



**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Financial Statements  
and Supplemental Schedules

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

# SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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**KPMG LLP**  
Suite 1400  
55 Second Street  
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## **Independent Auditors' Report**

The Honorable Mayor, Board of Supervisors,  
and San Francisco Municipal Transportation Agency Board of Directors  
City and County of San Francisco, California:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the San Francisco Municipal Transportation Agency (SFMTA), an enterprise fund of the City and County of San Francisco, California (the City), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial information of the City of San Francisco Uptown Parking Corporation, the City of San Francisco Japan Center Garage Corporation, and the City of San Francisco Portsmouth Plaza Parking Corporation, which reflect total assets constituting 0.80% and 0.91%, respectively, of SFMTA's total assets at June 30, 2016 and 2015, and total revenue constituting 5.28% and 3.91%, respectively, of SFMTA's total revenue for the years then ended. Such financial information was audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for SFMTA, is based solely on the reports of the other auditors. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the City of San Francisco Portsmouth Plaza Parking Corporation, commissioned by the Department of Recreation and Parks, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the SFMTA's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of SFMTA as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements of SFMTA are intended to present the net position and the changes in net position and cash flows of only that portion of the City that is attributable to the transactions of SFMTA. They do not purport to, and do not, present fairly the net position of the City as of June 30, 2016 and 2015, the changes in its net position, or, where applicable, the cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

### ***Adoption of New Accounting Pronouncement***

As discussed in Note 2 to the financial statements, effective July 1, 2015, the SFMTA adopted *Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application and No. 82 Pension Issues-An Amendment of GASB Statements No. 67, No. 68 and No. 73.*

Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4–14 be presented to supplement the basic financial statements. Such information, 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.

#### ***Supplemental Schedules***

Our audit was 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.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 accompanying supplemental schedules are 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 October 21, 2016 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 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 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.

**KPMG LLP**

San Francisco, California  
October 21, 2016

# SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

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 year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with information contained in the financial statements. All amounts, unless otherwise noted, are expressed in thousands of dollars.

## Financial Highlights

- The SFMTA's assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$3,020,957 and \$2,542,700 as of fiscal years ended June 30, 2016 and 2015, respectively.
- The SFMTA's total net position increased by \$478,257 in 2016 and decreased by \$143,360 in 2015 over the prior fiscal year.
- Total net investment in capital assets were \$2,938,712 and \$2,529,275 at June 30, 2016 and 2015, respectively, an increase of 16.2% and an increase of 5.5% over the balance of \$2,529,275 and \$2,396,595 at June 30, 2015, and 2014, 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), bike and pedestrian programs, taxis, parking and traffic control operations in the City. The SFMTA applies Governmental Accounting Standards Board (GASB) Statements. The SFMTA is an integral part of the City and County of San Francisco, California (the City) and these financial statements are included in the City's Comprehensive Annual Financial Report. More information regarding the SFMTA's organization and the basis of presentation are contained in notes 1 and 2(a) (found on page 20).

The statements of net position (found on pages 15 and 16) presents information on all of the SFMTA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net position is the residual of all other four elements presented in the statement of financial position. 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, 2016 and 2015.

The statements of revenue, expenses, and changes in net position (found on page 17) present information showing how the SFMTA's net position changed during the fiscal years ended June 30, 2016 and 2015. 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. Revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The statements of cash flows (found on pages 18 and 19) presents information about the cash receipts and payments of the SFMTA during the fiscal years ended June 30, 2016 and 2015. This statement shows the effects 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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**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 20 through 48 of this report.

**Other Information**

The supplemental schedules found on pages 49 through 66 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 \$3,020,957 at the close of the most recent fiscal year.

**Condensed Summary of Net Position**

June 30, 2016, 2015, and 2014

	<u>2016</u>	<u>2015</u> <u>(Restated)</u>	<u>2014</u>
Assets:			
Total current assets	\$ 1,083,976	1,074,180	969,807
Total restricted assets	86,597	52,475	36,333
Capital assets, net	<u>3,147,877</u>	<u>2,747,219</u>	<u>2,542,048</u>
Total assets	\$ <u>4,318,450</u>	<u>3,873,874</u>	<u>3,548,188</u>
Deferred outflows of resources	\$ <u>98,333</u>	<u>79,870</u>	<u>—</u>
Liabilities:			
Total current liabilities	\$ 390,861	388,033	383,851
Total noncurrent liabilities	<u>900,659</u>	<u>792,967</u>	<u>460,540</u>
Total liabilities	\$ <u>1,291,520</u>	<u>1,181,000</u>	<u>844,391</u>
Deferred inflows of resources	\$ <u>104,306</u>	<u>230,044</u>	<u>17,737</u>
Net position:			
Net investment in capital assets	\$ 2,938,712	2,529,275	2,396,595
Restricted	85,643	51,429	35,065
Unrestricted	<u>(3,398)</u>	<u>(38,004)</u>	<u>254,400</u>
Total net position	\$ <u>3,020,957</u>	<u>2,542,700</u>	<u>2,686,060</u>

## SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

### ***Fiscal Year 2016***

During fiscal year 2016, current assets increased by \$9.8 million or 0.9%. This increase was in receivables of \$63.2 million, \$6.6 million in inventories and \$0.3 million in prepaid asset offset by decrease in deposits and investments of \$60.3 million. The increase is mainly from capital project billings to grantors, and procurement of maintenance parts inventory.

The restricted assets increased by \$34.1 million or 65.0%, attributable to more collections levied from Transit Impact Development fees (TIDF) of \$34.8 million offset by slight decrease of \$0.2 million in funds held by the bond trustee and \$0.5 million in receivable from development fees.

The capital assets increased by \$400.7 million or 14.6%, mainly from construction in progress account of \$387.7 million for the Central Subway Project, and procurement of new revenue vehicles. The remaining \$13.0 million is from various infrastructure work and street improvement projects net of assets disposed and depreciation.

The SFMTA's net position increased by 18.8% compared to the prior year. The increase in net position is attributable to increases in nonoperating revenue, capital contributions and transfers, offset by decreases in operating revenues and increase in operating expenses.

The largest portion of the SFMTA's net position (\$2,938,712 as of June 30, 2016) reflects its net investment in capital assets (specifically land, building structure and improvements, equipment, infrastructure, intangibles, and construction in progress). The value of these assets of \$4,920,534 is offset by accumulated depreciation of \$1,772,657 and related debt of \$209,165. More information can be found in note 5 on page 27. The SFMTA uses these assets to provide services.

The remainder of the SFMTA's net position is composed of restricted and unrestricted net assets. The restricted assets include deposits, investments, and receivables.

### ***Fiscal Year 2015***

During fiscal year 2015, current assets increased by \$104.4 million or 10.8%. This increase was in unrestricted cash and investments of \$167.3 million, and \$11.3 million in inventories offset by decrease in receivables of \$74.2 million. The increase is mainly due from higher City general fund allocation, collections from grantors, and procurement of maintenance parts inventory.

The restricted assets increased by \$16.1 million or 44.4%, is attributable to more collection in Transit Impact Development Fee (TIDF) of \$10.6 million and increase of \$5.5 million held by the trustee from the issuance of new revenue bonds in fiscal year 2015.

The capital assets increased by \$205.2 million or 8.1%, mainly from construction in progress account of \$203.9 million for the Central Subway Project, Central Control System Upgrade, and Rail Replacement Project. The remaining \$1.3 million is from the acquisition of various equipments and nonrevenue vehicles.

The SFMTA's net position decreased by 5.3% compared to the prior year. The decrease in net position is attributable to decreases in operating revenue, and capital contributions, offset by increases in nonoperating revenues, transfers, decrease in operating expenses, and restatement reduction to the beginning net position with the implementation of GASB Statement No. 68 on pensions.

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The largest portion of the SFMTA's net position (\$2,529,275 as of June 30, 2015) reflects its net investment in capital assets (specifically land, building structure and improvements, equipment, infrastructure, intangibles, and construction in progress). The value of these assets of \$4,428,643 is offset by accumulated depreciation of \$1,681,424 and related debt of \$217,944. More information can be found in note 5 on page 27. The SFMTA uses these assets to provide services.

The remainder of the SFMTA's net position is composed of restricted and unrestricted net assets. The restricted assets include deposits, investments, and receivables. The unrestricted net asset reflects the GASB Statement No. 68 restatement adjustment of \$429.4 million and \$8.6 million from GASB Statement No. 82 implementation.

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

Years ended June 30, 2016, 2015, and 2014

	<b>2016</b>	<b>2015 (Restated)</b>	<b>2014</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:			
Total operating revenues	\$ 499,234	504,625	527,268
Total nonoperating revenues, net	206,529	166,761	163,973
Capital contributions:			
Federal	288,481	176,315	304,351
State and others	<u>131,257</u>	<u>117,035</u>	<u>141,588</u>
Total capital contributions	<u>419,738</u>	<u>293,350</u>	<u>445,939</u>
Net transfers	<u>452,990</u>	<u>341,331</u>	<u>316,891</u>
Total revenues and net transfers	1,578,491	1,306,067	1,454,071
Expenses:			
Total operating expenses	<u>1,100,234</u>	<u>1,019,981</u>	<u>1,032,437</u>
Change in net position	<u>478,257</u>	<u>286,086</u>	<u>421,634</u>
Net position at beginning of year:			
Beginning of year, as previously reported	2,542,700	2,686,060	2,264,426
Cumulative effect of accounting changes	<u>—</u>	<u>(429,446)</u>	<u>—</u>
Beginning of year as restated	<u>2,542,700</u>	<u>2,256,614</u>	<u>2,264,426</u>
Total net position – ending	\$ <u><u>3,020,957</u></u>	<u><u>2,542,700</u></u>	<u><u>2,686,060</u></u>

***Fiscal Year 2016***

Total revenue and net transfers for the year ended June 30, 2016 were \$1,578,491, an increase of \$272,424 or 20.9%, compared to the prior fiscal year. This is due to increases in nonoperating revenues, capital contributions and net transfers, offset by decreases in operating revenues.

Operating revenue decreased by \$5,391 or 1.1% compared to prior year. The decrease is mainly due to lower passenger fares revenue by \$7,954 or 3.7%, taxi revenues by \$6,160 or 64.5%, and slight decrease in rental income

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by \$788 or 9.2%. These decreases are offset by an increase of \$6,062 or 4.8% in parking fees, advertising revenue by \$1,328 or 6.5%, permits revenue by \$1,223 or 9.6%, parking fines and penalties by \$630 or 0.7%, and charges for services by \$268 or 1.2%. The decrease in taxi revenue is due to fewer sales of taxi medallions and waiver of certain taxi fees in fiscal year 2016. Passenger fares decrease is attributable to the implementation of the Free Fares for low and moderate income youth, senior and disabled patrons.

