
Current assets:				
Cash and investments with City Treasury	\$ 663,923	162,160	—	826,083
Cash and investments outside City Treasury	4,178	2,450	1,290	7,918
Cash on hand	84	102	—	186
Receivables:				
Grants	128,083	11,268	—	139,351
Due from the San Francisco County Transportation Authority	39,648	11,989	—	51,637
Due from other City departments	—	482	—	482
Charges for services, net	1,974	4,253	45	6,272
Lease receivable	8,248	3,863	—	12,111
Interest and other	9,044	3,691	—	12,735
Inventories	93,947	2,899	—	96,846
Current prepaids and other assets	102	35	25	162
Restricted cash and investments with City Treasury	893	—	—	893
Restricted cash and investments outside City Treasury	—	—	11	11
Total current assets	<u>950,124</u>	<u>203,192</u>	<u>1,371</u>	<u>1,154,687</u>
Noncurrent assets:				
Restricted cash and investments with City Treasury, net of current portion	78,748	56,057	—	134,805
Restricted cash and investments outside City Treasury, net of current portion	53	—	2,352	2,405
Restricted interest and other receivables	783	656	—	1,439
Lease receivable, net of current portion	61,830	10,449	—	72,279
Capital assets not being depreciated/amortized	569,774	174,352	—	744,126
Capital assets being depreciated/amortized	4,801,279	569,583	12,480	5,383,342
Total noncurrent assets	<u>5,512,467</u>	<u>811,097</u>	<u>14,832</u>	<u>6,338,396</u>
Total assets	<u>6,462,591</u>	<u>1,014,289</u>	<u>16,203</u>	<u>7,493,083</u>
Deferred outflows of resources:				
Unamortized loss on refunding of debt	674	—	—	674
Related to pensions	290,236	44,177	—	334,413
Related to other postemployment benefits	109,201	16,803	—	126,004
Total deferred outflows of resources	<u>\$ 400,111</u>	<u>60,980</u>	<u>—</u>	<u>461,091</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Combining Schedule of Net Position

June 30, 2025

(In thousands)

	Transit	Streets	Parking Garages	Total
Liabilities:				
Current liabilities:				
Due to other funds	\$ —	—	—	—
Accounts payable and accrued expenses	49,385	20,328	1,580	71,293
Accrued payroll	54,901	8,733	25	63,659
Accrued compensated absences	57,595	12,926	4	70,525
Accrued workers' compensation	31,217	6,424	—	37,641
Accrued claims	34,546	6,730	—	41,276
Grants received in advance	53,167	2,051	—	55,218
Unearned revenue and other liabilities	7,489	4,137	12	11,638
Payable from restricted assets	3,704	3,499	—	7,203
Accrued interest payable	5,046	736	—	5,782
Bonds, loans, leases, and other payables	15,001	8,189	337	23,527
Total current liabilities	312,051	73,753	1,958	387,762
Noncurrent liabilities:				
Accrued compensated absences, net of current portion	35,547	7,270	168	42,985
Accrued workers' compensation, net of current portion	126,142	29,058	—	155,200
Accrued claims, net of current portion	11,942	827	—	12,769
Net other postemployment benefits liability	593,491	91,331	—	684,822
Net pension liability	483,390	73,423	—	556,813
Bonds, loans, leases, and other payables, net of current portion	398,329	148,825	9,958	557,112
Total noncurrent liabilities	1,648,841	350,734	10,126	2,009,701
Total liabilities	1,960,892	424,487	12,084	2,397,463
Deferred inflows of resources:				
Related to leases	57,875	13,470	—	71,345
Related to pensions	13,698	3,070	—	16,768
Related to other postemployment benefits	90,939	13,993	—	104,932
Total deferred inflows of resources	162,512	30,533	—	193,045
Net position:				
Net investment in capital assets	4,960,452	597,063	2,185	5,559,700
Restricted for capital projects	45,819	34,733	—	80,552
Restricted for other purposes	160	—	2,363	2,523
Unrestricted	(267,133)	(11,547)	(429)	(279,109)
Total net position	\$ 4,739,298	620,249	4,119	5,363,666

See accompanying independent auditor's report.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2025
(In thousands)