The nonoperating revenue includes operating support received from other sources, primarily federal and state operating grants, development fees, and interest income. Nonoperating revenue increased by \$39,768 or 23.8%, mostly from development fees and in amortized portion of the lease leaseback benefits, which were offset by lower interest and investment income, decrease in operating grants, and loss on disposal of assets.

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 2016 compared to the prior year mostly related to Central Subway, Revenue Vehicles procurement and other huge projects. This resulted in the significant increase in capital contribution by \$126,388 or 43.1% when compared to fiscal year 2015.

Net transfers increased by \$111,659 or 32.7% in fiscal year 2016 due to the increase in the City's General Fund baseline subsidy and Population-based allocation as well as from proceeds received from the City's General Obligation Bond to support various transportation and road improvement projects.

Total operating expenses for the year ended June 30, 2016 were \$1,100,234 an increase of \$80,253 or 7.9% compared to the prior year. The resulting net increase comprises trend changes from various expense categories. Personnel service costs increase of \$52,538 or 8.4% is attributable mainly to COLA increase and increase in hiring during fiscal year 2016 as well as increases in workers' compensation and pension costs. Contractual services increased by \$23,073 or 22.7% and materials and supplies increased by \$8,374 or 11.5% were attributable to revenue vehicle overhaul and major repairs completed during this fiscal year. Depreciation expense increased by \$6,959 or 5.5% with more assets capitalized. Services from other City departments increased by \$9,157 or 17.3% mainly from share of cost on City-wide financial system replacement project and City Attorney services. The offsetting decreases are in the following categories: general and administrative and other operating expenses category. General and administrative costs net decrease is \$1,037 or 2.4%. Other operating expenses decreased by \$18,811 or 698.0% with more cost recovery and less noncapitalizable cost compared to prior year.

### ***Fiscal Year 2015***

Total revenue and net transfers for the year ended June 30, 2015 were \$1,306,067, a decrease of \$148,004 or 10.2%, compared to the prior fiscal year. This is due to decreases in operating revenue and capital contributions offset by slight increase in nonoperating revenue and net transfers.

Operating revenue decreased by \$22,643 or 4.3% compared to prior year. The decrease is mainly due to lower taxi medallion revenue by \$25,815 or 73.0%, parking fees by \$2,967 or 2.3%, and parking fines and penalties by \$2,057 or 2.2%; offset by total increase of \$1,644 or 0.8% in passenger fares, advertising revenue by \$898 or 4.6%, charges for services by \$4,166 or 23.6%; rental income by \$1,030 or 13.7%, and permits revenue by \$458 or 3.7%. The taxi medallion revenue decrease is due to fewer sales of taxi medallions and waiver of certain taxi fees in fiscal year 2015. For parking revenues, the decrease is mostly attributable to reduction in parking meter payments. The

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(Dollars in thousands, unless otherwise noted)

increase in charges for services is mainly due to one-time contribution to subsidize the Free Fares for low and moderate income youth.

The nonoperating revenue includes operating support received from other sources, primarily federal and state operating grants, transit impact development fees, and interest income. Nonoperating revenue increased by \$2,788 or 1.7%, mostly from operating grants, which were offset by lower interest and investment income, decrease in amortized portion of the lease leaseback benefits, and increase in interest expense.

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 a decrease in capital expenditures incurred and billable to the grantors in fiscal year 2015 compared to the prior year due to federal grants mostly related to Central Subway and other huge projects completed in the prior year. This resulted in the significant decrease in capital contribution by \$152,589 or 34.2% when compared to fiscal year 2014.

Net transfers increased by \$24,440 or 7.7% in fiscal year 2015 mostly due to the increase in the City's General Fund baseline allocation of \$33,569 offset by more funding transfers mostly to the City's Street Improvement fund by \$9,129 compared to prior year.

Total operating expenses for the year ended June 30, 2015 were \$1,019,981, a decrease of \$12,456 or 1.2% compared to the prior year. The resulting net decrease comprises trend changes from various expense categories. The increase in contractual services by \$8,567 was attributable to higher rental costs and software license payments during this fiscal year compared to prior year. Depreciation expense increased by \$5,802 or 4.8% with more assets capitalized. Other operating expense category increased by \$10,384 or 79.4% with more noncapitalizable cost and increase in paratransit costs than prior year. The offsetting decreases are in the following categories: personnel services, materials and supplies, general and administrative, and services to other departments. Personnel service costs decrease by \$4,213 or 0.7%, attributable to reduction of retirement cost associated with the GASB Statement No. 68 implementation that took effect in fiscal year 2015. General and administrative costs decreased by \$14,552 or 25.0%, mainly due to lower judgment and claim costs compared to prior year. Materials and supplies decreased by \$14,289 or 16.4%, and services by other departments decreased by \$4,155 or 7.3% for police security work.

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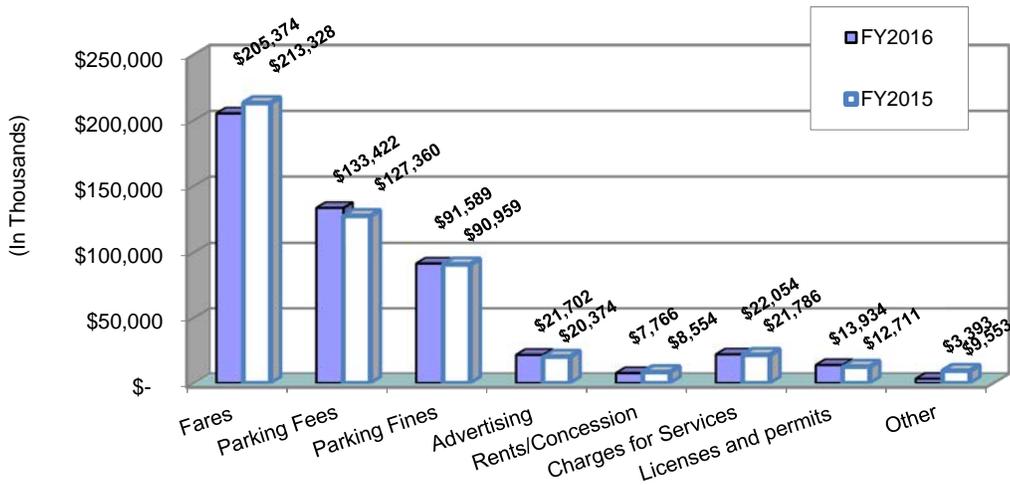
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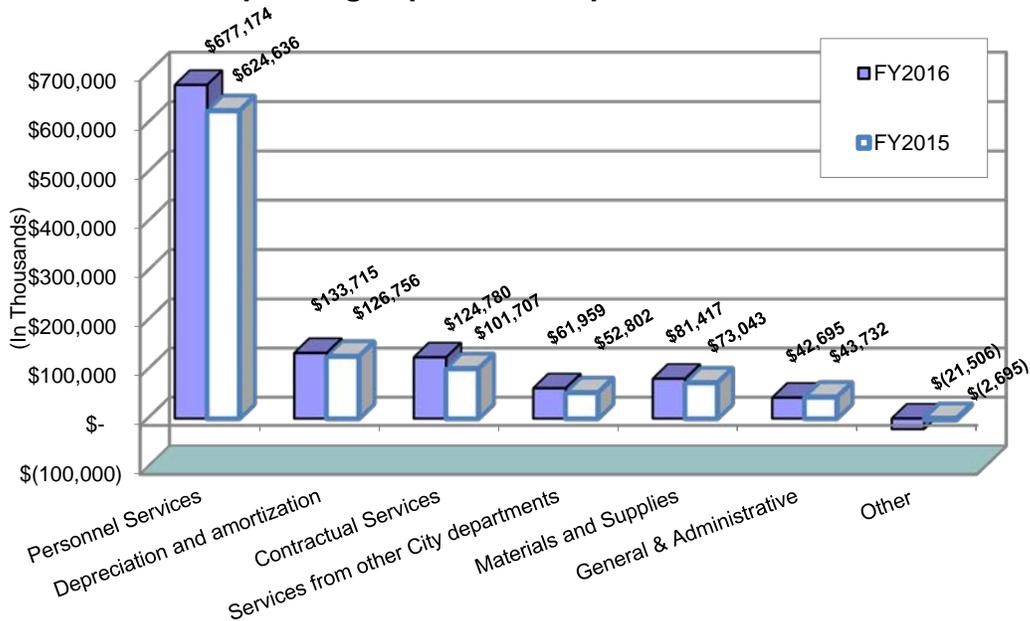
(Dollars in thousands, unless otherwise noted)

The charts below illustrate the SFMTA’s operating revenue by source and expenses by category for fiscal year 2016 and fiscal year 2015:

**Operating Revenue Comparative - FY2016 and FY2015**



**Operating Expenses Comparative - FY2016 and FY2015**



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**Capital Assets and Debt Administration**

*Capital Assets*

The SFMTA's investment in capital assets amounts to \$3,147,877 net of accumulated depreciation as of June 30, 2016. This investment includes land, building structures and improvements, equipment, infrastructure, intangibles, and construction in progress. The increase in capital assets is \$400,658 or 14.6%, compared to the previous year. This increase is attributed to continued construction for both enhancement and state of good repair projects as well as acquisition of new revenue vehicles.

The SFMTA's investment in capital assets amounts to \$2,747,219 net of accumulated depreciation as of June 30, 2015. This investment includes land, building structures and improvements, equipment, infrastructure, intangibles, and construction in progress. The increase in capital assets is \$205,171 or 8.1%, compared to the previous year. This increase is attributed to continued construction for both enhancement and state of good repair projects.

**Summary of Capital Assets**

	<u>Balance, June 30, 2016</u>	<u>Balance, June 30, 2015</u>	<u>Balance, June 30, 2014</u>
Capital assets not being depreciated:			
Land	\$ 41,030	41,030	41,030
Construction in progress	<u>1,346,257</u>	<u>1,035,096</u>	<u>849,447</u>
Total capital assets not being depreciated	<u>1,387,287</u>	<u>1,076,126</u>	<u>890,477</u>
Capital assets being depreciated:			
Building structures and improvements	711,596	697,731	679,847
Equipment	1,561,455	1,413,277	1,326,667
Infrastructure	<u>1,260,196</u>	<u>1,241,509</u>	<u>1,225,359</u>
Total capital assets being depreciated	<u>3,533,247</u>	<u>3,352,517</u>	<u>3,231,873</u>
Less accumulated depreciation for:			
Building structures and improvements	291,541	274,731	258,927
Equipment	903,392	865,348	815,280
Infrastructure	<u>577,724</u>	<u>541,345</u>	<u>506,095</u>
Total accumulated depreciation	<u>1,772,657</u>	<u>1,681,424</u>	<u>1,580,302</u>
Total capital assets being depreciated, net	<u>1,760,590</u>	<u>1,671,093</u>	<u>1,651,571</u>
Total capital assets, net	<u>\$ 3,147,877</u>	<u>2,747,219</u>	<u>2,542,048</u>

Construction in progress is made up of various transportation projects. The five projects that have the highest balances on June 30, 2016 are the Central Subway, Central Control System Upgrades, MUNI Forward infrastructure, Rail Replacement, and Radio Replacement.

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Central Subway Project will link the existing 5.4 mile Phase I T-line, beginning at 4th Street and King Street, to BART, Muni Metro along Market Street, Union Square, and Chinatown to the north. Construction is in full swing in 2016; work to excavate the Chinatown Station headhouse has reached the future fare gate area, where construction of the entry archway has begun. Current activities include utility relocation, excavation of the headhouse, construction of the north access (emergency exit) shaft and construction of the Cross Cut Cavern.

Significant capital asset additions during fiscal year 2016 included:

- Infrastructure and Construction in progress – A majority of the \$212.7 million costs incurred are for the new Central Subway Project, Central Control, rail replacement, transit lane and street improvement projects.
- Equipment – The cost of \$283.1 million incurred during the fiscal year for the procurement of new light rail vehicles, trolley and motor buses to replace the old fleet, upgrade of communications system, traffic signals, radio replacement, and various information systems development.
- Building – The total of \$36.2 million was incurred in fiscal year 2016 for Islais Creek facility improvement, transit operator convenience stations, elevator and escalator modernization, and upgrade of garage facilities in various locations.

Significant capital asset additions during fiscal year 2015 included:

- Infrastructure and Construction in progress – A majority of the \$264.1 million costs incurred are for the new Central Subway Project, Rail Replacement, and transit lane improvements. These projects are to upgrade and reconfigure rail and tracks and roadway improvements to support transit.
- Equipment – The cost of \$61.3 million incurred during the fiscal year for the enhancement and replacement of parking meters, traffic signals, bus and rail vehicle purchase, radio replacement, and information systems development.
- Building – The total of \$6.2 million was incurred in fiscal year 2015 for Islais Creek facility improvement, operator restrooms, and upgrade of garages and parking lots in various locations.

### ***Debt Administration***

At June 30, 2016 and 2015, the SFMTA's bond debt obligations outstanding totaled \$205,756 and \$214,449, respectively. The following table summarizes the balances in debt between fiscal years 2016, 2015, and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Bonds payable	\$ 205,756	214,449	142,940

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

## SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

The SFMTA's total bond-related debt decreased by \$8,693 or 4.1% as of June 30, 2016. The decrease represents principal payments and amortization of issuance premium in fiscal year 2016. During the fiscal year, The SFMTA carried underlying debt ratings of AA/Stable from Standard & Poor's and Aa2 from Moody's as of June 30, 2016.

The SFMTA's total bond-related debt increased by \$71,509 or 50% as of June 30, 2015. The increase was primarily due to issuance of new revenue bonds. During the fiscal year, SFMTA issued a total of \$70.6 million to finance a portion of the costs of various capital projects, including a deposit to the bond reserve fund and payment for portion of the cost of issuance.

More detailed information about the SFMTA's debt activity is presented in note 8 to the financial statements.

### ***Leveraged Lease-Leaseback of Breda Vehicles***

In April 2002, Muni entered into the leveraged lease-leaseback transaction for 118 Breda light rail vehicles (the Equipment). The transaction was structured as a head lease of the Equipment to separate special purpose trusts and a sublease of the Equipment back from such trusts. The sublease provides Muni with an option to purchase the Equipment in approximately 27 years, the scheduled completion date of the sublease. During the term of the sublease, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment. Muni received an aggregate of \$388.2 million from the equity investors in full prepayment of the head lease. Muni deposited a portion of this amount into an escrow, and a portion was paid to a debt payment undertaker whose repayment obligation is guaranteed by Assured Guaranty Municipal Corp (AGM) as successor to Financial Security Assurance, Inc., a bond insurance company. Muni recorded \$35.5 million in fiscal year 2002 for the difference between the amounts received of \$388.2 million and the amounts paid to the escrows of \$352.7 million. This amount was reclassified as the deferred inflow of resources and will be amortized over the life of the sublease unless the purchase option is executed.

In September 2003, Muni entered into a second leveraged lease-leaseback transaction for 21 items of Equipment. The transaction was structured as a head lease of the Equipment to one separate special purpose trust (formed on behalf of a certain equity investor) and a sublease of the Equipment back from such trust. The sublease provides Muni with an option to purchase the Equipment in approximately 26 years, the scheduled completion date of the sublease. During the term of the sublease, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment. Muni received an aggregate of \$72.6 million from the equity investors in full prepayment of the head lease in fiscal year 2003. Muni deposited a portion of this amount into an escrow, and a portion was paid to a debt payment undertaker whose repayment obligation is guaranteed by Assured Guaranty Municipal Corp (AGM) as successor to Financial Security Assurance, Inc., a bond insurance company. Approximately \$67.5 million of this head lease payment was deposited into two escrows.

On May 24, 2016, Muni terminated leveraged lease transactions with respect to 28 items of Tranche 1 Equipment having an initial transaction value of \$89.6 million and 21 items of Tranche 2 Equipment having an initial transaction value of \$72.6 million. On June 27, 2016, Muni terminated leveraged lease transactions with respect to 31 items of Tranche 1 Equipment having an initial transaction value of \$100.4 million.

More information can be found in note 15 of the financial statements.

# **SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

## **FY 2017 and FY 2018 Budget**

The SFMTA Board of Directors approved SFMTA's FY2017 and FY2018 two-year budget in April 2016 which was endorsed by the Board of Supervisors in July 2016. The SFMTA's final FY2017 and FY2018 Operating Budget is \$1.18 billion and \$1.25 billion, respectively. The FY2017 and FY2018 Capital Budget is \$1,110 million and \$859.8 million respectively reflecting technical changes.

The focus of this two-year operating budget is to continue addressing affordability and equity while making strategic investments that create a safer, more reliable, and resilient transportation system.

## **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 Officer, SFMTA, One South Van Ness Avenue, 3rd Floor, San Francisco, CA 94103.

Questions regarding the City and County of San Francisco or a request for a copy of the City's Comprehensive Annual 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, 2016 and 2015

(In thousands)

	<u>2016</u>	<u>2015</u> <u>(Restated)</u>
Assets:		
Current assets:		
Cash and investments with City Treasury	\$ 811,548	872,240
Cash and investments held outside City Treasury	10,096	9,688
Cash on hand	175	226
Receivables:		
Grants	149,799	99,509
Due from the San Francisco County Transportation Authority	16,973	4,001
Due from component unit	31	13
Charges for services (net of allowance for doubtful accounts of \$42 in 2016 and \$156 in 2015)	5,373	6,587
Interest and other	9,188	7,983
Total receivables	<u>181,364</u>	<u>118,093</u>
Inventories	80,013	73,419
Current prepaids and other assets	780	514
Total current assets	<u>1,083,976</u>	<u>1,074,180</u>
Restricted assets:		
Cash and investments with City Treasury	66,645	31,852
Cash and investments held outside City Treasury	18,091	18,299
Other receivables	1,861	2,324
Total restricted assets	<u>86,597</u>	<u>52,475</u>
Noncurrent assets:		
Capital assets, net	3,147,877	2,747,219
Total noncurrent assets	<u>3,234,474</u>	<u>2,799,694</u>
Total assets	\$ <u>4,318,450</u>	\$ <u>3,873,874</u>
Deferred outflows of resources:		
Related to pensions	\$ 98,333	79,870
Total deferred outflows of resources	\$ <u>98,333</u>	<u>79,870</u>

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Statements of Net Position

June 30, 2016 and 2015

(In thousands)

	<u>2016</u>	<u>2015</u> <u>(Restated)</u>
Liabilities:		
Current liabilities:		
Due to other funds	\$ 2,503	3,627
Accounts payable and accrued expenses	131,103	100,425
Accrued payroll	24,285	19,375
Accrued vacation and sick leave	21,759	21,711
Accrued workers' compensation	20,251	17,191
Accrued claims	37,762	34,979
Grants received in advance	122,045	168,933
Unearned revenue and other liabilities	19,531	10,304
Payable from restricted assets	954	1,046
Accrued interest payable	2,996	3,102
Bonds, loans, capital leases, and other payables	7,672	7,340
Total current liabilities	<u>390,861</u>	<u>388,033</u>
Noncurrent liabilities:		
Accrued vacation and sick leave, net of current portion	13,047	10,971
Accrued workers' compensation, net of current portion	97,389	85,793
Accrued claims, net of current portion	41,460	30,501
Other postemployment benefits obligation	235,992	220,297
Pensions obligation	314,611	238,296
Bonds, loans, capital leases, and other payables, net of current portion	198,160	207,109
Total noncurrent liabilities	<u>900,659</u>	<u>792,967</u>
Total liabilities	<u>\$ 1,291,520</u>	<u>1,181,000</u>
Deferred inflows of resources:		
Unamortized gain on leaseback transaction	\$ 4,349	16,141
Unamortized gain on refunding of debt	337	393
Related to pensions	99,620	213,510
Total deferred inflows of resources	<u>\$ 104,306</u>	<u>230,044</u>
Net position:		
Net investment in capital assets	\$ 2,938,712	2,529,275
Restricted:		
Debt service	17,999	18,299
Other purposes	67,644	33,130
Unrestricted	(3,398)	(38,004)
Total net position	<u>\$ 3,020,957</u>	<u>2,542,700</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, 2016 and 2015

(In thousands)