	Transit	Streets	Parking Garages	SFMTA Eliminations	Total
Operating revenues:					
Passenger fares	\$ 109,916	—	—	—	109,916
Parking and transportation	—	95,541	7,893	—	103,434
Fines, forfeitures, and penalties	—	98,490	—	—	98,490
Charges for services	1,735	31,403	—	—	33,138
Licenses, permits, and franchises	—	27,479	—	—	27,479
Advertising	10,626	—	—	—	10,626
Rents and concessions	8,752	3,502	27	—	12,281
Other	—	485	—	—	485
Total operating revenues	<u>131,029</u>	<u>256,900</u>	<u>7,920</u>	<u>—</u>	<u>395,849</u>
Operating expenses:					
Personnel services	951,431	148,247	1,585	—	1,101,263
Contractual services	121,561	68,990	1,408	—	191,959
Materials and supplies	70,087	8,269	221	—	78,577
Depreciation and amortization	252,345	35,594	401	—	288,340
Services from other City departments	95,401	10,460	—	—	105,861
General and administrative	15,869	(10,293)	378	—	5,954
Other operating expenses	(41,386)	14,913	803	—	(25,670)
Total operating expenses	<u>1,465,308</u>	<u>276,180</u>	<u>4,796</u>	<u>—</u>	<u>1,746,284</u>
Operating loss	<u>(1,334,279)</u>	<u>(19,280)</u>	<u>3,124</u>	<u>—</u>	<u>(1,350,435)</u>
Nonoperating revenues (expenses):					
Operating assistance:					
Federal	163,697	436	—	—	164,133
State and other grants	296,935	69	—	—	297,004
Interest and investment income	31,791	16,118	74	—	47,983
Interest expense	(12,336)	(4,330)	(349)	—	(17,015)
Other, net	(4,683)	422	—	—	(4,261)
Total nonoperating revenues, net	<u>475,404</u>	<u>12,715</u>	<u>(275)</u>	<u>—</u>	<u>487,844</u>
Loss before capital contributions and transfers	<u>(858,875)</u>	<u>(6,565)</u>	<u>2,849</u>	<u>—</u>	<u>(862,591)</u>
Capital contributions:					
Federal	203,383	5,069	—	—	208,452
State and others	78,276	35,727	—	—	114,003
Total capital contributions	<u>281,659</u>	<u>40,796</u>	<u>—</u>	<u>—</u>	<u>322,455</u>
Transfers in:					
City and County of San Francisco –					
General Fund	465,610	143,467	—	—	609,077
San Francisco County Transportation Authority	11,734	1,275	—	—	13,009
City and County of San Francisco –					
Other City departments	11,086	6,187	—	—	17,273
SFMTA operating transfers in	143,807	1,375	—	(145,182)	—
Total transfers in	<u>632,237</u>	<u>152,304</u>	<u>—</u>	<u>(145,182)</u>	<u>639,359</u>
Transfers out:					
City and County of San Francisco –					
Other City departments	—	—	(1,012)	—	(1,012)
SFMTA operating transfers out	—	(143,807)	(1,375)	145,182	—
Net transfers	<u>632,237</u>	<u>8,497</u>	<u>(2,387)</u>	<u>—</u>	<u>638,347</u>
Change in net position	55,021	42,728	462	—	98,211
Net position at beginning of year, as restated	4,684,277	577,521	3,657	—	5,265,455
Net position at end of year	<u>\$ 4,739,298</u>	<u>620,249</u>	<u>4,119</u>	<u>—</u>	<u>5,363,666</u>

See accompanying independent auditor's report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Schedule of Grants – Federal
Year ended June 30, 2025
(In thousands)

	Authorized grants as of July 1, 2024	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2025	Amounts not expended as of June 30, 2025	Grants receivable as of June 30, 2025
Capital grants:							
FY 2013 Section 5307 CMAQ & Surface Transportation Program	\$ 1,662	—	—	—	1,662	1,030	632
FY 2016 Section 5307 Urban Area Formula	462	—	—	—	462	46	416
FY 2019 Section 5307 Formula Fund	21,555	—	(15,117)	—	6,438	3,140	3,298
FY 2019 Section 5307 Geary Rapid	844	—	(203)	—	641	319	322
FY 2021 Section 5307 Motor Coach & Trolley Coach Replacement	17,842	—	(13,346)	—	4,496	2,844	1,652
FY 2022 Section 5307 Formula Funds	19,258	—	(1,501)	—	17,757	8,090	9,667
FY 2023 Section 5307 Formula Funds	—	19,942	—	—	19,942	19,942	—
FY 2023 Section 5307 Light Rail Vehicle Replacement Project	48,653	—	(48,653)	—	—	—	—
FY 2023 Section 5307 Light Rail Vehicle Replacement Procurements	—	14,899	—	—	14,899	—	14,899
FY 2024 Section 5307 Urbanized Area Formula	—	36,365	—	—	36,365	32,042	4,323
FY 2013 Section 5309 Bus Livability	213	—	—	—	213	—	213
FY 2015 Section 5337 State of Good Repair	378	—	(327)	—	51	51	—
FY 2016 Section 5337 State of Good Repair	174	—	(174)	—	—	—	—
FY 2018 Section 5337 State of Good Repair	10,928	—	(225)	—	10,703	10,703	—
FY 2019 Section 5337 State of Good Repair	41,129	—	(8,393)	—	32,736	27,317	5,419
FY 2020 Section 5337 State of Good Repair	4,288	—	(238)	—	4,050	4,028	22
FY 2021 Section 5337 State of Good Repair	41,148	—	(3,006)	—	38,142	35,389	2,753
FY 2022 Section 5337 State of Good Repair	35,058	—	(1,801)	—	33,257	32,692	565
FY 2023 Section 5337 State of Good Repair	—	51,322	—	—	51,322	51,262	60
FY 2024 Section 5337 State of Good Repair	—	126,464	(79,025)	—	47,439	19,193	28,246
FY 2023 Section 5337 Light Rail Vehicle Replacement Project	25,891	—	(25,891)	—	—	—	—
FY 2021 Section 5339 New Starts, Small Starts, Core Capacity (ARPA)	494	—	(31)	—	463	—	463
FY 2022 Section 5339 Cable Car Traction Power & Guideway	2,000	—	(5)	—	1,995	1,981	14
Total capital grants	\$ 271,977	248,992	(197,936)	—	323,033	250,069	72,964
Operating grants:							
FY 2023 Section 5304 Muni Metro Modernization Planning Study	\$ 500	—	(116)	—	384	—	384
FY 2013 Section 5307 CMAQ & Surface Transportation Program	55	—	—	—	55	55	—
FY 2021 Section 5307 Urbanized Area Formula	1,000	—	(814)	—	186	142	44
FY 2022 Section 5307 ARP American Rescue Plan Phase 1	99,924	—	(99,924)	—	—	—	—
FY 2022 Section 5307 ARP Additional Assistance	115,076	—	(115,076)	—	—	—	—
FY 2022 Section 5307 ARPA Route Planning Restoration Program	514	—	—	—	514	310	204
FY 2023 Section 5307 Formula Funds	5,444	—	(5,977)	—	(533)	(1,156)	623
FY 2024 Section 5307 Urbanized Area Formula	—	5,243	—	—	5,243	—	5,243
FY 2021 Section 5310 Mobility Management (CRRSAA)	—	124	—	—	124	124	—
FY 2021 Section 5312 Research and Evaluation Projects	282	—	168	—	450	376	74
Total operating grants	\$ 222,795	5,367	(221,739)	—	6,423	(149)	6,572

See accompanying independent auditor's report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Schedule of Grants – California Transportation Commission
Year ended June 30, 2025
(In thousands)

	Authorized grants as of July 1, 2024	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2025	Amounts not expended as of June 30, 2025	Grants receivable as of June 30, 2025
Capital grants:							
FY 2020 Low Carbon Transit Operations Grant Bryant Project	\$ 953	—	(953)	—	—	—	—
FY 2021 Low Carbon Transit Operations Grant 5 Fulton Project	739	—	(739)	—	—	—	—
FY 2022 Low Carbon Transit Operations Grant 29 Sunset Muni Forward	2,855	—	(1,969)	—	886	886	—
FY 2024 Low Carbon Transit Operations Bus Transit Signal Priority	—	3,043	(84)	—	2,959	2,959	—
Total Low Carbon	4,547	3,043	(3,745)	—	3,845	3,845	—
FY 2024 TIRCP M Ocean View Muni Forward	—	1,000	—	—	1,000	1,000	—
FY 2024 TIRCP Muni Forward K Line	—	1,668	—	—	1,668	1,668	—
FY 2025 TIRCP Muni Metro Modernization	—	1,000	—	—	1,000	723	277
Total TIRCP	—	3,668	—	—	3,668	3,391	277
FY 2022 Clean California Local Grant Program South of Market	1,811	—	(1,579)	—	232	232	—
FY 2022 Clean California Grant- Clean Transit SF Program	3,291	—	(1,203)	—	2,088	—	2,088
FY 2022 CA 20201 AB 174 - 5 Fulton	1,630	—	(1,458)	—	172	172	—
FY 2023 Greenhouse Gas Reduction - Bayview-Hunters Point	8,219	—	(480)	—	7,739	6,163	1,576
Total capital grants	\$ 19,498	6,711	(8,465)	—	17,744	13,803	3,941
Operating grants:							
FY 2022 Low Carbon Transit Operations Grant Free Muni for Seniors and People with Disabilities	\$ 3,635	—	(3,635)	—	—	—	—
FY 2023 Low Carbon Transit Operations Grant Next Generation Transit Lane and Bus Zone Enforcement	2,544	—	(1)	—	2,543	2,543	—
FY 2025 Low Carbon Transit Discount Operations Support	—	18,767	(18,767)	—	—	—	—
Total Low Carbon	6,179	18,767	(22,403)	—	2,543	2,543	—
FY 2024 LAFA Access For All Program	4,044	—	(1,272)	—	2,772	2,772	—
FY 2025 LAFA Access For All Program	—	1,713	—	—	1,713	1,713	—
Total LAFA	4,044	1,713	(1,272)	—	4,485	4,485	—
FY 2021 Prop 1B: Presidio Bus Yard Planning Study	188	—	—	(188)	—	—	—
FY 2025 Collect and Publish Survey Data	—	250	(51)	—	199	41	158
Total operating grants	\$ 10,411	20,730	(23,726)	(188)	7,227	7,069	158