	<u>2016</u>	<u>2015</u> <u>(Restated)</u>
Operating revenues:		
Passenger fares	\$ 205,374	213,328
Parking and transportation	133,422	127,360
Fines, forfeitures, and penalties	91,589	90,959
Charges for services	22,054	21,786
Licenses, permits, and franchises	13,934	12,711
Advertising	21,702	20,374
Rents and concessions	7,766	8,554
Other	3,393	9,553
Total operating revenues	<u>499,234</u>	<u>504,625</u>
Operating expenses:		
Personnel services	677,174	624,636
Contractual services	124,780	101,707
Materials and supplies	81,417	73,043
Depreciation and amortization	133,715	126,756
Services from other City departments	61,959	52,802
General and administrative	42,695	43,732
Other operating expenses	(21,506)	(2,695)
Total operating expenses	<u>1,100,234</u>	<u>1,019,981</u>
Operating loss	<u>(601,000)</u>	<u>(515,356)</u>
Nonoperating revenues (expenses):		
Operating assistance:		
Federal	10,555	13,887
State and other grants	133,867	136,663
Interest and investment income	5,410	5,756
Interest expense	(6,186)	(6,850)
Other, net	62,883	17,305
Total nonoperating revenues, net	<u>206,529</u>	<u>166,761</u>
Loss before capital contributions and transfers	<u>(394,471)</u>	<u>(348,595)</u>
Capital contributions:		
Federal	288,481	176,315
State and others	131,257	117,035
Total capital contributions	<u>419,738</u>	<u>293,350</u>
Transfers in:		
City and County of San Francisco – General Fund	381,342	344,484
San Francisco County Transportation Authority	18,341	12,264
City and County of San Francisco – Other City departments	61,939	3,600
Total transfers in	<u>461,622</u>	<u>360,348</u>
Transfers out:		
City and County of San Francisco – Other City departments	(8,632)	(19,017)
Net transfers	<u>452,990</u>	<u>341,331</u>
Change in net position	<u>478,257</u>	<u>286,086</u>
Net position at beginning of year:		
Beginning of year, as previously reported	2,542,700	2,686,060
Restatement due to implementation of GASB Statement No. 68	—	(429,446)
Net position, beginning of year as restated	<u>2,542,700</u>	<u>2,256,614</u>
Total net position, end of year	<u>\$ 3,020,957</u>	<u>2,542,700</u>

See accompanying notes to financial statements.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Statements of Cash Flows

Years ended June 30, 2016 and 2015

(In thousands)

	<b>2016</b>	<b>2015 (Restated)</b>
	<hr/>	<hr/>
Cash flows from operating activities:		
Cash received from passengers and service contracts	\$ 452,979	454,613
Cash received from fines, forfeitures, and penalties	91,740	90,924
Cash received from tenants for rent	7,805	8,630
Cash paid to employees for services	(697,634)	(670,562)
Cash paid to suppliers for goods and services	(336,058)	(303,639)
Cash paid for judgments and claims	(11,714)	(15,558)
	<hr/>	<hr/>
Net cash used in operating activities	(492,882)	(435,592)
Cash flows from noncapital financing activities:		
Operating grants	141,495	149,736
Net transfers	452,990	341,331
Other noncapital increases	40,001	16,343
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	634,486	507,410
Cash flows from capital and related financing activities:		
Capital grants	325,791	378,764
Proceeds from sale of capital assets	653	33
Acquisition of capital assets	(501,012)	(338,204)
Other capital financing increases	16,881	—
Bond sale proceeds and loans received	97	80,393
Retirement of capital leases, bonds, and loans	(7,361)	(7,695)
Bond issue cost paid	—	(681)
Interest paid on long-term debt	(7,700)	(6,377)
	<hr/>	<hr/>
Net cash (used in) provided by capital and related financing activities	(172,651)	106,233
Cash flows from investing activities:		
Interest income received	5,297	5,805
	<hr/>	<hr/>
Net cash provided by investing activities	5,297	5,805
Net (decrease) increase in cash and cash equivalents	(25,750)	183,856
Cash and cash equivalents – beginning of year	932,305	748,449
Cash and cash equivalents – end of year	\$ <u>906,555</u>	<u>932,305</u>

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Statements of Cash Flows

Years ended June 30, 2016 and 2015

(In thousands)

	<u>2016</u>	<u>2015</u> <u>(Restated)</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (601,000)	(515,356)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	133,715	126,756
Provision for doubtful accounts	(114)	24
Writeoff of assets	(6,089)	—
Changes in operating assets and liabilities:		
Receivables	299	(1,678)
Inventories	(6,594)	(11,350)
Prepaid and others	(266)	1
Accounts payable and accrued expenses	(4,080)	8,192
Accrued payroll	4,506	(18,651)
Accrued vacation and sick leave	2,124	1,951
Accrued workers' compensation	14,656	7,833
Accrued claims	13,742	5,779
Other postemployment benefits obligations	15,695	21,092
Pension obligations	(56,038)	(57,510)
Due to other funds	(274)	274
Unearned revenues and others	(3,164)	(2,949)
Net cash used in operating activities	<u>\$ (492,882)</u>	<u>(435,592)</u>
Reconciliation of cash and cash equivalents to the statement of net position:		
Cash and investments with City Treasury:		
Unrestricted	\$ 811,548	872,240
Restricted	66,645	31,852
Cash and investments held outside City Treasury:		
Unrestricted	10,096	9,688
Restricted	18,091	18,299
Total deposits and investments	<u>906,380</u>	<u>932,079</u>
Cash on hand	<u>175</u>	<u>226</u>
Total cash and investments, end of year	<u>\$ 906,555</u>	<u>932,305</u>

See accompanying notes to financial statements.

# SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

## Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

### (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 financial statements include the entire San Francisco's (the City's) surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and off and on street parking, regulation of the taxi industry, and three nonprofit parking garage corporations operated by separate nonprofit corporations, whose operations are interrelated. All significant inter-entity transactions have been eliminated. The SFMTA is an integral part of the City, and these statements are reported as a major enterprise fund in the City's Comprehensive Annual Financial Report.

The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter of the City (the Charter) in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department, and to provide the Transportation System with the resources, independence, and focus necessary to improve transit service and the City's transportation system. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenue to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A) which provided \$500 million in General Obligation Bonds for transportation and street infrastructure; and (4) in 2014 (Proposition B) which increases general fund allocation to SFMTA based on the City's population increase.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area and seventh largest system in the United States. It currently has more than 222 million boardings annually. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 19 City-owned garages and 19 metered parking lots. In March 2009, the former Taxi Commission was merged with the SFMTA, which then has assumed responsibility for taxi regulation to advance industry reforms.

Three non-profit corporations provide operational oversight to four garages, namely Japan Center, Sutter-Stockton, Union Square and Portsmouth. Of these four garages, Portsmouth and Union Square garages are owned by the Recreation and Park Department but managed by the SFMTA. The activities of these nonprofit garages are accounted for in the parking garages account.

### (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, revenue is recorded when earned and expenses are recorded when the related liability is 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.

# SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

## Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

### (b) *Effects of New Pronouncements*

During fiscal year 2016, the City implemented the following accounting standards:

In fiscal year 2016, the SFMTA adopted Statement No. 72 of the Governmental Accounting Standards Board, entitled, *Fair Value Measurement and Application*. GASB Statement No. 72 requires the SFMTA to use valuation techniques which are appropriate under the circumstances and are consistent with the market approach, the cost approach or the income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. For those investments held with the City Treasury, the City discloses the requirements regarding the hierarchy of valuation inputs and techniques used for the fair value measurements at City-wide level. However, such disclosure is not required at the department level for those investments held with the City Treasury.

In fiscal year 2016, the SFMTA adopted Statement No. 82 of the Governmental Accounting Standards Board, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. As GASB Statement No. 82 changes the classification of these payments, commonly referred to as Employer-Paid Member Contributions, SFMTA reclassified these payments. While the applicable requirements of this Statement are effective for reporting periods beginning after June 15, 2016, the SFMTA has elected early implementation in fiscal year 2016. In fiscal year 2015, SFMTA made Employer-Paid Member Contributions to satisfy contribution requirements of the San Francisco Employees' Retirement System and collective bargaining agreements. GASB Statement No. 82 requires Employer-Paid Member Contributions to be classified as employee contributions rather than classified as employer contributions. In fiscal year 2015, such payments were classified as employer contributions by SFMTA as required by GASB Statement No. 68. Therefore early implementation of GASB Statement No. 82, which amends GASB Statement No. 68, requires these payments to be reclassified as employee contributions, resulting in a restatement due to change in accounting principle of fiscal year 2015, decreasing deferred outflows and increasing pension expense by \$8.6 million.

The SFMTA distinguishes operating revenue and expenses from nonoperating revenue and expenses. Operating revenue and expenses primarily result mainly from the public using the transportation surface 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 revenue such as operating assistance grants, interest income, and development fees are considered nonoperating revenue. Operating expenses of the SFMTA include costs associated with providing transportation services including employment and labor costs, materials, services,

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

depreciation on capital assets, support services from other city departments, and other related expenses. All expenses not meeting this definition are reported as nonoperating expenses.

**(c) Cash and Cash Equivalents and Investments**

The SFMTA maintains its deposits and investments and a portion of its restricted deposits 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 statements 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 statements 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 revenue (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 statements of cash flows. The City also may hold nonpooled deposits and investments for the SFMTA. Nonpooled restricted deposits and highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

**(d) Inventories**

Inventories are valued using the average-cost method. Inventories are expensed using the consumption method.

Rebuilt inventory items include motors, transmission, and other smaller parts that are removed from existing coaches that are overhauled and repaired.

**(e) Capital Assets**

Capital assets are stated at cost. All construction in progress items over \$100 and nonconstruction in progress items over \$5 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 60 years for building structures and improvements, infrastructure, and equipment. Generally, no depreciation is recorded in the year of acquisition, and a full year’s depreciation is taken in the year of disposal.

Facilities and improvements	4 to 60 years
Infrastructure	5 to 60 years
Equipment	3 to 30 years

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

**(f) 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.

**(g) 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 premiums are offset against the related debt and are 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 effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

**(h) Accrued Vacation and Sick Leave**

Accrued vacation pay, which vests and may be accumulated up to 10 weeks per employee, is charged to expense as earned. Unused sick leave accumulated on or prior to December 6, 1978 is vested and payable upon termination of employment by retirement, death, or disability caused by industrial accident. Sick leave earned subsequent to that date is nonvesting and is charged to expense when earned. The amount of allowable accumulation is set forth in various memorandums of understanding but is generally limited to six months per employee.

**(i) Capital Grants and Contributions**

Capital grants and contributions from external sources are recognized as capital contribution earned when 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.

**(j) Operating Assistance Grants**

Operating assistance grants are recognized as revenue when approved by the granting authority and/or when related expenditures are incurred.

# SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

## Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

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 1/2 cent transactions and use tax collected within San Francisco County for transit services.