See accompanying independent auditor's report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Schedule of Grants – Metropolitan Transportation Commission
Year ended June 30, 2025
(In thousands)

	Authorized grants as of July 1, 2024	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2025	Amounts not expended as of June 30, 2025	Grants receivable as of June 30, 2025
Capital grants:							
Bridge Toll	\$ 24,517	—	(15,640)	—	8,877	4,197	4,680
FY 2021 Bridge Toll	14,480	—	(2,867)	—	11,613	7,712	3,901
FY 2021 BATA	3,272	—	(857)	—	2,415	1,549	866
State Transit Assistance:							
FY 2025 STA K Ingleside Rapid Project Ocean Avenue	—	2,800	—	—	2,800	2,799	1
State of Good Repair	5,933	—	(1,224)	—	4,709	4,709	—
FY 2021 State of Good Repair	5,366	—	(1,265)	—	4,101	4,101	—
FY 2022 State of Good Repair - Facilities Projects	7,859	—	(2,457)	—	5,402	5,402	—
FY 2023 State of Good Repair - Fixed Guideway Projects	9,879	—	(1,438)	—	8,441	8,441	—
FY 2024 State of Good Repair - Facilities Projects	5,714	230	(968)	—	4,976	4,976	—
FY 2024 State of Good Repair - Fixed Guideway Projects	5,714	230	(1,287)	—	4,657	4,657	—
FY 2025 State of Good Repair - Facilities Projects	—	5,886	—	—	5,886	5,886	—
FY 2025 State of Good Repair - Fixed Guideway Projects	—	5,886	—	—	5,886	5,886	—
Total State of Good Repair	40,465	12,232	(8,639)	—	44,058	44,058	—
RM3:							
FY 2024 RM3 - Potrero Modernization Project	3,503	—	(3,503)	—	—	—	—
FY 2024 RM3 - Light Rail Vehicle Procurement	6,495	—	(6,495)	—	—	—	—
FY 2024 RM3 - 40'/60' Hybrid Buses	27,013	—	—	—	27,013	26,988	25
FY 2024 RM3 - Kirkland Bus Yard Electrification	3,815	—	(629)	—	3,186	1,294	1,892
FY 2024 RM3 - Battery Electric Bus Procurement	2,381	—	(64)	—	2,317	2,116	201
FY 2024 RM3 - Presidio Modernization	12,595	—	(33)	—	12,562	12,469	93
FY 2024 RM3 - Vintage Streetcar Rehabilitation	6,718	—	—	—	6,718	6,718	—
FY 2024 RM3 - New Flyer Midlife Overhaul	11,344	—	(5,672)	—	5,672	—	5,672
FY 2025 RM3 - Kirkland Bus Yard Electrification	—	2,694	—	—	2,694	1,315	1,379
FY 2025 RM3 - Battery Electric Bus Procurement	—	640	—	—	640	640	—
Total RM3	73,864	3,334	(16,396)	—	60,802	51,540	9,262
Total capital grants	\$ 156,598	18,366	(44,399)	—	130,565	111,855	18,710

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Schedule of Grants – Metropolitan Transportation Commission
Year ended June 30, 2025
(In thousands)

	Authorized grants as of July 1, 2024	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2025	Amounts not expended as of June 30, 2025	Grants receivable as of June 30, 2025
Operating grants:							
AB1107 Sales Tax	\$ 3,913	52,000	(52,917)	1,095	4,091	—	4,091
State Transit Assistance	27,583	—	(23,489)	(4,094)	—	—	—
State Transit Assistance - Operating	—	83,908	(55,536)	(11,088)	17,284	—	17,284
State Transit Assistance - Paratransit	—	3,300	(3,300)	—	—	—	—
Transportation Development Act Article 4	—	44,949	(40,724)	(826)	3,399	—	3,399
Transportation Development Act Article 4.5	—	4,356	—	(4,356)	—	—	—
Senate Bill 125:							
FY 2025 SB125 ZETCP-PTA Transit Operations	—	67,361	(67,361)	—	—	—	—
FY 2025 SB125 ZETCP-GGRF Transit Operations	—	32,116	(32,116)	—	—	—	—
Total SB125	—	99,477	(99,477)	—	—	—	—
RM2:							
Owl Service	151	157	(292)	—	16	—	16
T-Third Light Rail	—	2,111	(1,900)	—	211	—	211
Total operating grants	\$ 31,647	290,258	(277,635)	(19,269)	25,001	—	25,001

See accompanying independent auditor's report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Schedule of Grants – San Francisco County Transportation Authority
Year ended June 30, 2025
(In thousands)

	Authorized grants as of July 1, 2024	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2025	Amounts not expended as of June 30, 2025	Grants receivable as of June 30, 2025
Capital grants:							
3rd Street Light Rail Projects	\$ 4,169	—	—	—	4,169	4,169	—
Radio Communications System & CAD	4,120	—	(4,027)	—	93	—	93
Central Train Control & Communication	401	—	(9)	—	392	390	2
Bus Rapid Transit (Geary & Van Ness)	13,807	—	(3,744)	—	10,063	1,446	8,617
Central Subway Phase 3 Initial Study	371	—	—	—	371	371	—
60 Foot Trolley Coach Replacement	737	—	(737)	—	—	—	—
Muni Forward	1,241	—	—	—	1,241	1,241	—
New Light Rail Vehicles	56,465	—	(35,949)	(14,899)	5,617	5,617	—
Geneva-Harvey Bus Rapid Transit Study	86	—	—	—	86	86	—
Fall Protection System	834	—	(52)	—	782	782	—
Procurement of 30, 40 & 60 Ft Hybrid Buses	3,772	—	(346)	—	3,426	3,426	—
Fire Life Safety Upgrade	180	—	(29)	—	151	151	—
Rail Grinding Project	72	—	—	—	72	68	4
Cable Car Drive Reduction Gearbox Rehab	367	—	—	—	367	367	—
Elevator Safety & Reliability Project	72	—	—	—	72	72	—
Track Support System	1,442	—	(131)	—	1,311	1,303	8
Track Replacement & Upgrade	2,811	—	—	—	2,811	2,811	—
Alternative Fuel Taxicab In	199	—	—	—	199	199	—
Cable Car Sheave Rebuild	235	—	—	—	235	145	90
MF Corridors PL & CE	1,713	—	(1,708)	—	5	5	—
Local Bus Transit Signal Priority	708	—	(107)	—	601	259	342
Presidio Bus Lifts	122	—	—	—	122	122	—
LRV2 & LRV3 Overhauls	2,650	—	(337)	—	2,313	2,001	312
Streetcar Extension to Fort Mason	920	—	—	—	920	920	—
Muni Metro Expansion	8,791	—	(702)	—	8,089	5,472	2,617
Rehab of Historic Street Cars	997	—	(12)	—	985	973	12
Muni Forward 22 Fillmore	4,691	—	(373)	—	4,318	1,421	2,897

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Schedule of Grants – San Francisco County Transportation Authority
Year ended June 30, 2025
(In thousands)

	Authorized grants as of July 1, 2024	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2025	Amounts not expended as of June 30, 2025	Grants receivable as of June 30, 2025
New Flyer Midlife Overhaul	10,870	—	(491)	—	10,379	5,827	4,552
New Castro Station Elevator	139	—	—	—	139	121	18
Replace 28 Paratransit Vehicles	194	—	(194)	—	—	—	—
Muni Metro Station Enhancement Phase I	600	—	—	—	600	600	—
L-Taraval Transit Enhancements (Segment B)	14,913	—	(13,291)	—	1,622	409	1,213
Replace 30-Foot Hybrid Motor Coaches	8,718	—	(5,268)	—	3,450	2,893	557
Potrero Yard Modernization	14,340	—	(1,812)	—	12,528	10,764	1,764
Transit Stop Signage Enhancement Program	726	—	(308)	—	418	360	58
Bus Transit Signal Priority	1,345	—	(474)	—	871	317	554
Geary/19th Ave Subway Strategic Case	126	—	(17)	—	109	95	14
FY2023 Paratransit Replacement	2,273	—	(654)	—	1,619	1,278	341
Paratransit Cutaway Expansion (47 vehicles)	1,466	—	—	—	1,466	—	1,466
Muni Metro Core Capacity	745	—	—	—	745	—	745
Kirkland Yard Electrification	848	—	—	—	848	—	848
30 Stockton: 3rd Street	378	—	(1)	—	377	377	—
29 Sunset Muni Forward	1,000	—	(185)	—	815	748	67
Oceanview Muni Forward	1,000	—	(250)	—	750	750	—
Presidio Yard Modernization	5,000	—	(36)	—	4,964	4,941	23
Mission Street SoMa Transit Improvements	1,200	—	—	—	1,200	1,200	—
J Church Muni Forward	3,184	—	(452)	—	2,732	2,519	213
40-Foot Hybrid Motor Coach Replacement	—	32,300	—	—	32,300	32,295	5
Replacement of 40 x 60 Foot BEB	—	8,300	—	—	8,300	8,300	—
Muni 60-Foot Battery Electric Bus Launch	—	1,700	—	—	1,700	1,700	—
Muni Forward Corridor Development	—	5,000	(744)	—	4,256	3,774	482
Total capital grants	\$ 181,038	47,300	(72,440)	(14,899)	140,999	113,085	27,914