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.

### **(k) Development Fees**

Development fees to fund transportation projects are derived from three main sources. These include the following:

The Transportation Sustainability Fee (TSF), approved in 2016, is a citywide transportation fee placed on new development in the City and County of San Francisco. As a part of the City's Transportation Sustainability Program, the TSF will be an update to the current Transportation Impact Development Fee (TIDF) by expanding applicability to include market-rate residential development and certain large institutions. The TSF is expected to provide funding for the purchase of new Muni fleet, improvements to local and regional transit systems, and pedestrian and bicycling infrastructure improvements.

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.

The City imposes community improvement development 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. It is collected by the Planning Department and a portion of fees is directed to the SFMTA depending on the area from which it is 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.

These fees are recorded as nonoperating revenue.

### **(l) 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, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

**(m) Reclassification**

Certain amounts have been reclassified to conform to the current year presentation.

**(3) Net Position**

Net position as of June 30, 2016 and 2015 consists of the following:

	<b>2016</b>	<b>2015 (Restated)</b>
	<hr/>	<hr/>
Restricted assets:		
Cash and investments with City Treasury	\$ 66,645	31,852
Cash and investments outside City Treasury	18,091	18,299
Receivables	1,861	2,324
	<hr/>	<hr/>
Total restricted assets	86,597	52,475
	<hr/>	<hr/>
Restricted liabilities of:		
Payable from restricted assets	954	1,046
	<hr/>	<hr/>
Total restricted liabilities	954	1,046
	<hr/>	<hr/>
Restricted assets, net	\$ 85,643	51,429
	<hr/>	<hr/>
Net position:		
Restricted:		
Debt service	\$ 17,999	18,299
Other purposes	67,644	33,130
	<hr/>	<hr/>
Total restricted net position	85,643	51,429
	<hr/>	<hr/>
Unrestricted	(3,398)	(38,004)
Net investment in capital assets	2,938,712	2,529,275
	<hr/>	<hr/>
Net position	\$ 3,020,957	2,542,700
	<hr/>	<hr/>

**Restricted Net Assets**

SFMTA financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Restricted category represents net 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 and includes amounts restricted for debt service and liabilities. At June 30, 2016 and 2015, SFMTA reported \$18.0 million and \$18.3 million restricted assets related to debt reserves and debt service and \$67.6 million and \$33.1 million were restricted by legislation, respectively. The net investment in capital assets category includes capital assets net of accumulated depreciation and outstanding balances of debt attributable to the acquisition, construction, or improvement of those assets. Unrestricted is the residual amount not included in the above categories.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

**(4) 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 Comprehensive Annual 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, 2016 and 2015, the SFMTA's unrestricted and restricted cash and investments with City Treasury totaled to \$878,193 and \$904,092, which represents 11.3% and 12.9% of the City's investment pool, respectively.

The unrestricted cash and investments outside the City Treasury are cash held by the three nonprofit garage corporations totaling to \$3,533 and \$3,618, taxi medallion collateral sale to \$6,284 and \$5,791, and revolving fund to \$279 and \$279 as of June 30, 2016 and 2015, respectively. The SFMTA had restricted cash and investments of \$17,999 held by an independent trustee outside the City's investment pool and \$92 held at a commercial bank in checking account that is covered by depository insurance as of June 30, 2016. The SFMTA had restricted cash and investments of \$18,299 held by an independent trustee outside the City's investment pool as of June 30, 2015.

The following table shows the percentage distribution of the City's pooled investments by maturity:

	<b>Investment maturities (in months)</b>			
	<b>Under 1</b>	<b>1 to less than 6</b>	<b>6 to less than 12</b>	<b>12-60</b>
2016	18.4%	23.2%	20.3%	38.1%
2015	12.6%	11.9%	10.5%	65.0%

The following table shows the restricted cash and investments outside of City Treasury as of June 30, 2016 and 2015.

	<b>Restricted cash and investments outside City Treasury</b>		
	<b>Investment</b>	<b>Maturities</b>	<b>Fair value</b>
2016	Money Market Funds	Less than 1 month	\$ 17,999
2015	Money Market Funds	Less than 1 month	18,299

**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.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Notes to Financial Statements

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(Dollars in thousands, unless otherwise noted)

SFMTA’s cash and investments outside of the City’s pooled investments as of June 30, 2016 and 2015 consist of money market investments with maturities of one year or less and cash and cash equivalents. These are exempt from fair value treatment under GASB Statement No. 72.

**(5) Capital Assets**

Capital asset balances and their movements as of and for the year ended June 30, 2016 are as follows:

	<u>Balance, July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 41,030	—	—	41,030
Construction in progress	<u>1,035,096</u>	<u>532,005</u>	<u>(220,844)</u>	<u>1,346,257</u>
Total capital assets not being depreciated	<u>1,076,126</u>	<u>532,005</u>	<u>(220,844)</u>	<u>1,387,287</u>
Capital assets being depreciated:				
Building structures and improvements	697,731	13,940	(75)	711,596
Equipment	1,413,277	196,806	(48,628)	1,561,455
Infrastructure	<u>1,241,509</u>	<u>18,687</u>	<u>—</u>	<u>1,260,196</u>
Total capital assets being depreciated	<u>3,352,517</u>	<u>229,433</u>	<u>(48,703)</u>	<u>3,533,247</u>
Less accumulated depreciation for:				
Building structures and improvements	274,731	16,815	(5)	291,541
Equipment	865,348	80,521	(42,477)	903,392
Infrastructure	<u>541,345</u>	<u>36,379</u>	<u>—</u>	<u>577,724</u>
Total accumulated depreciation	<u>1,681,424</u>	<u>133,715</u>	<u>(42,482)</u>	<u>1,772,657</u>
Total capital assets being depreciated, net	<u>1,671,093</u>	<u>95,718</u>	<u>(6,221)</u>	<u>1,760,590</u>
Total capital assets, net	<u>\$ 2,747,219</u>	<u>627,723</u>	<u>(227,065)</u>	<u>3,147,877</u>

Certain buses, parking meters, and equipment were sold, disposed, and retired during 2016. The net loss on disposal or retirement is \$5.4 million.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Notes to Financial Statements

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(Dollars in thousands, unless otherwise noted)

Capital asset balances and their movements as of and for the year ended June 30, 2015 are as follows:

	<u>Balance, July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 41,030	—	—	41,030
Construction in progress	849,447	331,845	(146,196)	1,035,096
	<u>890,477</u>	<u>331,845</u>	<u>(146,196)</u>	<u>1,076,126</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Building structures and improvements	679,847	18,288	(404)	697,731
Equipment	1,326,667	112,363	(25,753)	1,413,277
Infrastructure	1,225,359	16,150	—	1,241,509
	<u>3,231,873</u>	<u>146,801</u>	<u>(26,157)</u>	<u>3,352,517</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Building structures and improvements	258,927	16,208	(404)	274,731
Equipment	815,280	75,298	(25,230)	865,348
Infrastructure	506,095	35,250	—	541,345
	<u>1,580,302</u>	<u>126,756</u>	<u>(25,634)</u>	<u>1,681,424</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>1,651,571</u>	<u>20,045</u>	<u>(523)</u>	<u>1,671,093</u>
Total capital assets, net	\$ <u>2,542,048</u>	<u>351,890</u>	<u>(146,719)</u>	<u>2,747,219</u>

Certain buses, trucks, and equipment were sold, disposed, and retired during 2015. The net gain on disposal or retirement is \$33.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

Construction in progress consists of the following projects as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
New Central Subway	\$ 946,088	794,809
Central Control System Upgrades	85,951	75,719
Security Projects	10,493	9,151
Historic Street Car Renovation	3,512	2,912
Radio Replacement	49,509	25,098
Facility Upgrades	24,460	15,509
Islais Creek-Woods Annex	21,765	16,835
Transit Effectiveness Program	39,364	26,397
Rail Replacement	58,834	35,760
Traffic Signal Upgrades	21,253	16,302
Motor Bus Hybrid Procurement	7,980	—
Traffic Sign Installation/Traffic Calming	3,824	1,090
Trolley Overhead Reconstruction	4,415	1,713
Light Rail Vehicle Procurement	16,753	—
Street Improvements	10,920	4,822
Trolley Bus Procurement	35,768	4,441
Others	5,368	4,538
	<u>\$ 1,346,257</u>	<u>1,035,096</u>

**(6) Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses were \$131,103 and \$100,425 at June 30, 2016 and 2015, 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 for amount owed to private persons or organizations for goods and services, and construction contracts retainage payable.

	<u>2016</u>	<u>2015</u>
Vouchers payable	\$ 80,730	70,527
Accruals	27,322	23,693
Contracts retainage	23,051	6,205
Total accounts payable and accrued expenses	<u>\$ 131,103</u>	<u>100,425</u>

**(7) Short-Term Debt**

On June 4, 2013, pursuant to the City Charter Section 8A.102 (b)13, the SFMTA Board of Directors authorized the issuance of commercial paper notes in an aggregate principal amount not to exceed \$100 million. On July 16, 2013, the Board of Supervisors concurred with the issuance. The commercial paper is secured by an irrevocable letter of credit from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and interest rate not to exceed 12% per annum. The letter of credit will cover the principal as well as the interest accrued on the 270 days prior to the maturity date. The commercial paper program is jointly administered by the Office of Public Finance (OPF) and SFMTA. OPF

# SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

## Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

will be initiating the issuance of commercial paper with the dealers and reporting on the commercial paper program. The commercial paper notes will be issued from time to time on a revolving basis to pay for Board-approved project costs in the Capital Improvement Program and other related uses. SFMTA will be requesting drawdowns based on cash flow needs and expenditure schedules.

No commercial paper notes have been drawn or outstanding as of June 30, 2016 and 2015.

### **(8) Long-Term Debt, Loans, and Other Payables**

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.

#### ***Series 2014 Revenue Bonds***

In November 2014, the SFMTA issues its Revenue Bonds, Series 2014 in the total amount of \$70.6 million. The net proceed of \$80.4 million (consisting of \$70.6 million of the Series 2014 bonds plus original issue premium of \$9.8 million) were used to pay \$0.2 million underwriter discount and \$0.7 million in costs of issuance, deposit \$4.5 million into the Reserve Account, and fund \$75.0 million for various transit and parking capital projects for the SFMTA. The Series 2014 bonds bear interest at fixed rates between 1.0% to 5.0% and have a final maturity on March 1, 2044.