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Schedule of Grants – San Francisco County Transportation Authority
Year ended June 30, 2025
(In thousands)

	Authorized grants as of July 1, 2024	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2025	Amounts not expended as of June 30, 2025	Grants receivable as of June 30, 2025
Operating grants:							
FY 2023 Paratransit	\$ 2,640	—	(2,640)	—	—	—	—
FY 2024 Paratransit	2,623	—	(2,623)	—	—	—	—
FY 2025 Paratransit	10,490	13,506	(8,896)	(1,594)	13,506	1,774	11,732
N-Judah Customer First	215	—	—	—	215	215	—
Ramp Taxi Incentives	125	—	—	—	125	125	—
Paratransit Electrification	—	45	—	—	45	45	—
Laguna Honda Gondola Study	—	5	—	—	5	5	—
Total operating grants	\$ 16,093	13,556	(14,159)	(1,594)	13,896	2,164	11,732
Pass-through operating grants:							
TFCA EV Clean Air Taxi Rebate	\$ 186	—	—	—	186	184	2
TFCA EV Charging Infrastructure Rebate	162	—	—	—	162	162	—
Total pass-through operating grants	\$ 348	—	—	—	348	346	2

See accompanying independent auditor's report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TRANSIT**

Schedule of Grants – Others
Year ended June 30, 2025
(In thousands)

	Authorized grants as of July 1, 2024	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2025	Amounts not expended as of June 30, 2025	Grants receivable as of June 30, 2025
Capital grants:							
BART Better Market Street	\$ 808	—	(515)	—	293	167	126
Total capital grants	\$ 808	—	(515)	—	293	167	126
Operating grants:							
FY 2020 Federal Homeland Security – TSA K9 Project	\$ 21	—	—	(3)	18	18	—
FY 2021 Federal Homeland Security – TSA K9 Project	275	—	(78)	—	197	190	7
Total Federal Homeland Security	296	—	(78)	(3)	215	208	7
FY 2021 Transit Security Grant Program	1,498	—	(1,498)	—	—	—	—
FY 2022 Transit Security Grant Program	2,003	—	(974)	—	1,029	978	51
FY 2023 Transit Security Grant Program	1,420	—	—	—	1,420	1,420	—
FY 2024 Transit Security Grant Program	—	693	—	—	693	140	553
Total Transit Security Program	4,921	693	(2,472)	—	3,142	2,538	604
FY 2025 FEMA Funding for COVID 19	—	992	(992)	—	—	—	—
Total operating grants	\$ 5,217	1,685	(3,542)	(3)	3,357	2,746	611

See accompanying independent auditor's report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
STREETS**

Schedule of Grants – Federal
Year ended June 30, 2025
(In thousands)

	Authorized grants as of July 1, 2024	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2025	Amounts not expended as of June 30, 2025	Grants receivable as of June 30, 2025
Capital grants:							
FY 2018 Advanced Transportation and Congestion Management Technologies Deployment Initiatives	\$ 7,215	—	(302)	—	6,913	6,798	115
FY 2009 CMAQ - SF Park	398	—	—	(398)	—	—	—
FY 2023 Folsom Streetscape - ATP	6,521	—	(42)	—	6,479	5,971	508
FY 2023 Folsom Streetscape - COVID RIP	2,993	—	(170)	—	2,823	1,928	895
FY 2023 Folsom Streetscape - CRRSAA	5,000	—	(481)	—	4,519	4,086	433
FY 2023 Folsom Streetscape - Repurpose	475	—	—	—	475	179	296
FY 2025 Folsom Streetscape - Housing Incentive Pool (HIP) - Congestion Mitigation and Air Quality (CMAQ)	—	4,000	—	—	4,000	4,000	—
FY 2013 Highway Safety Improvements - Continental Crosswalks	15	—	—	—	15	15	—
FY 2013 Highway Safety Improvements - Masonic Signals Project	58	—	—	—	58	58	—
FY 2013 Highway Safety Improvement - Rail Signals	562	—	—	(562)	—	—	—
FY 2014 Highway Safety Improvement - Polk Street Signals	173	—	—	—	173	173	—
FY 2016 & 2017 Highway Safety Improvement - South Van Ness Pedestrian Signals Projects	208	—	—	—	208	208	—
FY 2024 Highway Safety Improvement - Vision Zero Signs	1,970	—	(426)	—	1,544	1,375	169
FY 2023 Safe Routes to School	—	—	(789)	5,466	4,677	3,607	1,070
FY 2018 SFGO Van Ness Corridor Management - TSP/BRT	867	—	—	—	867	—	867
FY 2023 SMART Grants Program	1,964	—	(757)	—	1,207	942	265
FY 2015 State Transportation Improvement - Crosswalks	11	—	—	—	11	6	5
FY 2015 State Transportation Improvement - Twin Peaks Connectivity	15	—	—	(15)	—	—	—
FY 2013 Surface Transportation - Mansell Corridor Complete Streets	44	—	—	—	44	4	40
FY 2016 Surface Transportation - Eddy and Ellis Traffic Calming Projects	133	—	—	(133)	—	—	—
FY 2024 Western Addition Community Safe Streets	17,613	—	—	—	17,613	17,446	167
Total capital grants	\$ 46,235	4,000	(2,967)	4,358	51,626	46,796	4,830