#### ***Series 2013 Revenue Bonds***

In December 2013, the SFMTA issues its Revenue Bonds, Series 2013 in the total amount of \$75.4 million. The net proceed of \$82.2 million (consisting of \$75.4 million of the Series 2013 bonds plus original issue premium of \$6.8 million) were used to pay \$0.2 million underwriter discount and \$1 million in costs of issuance, deposit \$6.0 million into the Reserve Account, and fund \$75.0 million for various transit and parking capital projects for the SFMTA. The Series 2013 bonds bear interest at fixed rates between 1.5% to 5.0% and have a final maturity on March 1, 2033.

#### ***Series 2012A Revenue Bonds***

In July 2012, the SFMTA issued Revenue Refunding Bonds, Series 2012A in the total amount of \$38.0 million to refund prior bonds issued by the Parking Authority, the City of San Francisco Ellis-O'Farrell Corporation, the City of San Francisco Downtown Parking Corporation, and the City of San Francisco Uptown Parking Corporation. The Series 2012A bonds bear interest at fixed rates between 2.0% and 5.0%, and will mature on March 1, 2032.

The net proceeds of \$46.0 million (consisting of the \$38.0 million par amount of the Series 2012A bonds, plus original issue premium of \$5.1 million, plus \$2.9 million accumulated in the debt service and reserve fund related to the refunded bonds) were used to pay \$0.1 million underwriter's discount and \$0.5 million in costs of issuance, make a \$2.7 million deposit into Reserve Account, and deposit \$42.7 million into

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Notes to Financial Statements

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(Dollars in thousands, unless otherwise noted)

irrevocable escrow funds with the Trustee to defease and refund \$42.3 million in revenue bonds described below:

	<u>Refunded</u>	<u>Rate</u>	<u>Price</u>
Series Revenue Bond:			
1999 Parking Meters Refunding	\$ 13,080	4.70%–5.00%	100%
2000A North Beach	5,075	5.00%–5.50%	100
2001 Uptown Parking	15,465	5.50%–6.00%	100
2002 Ellis Parking	2,535	4.20%–4.70%	100
2002 Downtown Parking	6,095	4.50%–5.375%	100
	<u>42,250</u>		
Total	\$ <u>42,250</u>		

The refunded bonds were defeased and redeemed on July 27, 2012. Accordingly, the liability for these bonds has been removed from the accompanying statements of net position. The loss of \$0.9 million on refunding of debt resulting from the fiscal year 2013 refunding, previously reported as a contra liability, was recalculated to be a gain of \$0.5 million reported as a deferred inflow of resources. The SFMTA obtained an economic gain (the difference between the present value of the old debt and the new debt) of \$6.7 million or 15.8% of the refunded bonds.

***Series 2012B Revenue Bonds***

In July 2012, the SFMTA issues its Revenue Bonds, Series 2012B in the total amount of \$25.8 million. The net proceeds of \$28.0 million (consisting of \$25.8 million of the Series 2012B bonds plus original issue premium of \$2.2 million) were used to pay \$0.1 million underwriter discount and \$0.4 million in costs of issuance and set aside for City’s audit services, deposit \$1.8 million into the Reserve Account, and fund \$25.7 million for various transit and parking capital projects for the SFMTA. The Series 2012B included serial and term bonds with interest ranging from 3.0% to 5.0% and have a final maturity on March 1, 2042.

The following table is a summary of long-term obligations on bonds for the SFMTA:

	<u>Final maturity date</u>	<u>Remaining interest rate</u>	<u>Balance June 30, 2016</u>	<u>Balance June 30, 2015</u>
Revenue Bonds Series 2012A	2032	4.0%–5.0%	\$ 27,544	31,608
Revenue Bonds Series 2012B	2042	3.0%–5.0%	27,814	27,864
Revenue Bonds Series 2013	2033	3.0%–5.0%	73,485	76,521
Revenue Bonds Series 2014	2044	3.0%–5.0%	<u>76,913</u>	<u>78,456</u>
Total long-term obligations			\$ <u>205,756</u>	<u>214,449</u>

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

The changes in long-term obligations for the SFMTA for year ended June 30, 2016 and 2015 are as follows:

a

\*In August 2015, the Uptown Parking Corporation entered into an equipment finance agreement with US Bank for the purchase of security cameras for the Sutter-Stockton Garage. The loan balance as of fiscal year 2016 is \$76.

	<u>July 1, 2014</u>	<u>Additional obligations, interest accretion, and net increases</u>	<u>Current maturities, retirements, and net decreases</u>	<u>June 30, 2015</u>	<u>Amounts due within one year</u>
Bonds payable:					
Revenue bonds	\$ 130,265	70,605	(7,695)	193,175	7,340
Add/less unamortized amounts:					
For issuance premiums	<u>12,675</u>	<u>9,789</u>	<u>(1,190)</u>	<u>21,274</u>	<u>—</u>
Total bonds payable	142,940	80,394	(8,885)	214,449	7,340
Accrued vacation and sick leave	30,731	3,253	(1,302)	32,682	21,711
Accrued workers' compensation	95,151	30,401	(22,568)	102,984	17,191
Accrued claims	59,701	21,337	(15,558)	65,480	34,979
Other postemployment benefits obligation	199,205	48,667	(27,575)	220,297	—
Unearned revenue and other liabilities	15,282	1,140	(6,118)	10,304	10,304
Net pension liability	<u>509,795</u>	<u>—</u>	<u>(271,499)</u>	<u>238,296</u>	<u>—</u>
Total long-term obligations	\$ <u><u>1,052,805</u></u>	<u><u>185,192</u></u>	<u><u>(353,505)</u></u>	<u><u>884,492</u></u>	<u><u>91,525</u></u>

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

The bond debt service requirements are as follows:

	<u>Principal</u>	<u>Bond interest</u>	<u>Total</u>
Year ending June 30:			
2017	\$ 7,640	8,989	16,629
2018	7,615	8,617	16,232
2019	7,015	8,340	15,355
2020	7,355	8,019	15,374
2021	5,800	7,663	13,463
2022–2026	32,560	34,033	66,593
2027–2031	41,120	25,292	66,412
2032–2036	33,410	15,068	48,478
2037–2041	28,385	8,129	36,514
2042–2044	14,935	1,380	16,315
	<u>\$ 185,835</u>	<u>125,530</u>	<u>311,365</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 the requirement for the fiscal years ended 2016 and 2015.

SFMTA must be in compliance with certain bond covenants.

The bond indenture for the SFMTA requires that certain funds be established and administered by a trustee. The Reserve Fund is to be maintained by the trustee for the benefit and security of the holders of the bonds to which such accounts are pledged, and shall not be available to pay or secure the payment of any other bonds. As of June 30, 2016 and 2015, the bond reserve fund with the trustee totaled \$15.0 million and \$15.0 million, respectively.

The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable from all SFMTA operating revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2044.

Annual principal and interest payments for fiscal year 2016 and 2015 were 29.5% and 14.8%, 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 year 2016 and 2015, applicable net revenues, and funds available for bond debt service are as follows:

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(Dollars in thousands, unless otherwise noted)

	<u>2016</u>	<u>2015</u>
Bonds issued with revenue pledge	\$ 209,840	209,840
Principal and interest remaining due at the end of the year	311,365	328,011
Principal and interest paid during the year	16,495	14,640
Net revenue for the year	39,405	84,547
Fund available for revenue bond debt service	55,900	99,187

**(9) Employee Benefit Plans**

*(a) Pensions – City and County of San Francisco*

**Retirement Plan**

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

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used.

**San Francisco Employers Retirement System (SFERS) – Cost Sharing**

Valuation Date (VD)	June 30, 2014 updated to June 30, 2015
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

The City is an employer of the plan with a proportionate share of 93.90% as of June 30, 2015, and 93.78% as of June 30, 2014. The SFMTA’s allocation percentage was determined based on the SFMTA’s employer contributions divided by the City’s total employer contributions for fiscal year 2015 and 2014. The SFMTA’s net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows and pension expense to each department is based on the SFMTA’s allocated percentage. The SFMTA’s allocation of the City’s proportionate share in fiscal year 2016 was 14.84% as of the measurement date and in fiscal year 2015 was 14.35% as of the measurement date.

# SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

## Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

### **Employees' Retirement System**

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 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.

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 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. 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.

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 the Consumer Price Index with increases capped at 2%. Effective July 1, 2012, the Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan and the Plan is fully funded on a market value of assets basis. The maximum benefit adjustment is 3.5% including that Basic COLA. For members hired on or after January 7, 2012, Supplemental COLAs will not be permanent adjustments to retirement benefits.

### **Funding and Contribution Policy**

Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2016 varied from 7.5% to 13.0% as a percentage of gross covered salary. 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, 2014 actuarial report, the required employer contribution rate for fiscal year 2016 was 18.30% to 22.80%.

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

# SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

## Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

ended June 30, 2015 and 2014 were \$556.5 million and \$499.8 million, respectively. The SFMTA's allocation of employer contribution for fiscal years 2015 and 2014 were \$79.9 million and \$80.3 million restated as \$71.7 million due to the implementation of GASB Statement No. 82, respectively.

In fiscal year 2016, the SFMTA elected an early implementation of Statement No. 82 of the Governmental Accounting Standards Board, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The GASB Statement No. 82 changes the classification of payments made by employers to satisfy employee (plan member) contribution requirements, commonly referred to as Employer-Paid Member Contributions. SFMTA reclassified these payments as employee contributions rather than classified as employer contributions.

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

As of June 30, 2016 and 2015, the City reported net pension liabilities for its proportionate share of the pension liability of the Plan of \$2.16 billion and \$1.66 billion, respectively. The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan for June 30, 2016 is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability 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. The SFMTA's allocation of the City's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2015 was \$314,611 and \$238,296, respectively. During the measurement year 2015, there were no changes to benefits. The increase in service costs, interest costs, and decrease in the discount rate increased total pension liability and were only partially offset by contributions, investment income, and actuarial experience gains, resulting in an overall increase in net pension liability.

For the year ended June 30, 2016 and 2015, the City's recognized pension expense was \$106,499 and \$95,710, respectively including amortization of deferred outflow/inflow related pension items. The SFMTA's pension expense for the year ended June 30, 2016 and 2015 was \$17,638 and \$13,735, respectively, allocated share of pension expense from the City including amortization of deferred outflows/deferred inflows of resources related items. At June 30, 2016, the City's reported deferred

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outflows of resources and deferred inflows of resources related to pensions from the following sources. These amounts will be amortized annually and recognized in pension expense.

**Schedule of deferred inflows and outflows**

		FY2016		FY2015 (Restated)	
		Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Pension contributions made subsequent to the measurement date	\$	73,676	—	79,870	—
Differences between expected and actual experience		—	22,077	—	—
Changes in assumptions		24,179	5,929	—	7,894
Net difference between projected and actual earnings on pension plan investments		—	70,508	—	204,142
Changes in employer's proportion		478	1,106	—	1,474
<b>Total</b>	<b>\$</b>	<b>98,333</b>	<b>99,620</b>	<b>79,870</b>	<b>213,510</b>

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be recognized in pension expense as follows:

	<b>Deferred outflows (inflows) of resources</b>
<b>Year ended June 30:</b>	
2017	\$ (32,103)
2018	(32,103)
2019	(32,103)
2020	21,346
Thereafter	—

Actuarial Assumptions – A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2015 is provided below, including any assumptions that differ from those used in the July 1, 2014 actuarial valuation. Refer to the July 1, 2014 actuarial valuation

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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**

Valuation date	June 30, 2014 updated to June 30, 2015
Measurement date	June 30, 2015
Actuarial cost method	Entry-age normal cost method
Expected rate of return	7.50%
Municipal bond yield	4.31% as of June 30, 2014 3.85% as of June 30, 2015 Bond Buyer 20-Bond GO Index, July 2, 2014 and July 2, 2015
Discount rate	7.58% as of June 30, 2014 7.46% as of June 30, 2015
Administrative expenses	0.45% of payroll
Basic COLA:	
All miscellaneous and all new plans	2.00%
Old Police & Fire pre-7/1/75 retirements	3.00%
Old Police & Fire, Charters A8.595 and A8.596	4.00%
Old Police & Fire, Charters A8.559 and A8.585	5.00%

Mortality rates for active members were based on the RP-2000 Employee Tables for Males and Females, projected using Scale AA to 2030 for females and to 2005 for males. Mortality rates for healthy annuitants were based upon the RP-2000 Healthy Annuitants Tables for Males and Females projected using Scale AA to 2020.

Discount Rate – The beginning and end of year measurements are based on different assumptions and contribution methods that result in different discount rates. The discount rate was 7.46% as June 30, 2015 and 7.58% as of June 30, 2014.

The discount rate used to measure the Total Pension Liability as of June 30, 2015 was 7.46%. 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, 2014 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. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized

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over 20 years. All amortization schedules are established as a level percentage of payroll so payments increase 3.75% 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 valuation do not anticipate any Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLA's for current members when they are expected to be granted. For a Supplemental COLA to be granted the market value of assets must exceed the actuarial liability at the beginning of the year and the actual investment earnings during the year must exceed the expected investment earnings on the actuarial value of assets. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. In most cases, the large majority of members receive a 1.50% Supplemental COLA.

Because the probability of a Supplemental COLA depends on the current funded level of the System, developed an assumption as of June 30, 2015 of the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLAs for member with a 2.00% basic COLAs for sample years.

**Assumed Supplemental COLA for members  
with a 2.00% Basic COLA**

<u>FYE</u>	<u>Assumption</u>
2016	0.000%
2021	0.345%
2026	0.375%
2031	0.375%
2036+	0.375%

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 projected future benefit payments for current members until fiscal year end 2076 when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.85% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2015 and 2014 are 7.46% and 7.58%, respectively.

The long-term expected rate of return on pension plan investments was 7.50%. 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

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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.

<b>Long-term expected real rates of return</b>		
<b>Asset class</b>	<b>Target allocation</b>	<b>Long-term expected real rate of return</b>
Global equity	40%	5.1%
Fixed income	20%	1.2%
Private equity	18%	7.5%
Real assets	17%	4.1%
Hedge Funds/Absolute Returns	5%	3.5%
	<u>100%</u>	

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 for the 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.

<b>Employer</b>	<b>1% decrease share of NPL @ 6.46%</b>	<b>Share of NPL @ 7.46%</b>	<b>1% increase share of NPL @ 8.46%</b>
SFMTA	\$ 695,714	\$ 314,611	\$ (5,002)

**(b) *Deferred Compensation Plan***

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

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**(c) Healthcare Benefits**

Healthcare benefits of the SFMTA employees, retired employees, and surviving spouses are financed by beneficiaries and by the City through the City and County of San Francisco Health Service System (the Health Service System). The SFMTA’s annual contribution, which amounted to approximately \$101,300 and \$89,689 in fiscal years 2016 and 2015, respectively, is determined by a charter provision based on similar contributions made by the 10 most populous counties in California.

The City has determined a citywide annual required contribution, interest on net Other Post – Employment Benefits (OPEB) obligation, Annual Required Contribution (ARC) adjustment, and OPEB cost based upon an actuarial valuation performed in accordance with GASB Statement No. 45, by the City’s actuaries. The City’s allocation of the OPEB-related cost to the SFMTA for the year ended June 30, 2016 based upon its percentage of citywide payroll costs is presented below.

The following table shows the components of the City’s annual OPEB allocations for SFMTA for the fiscal years ended June 30, 2016 and 2015 the amounts contributed to the plan and changes in the net OPEB obligations:

	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 42,506	46,893
Interest on net OPEB obligation	13,496	10,672
Adjustment to ARC	<u>(10,973)</u>	<u>(8,898)</u>
Annual OPEB cost	45,029	48,667
Contribution made	<u>(29,334)</u>	<u>(27,575)</u>
Increase in net OPEB obligation	15,695	21,092
Net OPEB obligation, beginning of fiscal year	<u>220,297</u>	<u>199,205</u>
Net OPEB obligation, end of fiscal year	<u>\$ 235,992</u>	<u>220,297</u>

Refer to the City’s CAFR for the other required disclosures related to the City’s OPEB plan. The City issues a publicly available financial report at citywide level with complete note disclosures and required supplementary information related to the City’s postretirement healthcare 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) Peninsula Corridor Joint Powers Board**

The City is a participant in the Peninsula Corridor Joint Powers Board (PCJPB), along with the Santa Clara Valley Transportation Authority and the San Mateo County Transit District. The PCJPB is governed by a separate board composed of nine members, three from each participating agencies. The PCJPB was formed in October 1991 to plan, administer, and operate the Peninsula CalTrain rail service. The PCJPB began operating the Peninsula CalTrain rail service on July 1, 1992. Prior to that time, such rail service was operated

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by the California Department of Transportation. The agreement establishing the PCJPB expired in 2001, upon which it continues thereafter on a year-to-year basis, until a participant withdraws, which requires one-year notice. The SFMTA contributes to the net operating costs and administrative expenses of the PCJPB. The SFMTA contributed \$5.2 million and \$5.2 million for operating needs in fiscal years 2016 and 2015, respectively. The PCJPB’s annual financial statements are publicly available.

**(11) 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 City’s and 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.

<u>Risks</u>	<u>Coverage</u>
a. General/Transit Liability	Self-Insure
b. Property	Self-Insure and Purchase Insurance
c. Workers’ Compensation	Self-Insure
d. Employee (Transit Operators)	Purchase Insurance
e. Directors and Officers	Purchase Insurance

**(a) General/Transit Liability**

The SFMTA is self-insured. Through coordination with the Controller and City Attorney’s Office, the SFMTA 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. The annual budget for claims was \$11.9 million and \$13.9 million for fiscal year 2016 and 2015, respectively. In addition, as of June 30, 2016 and 2015, the reserve was \$20.1 million and \$17.7 million, respectively. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

**(b) Property**

The SFMTA purchases property insurance on its facilities, Breda light rail cars, and personal property.

Also, insurance is 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,

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the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and SFMTA's property.

**(c) 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 statements of revenue, expenses, and changes in net position.

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

SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per Memorandum of Understanding.

**(e) Directors and Officers Insurance**

SFMTA has purchased insurance starting in fiscal year 2012 to cover errors and omissions of its Board members and senior management.

See the changes in workers' compensation and general liabilities for claims paid and incurred claims and changes in estimate in note 8, Long-Term Debt, Loans, and Other Payables.

**(12) 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.

The General Fund support from the City reflected in the accompanying financial statements includes a total revenue baseline transfer of \$284.7 million and \$272.3 million in fiscal years 2016 and 2015, respectively, as required by the City Charter. In addition, SFMTA received \$68.9 million and \$69.8 million allocation in fiscal years 2016 and 2015, respectively, from in lieu of parking tax as required by the City Charter.

Proposition B, approved by the voters in November 2014, provides additional City General Funds to address transportation needs tied to the City's population growth. In fiscal year 2016, SFMTA received \$27.7 million from this source.

# SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

### (13) 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, 2016 and 2015, the SFMTA had approved capital grants with unused balances amounting to \$906.4 million and \$920.8 million, respectively. Capital grants receivable as of June 30, 2016 and 2015 totaled \$136.1 million and \$76.0 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, 2016 and 2015, the SFMTA had various operating grants receivable of \$30.7 million and \$27.5 million, respectively. In fiscal year 2016 and 2015, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of \$1.6 million and \$1.5 million, respectively, and other federal, state, and local grants of \$8.5 million and \$12.4 million, respectively, to fund project expenses that are operating in nature.

The capital and operating grants identified above include funds received and due from the SFCTA. During the fiscal year 2016 and 2015, the SFCTA approved \$124.4 million and \$176.1 million, respectively, in new capital grants and the SFMTA received payments totaling \$50.6 million and \$24.0 million, respectively. As of June 30, 2016 and 2015, the SFMTA had \$12.6 million and \$1.5 million, respectively, in capital grants due from the SFCTA. Similarly, the SFMTA receives operating grants from SFCTA mostly for paratransit support. During the fiscal years 2016 and 2015, SFCTA approved \$1.5 million and \$10.7 million, respectively, in new operating grants, and SFMTA received payments totaling \$6.5 million and \$7.7 million, respectively. The SFMTA had \$4.3 million and \$2.5 million, respectively, in operating grants due from the SFCTA as of June 30, 2016 and 2015.

Proposition 1B is a ten-year \$20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) and the Transit Security & Safety Account that are funding solely for public transit projects. The SFMTA received cash totaling \$12.6 million and \$95.5 million, respectively, in fiscal year 2016 and 2015 for different projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2016 for funds awarded between fiscal years 2008 and 2010. The Budget Act of 2013 further extended the date to June 30, 2018. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal years 2016 and 2015, \$69.7 million and \$89.1 million drawdowns, respectively, were made from the funds for various eligible projects costs.