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
STREETS**

Schedule of Grants – Federal
Year ended June 30, 2025
(In thousands)

	Authorized grants as of July 1, 2024	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2025	Amounts not expended as of June 30, 2025	Grants receivable as of June 30, 2025
Operating grants:							
FY 2007 Safe Routes to School	\$ 29	—	—	(29)	—	—	—
FY 2008 Safe Routes to School - Chinatown	25	—	—	—	25	25	—
FY 2012 Safe Routes to School - Tenderloin	96	—	—	—	96	96	—
FY 2013 Safe Routes to School - Denman	4	—	—	(4)	—	—	—
FY 2018 Safe Routes to School - Alamo School	90	—	—	—	90	90	—
FY 2022 Safe Routes to School - Non Infrastructure	34	—	(34)	—	—	—	—
FY 2023 Safe Routes to School - Non Infrastructure	6,593	—	(1,127)	(5,466)	—	—	—
FY 2018 Section 5303 Short Range Transit Plan	43	—	(43)	—	—	—	—
FY 2022 Section 5303 Short Range Transit Plan	—	40	(40)	—	—	—	—
FY 2018 SF Bicycle Parking Program	12	—	—	—	12	12	—
FY 2025 Southeastern SF Mobility Hub Plan	—	269	—	—	269	221	48
FY 2010 & 2011 State Transportation Improvement Program - SF Pedestrian Safety & Encouragement	6	—	—	—	6	6	—
FY 2012 State Transportation Improvement - Church & Duboce	24	—	—	—	24	7	17
FY 2008 Tenderloin Pedestrian Improvements	279	—	—	—	279	279	—
FY 2022 Vision Zero Motorcycle Safety Program	63	—	(30)	(33)	—	—	—
FY 2023 Vision Zero Motorcycle Safety Program	21	—	(10)	—	11	11	—
FY 2013 Linked Price Electric Bike Sharing	724	—	—	—	724	724	—
FY 2013 Highway Safety Improvements - Masonic Signals Project	45	—	—	—	45	45	—
FY 2012 Pedestrian Safety Program	4	—	—	—	4	4	—
FY 2013 Regional Priority Development Area -Various Projects	110	—	—	(103)	7	—	7
Total operating grants	\$ 8,202	309	(1,284)	(5,635)	1,592	1,520	72

See accompanying independent auditor's report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
STREETS**

Schedule of Grants – California Transportation Commission
Year ended June 30, 2025
(In thousands)

	Authorized grants as of July 1, 2024	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2025	Amounts not expended as of June 30, 2025	Grants receivable as of June 30, 2025
Capital grants:							
Safer Intersections Program	\$ 5	—	—	(5)	—	—	—
6th St Pedestrian Safety Project	2,538	—	(2,538)	—	—	—	—
FY 2020 Vision Zero Project	48	—	(48)	—	—	—	—
Vision Zero Signal Timing Project	1,525	—	—	—	1,525	—	1,525
Mission Street Excelsior Project	7,576	—	(2,684)	—	4,892	2,846	2,046
Western Addition Area Traffic Signal Upgrades	3,180	—	(1,909)	—	1,271	810	461
FY 2023 Powell Street	4,400	—	(78)	—	4,322	3,266	1,056
Sloat Quick Build	1,382	—	(631)	—	751	751	—
Traffic Signal Modification	1,809	—	(910)	—	899	191	708
Sloat & Skyline Phase 1	1,149	—	(1,149)	—	—	—	—
Bayview Multimodal Corridor	300	—	(300)	—	—	—	—
Arguello Blvd Bikeway	1,250	—	—	—	1,250	1,250	—
Sustainable Communities Embarcadero Mobility	—	1,323	(63)	—	1,260	1,051	209
13th Street Safety Project SHOPP	—	2,115	—	—	2,115	2,115	—
13th Street Safety Project LPP	—	1,400	—	—	1,400	1,400	—
Bayview Multimodal Community	—	857	—	—	857	857	—
Total capital grants	\$ 25,162	5,695	(10,310)	(5)	20,542	14,537	6,005
Operating grants:							
Class II & III Bikeways	\$ 15	—	—	—	15	15	—
Jean Parker Safe Routes to School	15	—	—	—	15	—	15
HSIP SSARP Bicycle Safety	51	—	—	(51)	—	—	—
Active Communities Plan (Citywide Bike Plan)	183	—	(182)	—	1	1	—
Total operating grants	\$ 264	—	(182)	(51)	31	16	15

See accompanying independent auditor's report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
STREETS**

Schedule of Grants – Metropolitan Transportation Commission
Year ended June 30, 2025
(In thousands)

	Authorized grants as of July 1, 2024	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2025	Amounts not expended as of June 30, 2025	Grants receivable as of June 30, 2025
Capital grants:							
TDA:							
FY 2023 TDA Allocation	\$ 832	—	(24)	(808)	—	—	—
FY 2025 TDA Allocation (Reallocation of FY 2023)	—	808	—	—	808	808	—
FY 2025 TDA Allocation	—	942	—	—	942	596	346
Total capital grants	\$ 832	1,750	(24)	(808)	1,750	1,404	346

See accompanying independent auditor's report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
STREETS**

Schedule of Grants – San Francisco County Transportation Authority
Year ended June 30, 2025
(In thousands)

	Authorized grants as of July 1, 2024	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2025	Amounts not expended as of June 30, 2025	Grants receivable as of June 30, 2025
Capital grants:							
Bicycle Program Projects	\$ 5,306	—	(966)	—	4,340	3,823	517
Pedestrian Safety Program Projects	5,859	—	(3,300)	—	2,559	1,679	880
Traffic Calming Program Projects	12,549	—	(3,104)	—	9,445	8,057	1,388
Traffic Signal/Traffic Sign Projects	9,035	1,021	(3,901)	(115)	6,040	3,664	2,376
Transit Study & Street Improvement Projects	668	100	—	—	768	648	120
Transportation Demand/Parking Management	290	—	(13)	—	277	220	57
Proposition L Sales Tax Program Funded Projects	2,404	16,607	(1,329)	—	17,682	15,164	2,518
Total capital grants	\$ 36,111	17,728	(12,613)	(115)	41,111	33,255	7,856
Pass-through capital grants:							
Bicycle Program Projects	\$ 223	506	(333)	—	396	(103)	499
Taxi Vehicle Alternative Fuel Program	214	—	—	—	214	214	—
Traffic Calming Program Projects	12,009	7,678	(3,348)	—	16,339	13,868	2,471
Total pass-through capital grants	\$ 12,446	8,184	(3,681)	—	16,949	13,979	2,970
Operating grants:							
Bicycle Program Projects	\$ 1,523	—	(648)	(2)	873	511	362
Pedestrian Safety Program Projects	73	—	—	—	73	12	61
Traffic Calming Program Projects	3,428	—	(172)	—	3,256	2,549	707
Traffic Signal/Traffic Sign Projects	396	—	(5)	—	391	391	—
Transit Study & Street Improvement Projects	157	—	—	(125)	32	32	—
Transportation/Land Use Coordination	90	—	(54)	—	36	3	33
Total operating grants	\$ 5,667	—	(879)	(127)	4,661	3,498	1,163
Pass-through operating grants:							
Bicycle Program Projects	\$ 7	—	—	—	7	7	—
Total pass-through operating grants	\$ 7	—	—	—	7	7	—

See accompanying independent auditor's report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
STREETS**

Schedule of Grants – Others
Year ended June 30, 2025
(In thousands)

	Authorized grants as of July 1, 2024	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjusted grants	Authorized grants as of June 30, 2025	Amounts not expended as of June 30, 2025	Grants receivable as of June 30, 2025
Capital grants:							
FY 2021 5th Street Improvement Project	\$ 30	—	—	(30)	—	—	—
Total capital grants	<u>\$ 30</u>	<u>—</u>	<u>—</u>	<u>(30)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Operating grants:							
FY 2025 FEMA Funding for COVID 19	\$ —	349	(349)	—	—	—	—
Total operating grants	<u>\$ —</u>	<u>349</u>	<u>(349)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S 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 Agency Board of Directors
City and County of San Francisco

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 the San Francisco Municipal Transportation Agency (SFMTA), an enterprise fund of the City and County of San Francisco, California, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise SFMTA's basic financial statements, and have issued our report thereon dated November 7, 2025. As discussed in Note 1, the financial statements present only the SFMTA and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position, or where applicable, its cash flows in accordance with accounting principles generally accepted in the United States of America. In addition, during the year ended June 30, 2025, SFMTA adopted new accounting guidance, GASB Statement No. 101, Compensated Absences, which resulted in a restatement of the July 1, 2023 net position in the amount of \$50,463,000. Our opinion was not modified with respect to these matters.

Our report includes a reference to other auditors who audited the financial statements of the City of San Francisco Japan Center Garage Corporation (Japan Center) and Portsmouth Plaza Parking Corporation (Portsmouth), as described in our report on SFMTA's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. The financial statements of Portsmouth were not audited in accordance with Government Auditing Standards.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and the "LLP" being more compact.

Crowe LLP

San Francisco, California
November 7, 2025