### (14) 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.

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(Dollars in thousands, unless otherwise noted)

**(b) Operating Leases**

The SFMTA leases certain equipment and various properties for use as office space, fleet storage space, and machine shops under lease agreements that expire at various dates through fiscal year 2045. These agreements are accounted for as operating leases. Rent expense was \$17.1 million and \$16.1 million for the years ended June 30, 2016 and 2015, respectively.

The SFMTA has operating leases for certain buildings that require the following minimum annual payments:

Year ending June 30:		
2017	\$	12,419
2018		12,661
2019		12,816
2020		12,611
2021		13,099
2022–2026		62,679
2027–2031		70,306
2032–2036		68,899
2037–2041		74,473
2042–2046		91,136
		<hr/>
	\$	<u><u>431,099</u></u>

SFMTA leases certain owned facilities to tenants and concessionaires who will provide the following minimum annual payments:

Year ending June 30:		
2017	\$	4,539
2018		4,489
2019		4,085
2020		3,103
2021		2,450
2022–2026		7,488
2027–2031		6,267
2032–2036		6,250
2037–2041		6,250
2042–2046		6,250
2047–2051		6,250
2052–2056		5,833
		<hr/>
	\$	<u><u>63,254</u></u>

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### Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless otherwise noted)

#### (c) *Other Commitments*

As of June 30, 2016 and 2015, the SFMTA has outstanding commitments of approximately \$567.2 million and \$465.9 million with third parties for various capital projects, respectively. Grant funding is available for the majority of this amount. The SFMTA also has outstanding commitments of approximately \$53.1 million and \$45.6 million with third parties for noncapital expenditures as of June 30, 2016 and 2015, respectively. Various local funding sources are used to finance these expenditures.

In addition, the SFMTA is involved in various lawsuits, claims, and disputes, which 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 SFMTA.

#### (15) **Leveraged Lease-Leaseback of Breda Vehicles**

##### *Tranches 1 and 2*

In April 2002 and in September 2003, following the approval of the Federal Transit Administration, SFMTA Board of Directors, and the City's Board of Supervisors, Muni entered into separate leveraged lease-leaseback transactions for over 118 and 21 Breda light rail vehicles (the Tranche 1 and Tranche 2 Equipment, respectively, and collectively, the "Equipment"). Each transaction, also referred to as a "sale in lease out" or "SILO", was structured as a head lease of the Equipment to a special purpose trust and a sublease of the Equipment back from such trust. Under each sublease, Muni retained an option to purchase the Equipment on specified dates between November 2026 through January 2030 in the case of the Tranche 1 Equipment and in January 2030 in the case of the Tranche 2 Equipment. During the terms of the subleases, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

Muni received an aggregate of \$388.2 million and \$72.6 million, respectively in 2002 and 2003, from the equity investors in full prepayment of the head leases. Muni deposited a portion of the prepaid head lease payments into separate escrows that were invested in U.S. agency securities with maturities that correspond to the purchase option dates for the Equipment as specified in each sublease. Muni also deposited a portion of the head lease payments with a debt payment undertaker whose repayment obligations are guaranteed by Assured Guaranty Municipal Corp. (AGM) as successor to Financial Security Assurance (FSA), a bond insurance company, that was rated "AAA" by Standard & Poor's ("S&P") and "Aaa" by Moody's Investor Services ("Moody's") at the time the Tranche 1 and Tranche 2 Equipment transactions were entered into. Although these escrows do not represent a legal defeasance of Muni's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that Muni will need to access other monies to make sublease payments. Therefore, the assets and the sublease obligations have not been recorded on the financial statements of the SFMTA.

As a result of the cash transactions above, Muni recorded \$35.5 million and \$4.4 million in fiscal years 2002 and 2003 respectively, representing the difference between (a) the amounts received of \$388.2 million and \$72.6 million, and (b) the amounts of \$352.7 million and \$67.5 million paid to the escrows, the debt payment undertaker and for certain transaction expenses. These amounts have been classified as deferred inflows of resources in fiscal year 2016 and will be amortized over the life of each sublease unless the purchase option

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(Dollars in thousands, unless otherwise noted)

is executed or sublease is otherwise terminated before its expiration date. The deferred inflows of resources amortized amounts were \$9.4 million and \$2.4 million for the Tranche 1 Equipment and Tranche 2 Equipment in fiscal year 2016.

On March 17, 2014, Muni terminated leveraged lease transactions with respect to 30 items of Tranche 1 Equipment having an initial transaction value of \$99.3 million.

On May 24, 2016, Muni terminated leveraged lease transactions with respect to 28 items of Tranche 1 Equipment having an initial transaction value of \$89.6 million and 21 items of Tranche 2 Equipment having an initial transaction value of \$72.6 million. On June 27, 2016, Muni terminated leveraged lease transactions with respect to 31 items of Tranche 1 Equipment having an initial transaction value of \$100.4 million. As of June 30, 2016, one leveraged lease transaction with respect to 29 items of Tranche 1 Equipment having an initial transaction value of \$98.7 million remains outstanding.

**(16) Subsequent Events**

***Issuance of Revenue Bond Series***

The Series 2017 Revenue Bonds will be issued by the SFMTA with the US Bank as trustee as approved by the SFMTA Board and concurred by the Board of Supervisors under resolution adopted on June 14, 2016. The total Series 2017 Bonds will result in project funding of \$207 million and are being issued (a) to finance a portion of the costs of various capital projects for the SFMTA; (b) to make a deposit to the Series 2017 Reserve Account of the Reserve Fund established under the Indenture for the Series 2017 Bonds; and (c) to pay a portion of the costs of issuance of the Series 2017 Bonds.

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***Pension Supplemental COLA***

A court decision was reached subsequent to the June 30, 2015 measurement date used by the City's actuaries in determining the City's Net Pension Liability for the San Francisco City and County Employees' Retirement System's defined benefit pension plan. The impact of the decision on the System's Net Pension Liability is not yet known, but is expected to significantly increase the City's proportionate share of the plan's Net Pension Liability. The expected increase is due to the determination of the court that the full funding requirement for payment of the Supplemental COLA was unconstitutional as applied to members who worked after November 6, 1996 and before Proposition C passed in November 2011. The June 30, 2016 actuarial report has not been issued as of the date of this report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Supplemental Schedule – Schedule of Net Position

June 30, 2016

(In thousands)

	<u>Transit</u>	<u>Sustainable Streets</u>	<u>Parking Garages</u>	<u>Total</u>
Assets:				
Current assets:				
Deposits and investments with City Treasury	\$ 439,293	372,255	—	811,548
Deposits and investments held outside City Treasury	215	6,348	3,533	10,096
Cash on hand	175	—	—	175
Receivables:				
Grants	144,474	5,325	—	149,799
Due from the San Francisco County Transportation Authority	11,803	5,170	—	16,973
Due from component unit	—	31	—	31
Charges for services, net	2,495	2,723	155	5,373
Other, net	7,315	1,873	—	9,188
Total receivables	<u>166,087</u>	<u>15,122</u>	<u>155</u>	<u>181,364</u>
Inventories	<u>80,013</u>	<u>—</u>	<u>—</u>	<u>80,013</u>
Current prepaids and other assets	<u>—</u>	<u>—</u>	<u>780</u>	<u>780</u>
Total current assets	<u>685,783</u>	<u>393,725</u>	<u>4,468</u>	<u>1,083,976</u>
Restricted assets:				
Deposits and investments with City Treasury	66,645	—	—	66,645
Deposits and investments held outside City Treasury	9,701	8,298	92	18,091
Other receivables	<u>1,861</u>	<u>—</u>	<u>—</u>	<u>1,861</u>
Total restricted assets	78,207	8,298	92	86,597
Noncurrent assets:				
Capital assets, net	<u>2,970,436</u>	<u>148,338</u>	<u>29,103</u>	<u>3,147,877</u>
Total noncurrent assets	<u>3,048,643</u>	<u>156,636</u>	<u>29,195</u>	<u>3,234,474</u>
Total assets	\$ <u>3,734,426</u>	\$ <u>550,361</u>	\$ <u>33,663</u>	\$ <u>4,318,450</u>
Deferred outflows of resources:				
Related to pensions	\$ <u>85,261</u>	\$ <u>13,072</u>	\$ <u>—</u>	\$ <u>98,333</u>
Total deferred outflows of resources	\$ <u>85,261</u>	\$ <u>13,072</u>	\$ <u>—</u>	\$ <u>98,333</u>

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Supplemental Schedule – Schedule of Net Position

June 30, 2016

(In thousands)

	<u>Transit</u>	<u>Sustainable Streets</u>	<u>Parking Garages</u>	<u>Total</u>
Liabilities:				
Current liabilities:				
Due to other funds	\$ 2,503	—	—	2,503
Accounts payable and accrued expenses	111,116	18,121	1,866	131,103
Accrued payroll	21,147	3,049	89	24,285
Accrued vacation and sick leave	18,804	2,955	—	21,759
Accrued workers' compensation	17,357	2,894	—	20,251
Accrued claims	32,380	5,382	—	37,762
Grants received in advance	121,907	138	—	122,045
Unearned revenue and other liabilities	14,485	4,650	396	19,531
Payable from restricted assets	954	—	—	954
Accrued interest payable	1,642	1,354	—	2,996
Bonds, loans, capital leases, and other payables	2,654	4,986	32	7,672
Total current liabilities	<u>344,949</u>	<u>43,529</u>	<u>2,383</u>	<u>390,861</u>
Noncurrent liabilities:				
Accrued vacation and sick leave, net of current portion	11,276	1,771	—	13,047
Accrued workers' compensation, net of current portion	82,728	14,661	—	97,389
Accrued claims, net of current portion	31,915	9,545	—	41,460
Other postemployment benefits obligation	204,850	31,142	—	235,992
Pensions obligation	273,484	41,127	—	314,611
Bonds, loans, capital leases, and other payables, net of current portion	109,301	88,815	44	198,160
Total noncurrent liabilities	<u>713,554</u>	<u>187,061</u>	<u>44</u>	<u>900,659</u>
Total liabilities	\$ <u>1,058,503</u>	<u>230,590</u>	<u>2,427</u>	<u>1,291,520</u>
Deferred inflows of resources:				
Unamortized gain on leaseback transaction	\$ 4,349	—	—	4,349
Unamortized gain on refunding of debt	—	337	—	337
Related to pensions	87,081	12,539	—	99,620
Total deferred inflows of resources	\$ <u>91,430</u>	<u>12,876</u>	<u>—</u>	<u>104,306</u>
Net position:				
Net investment in capital assets	\$ 2,856,839	52,846	29,027	2,938,712
Restricted:				
Debt service	9,701	8,298	—	17,999
Other purposes	67,552	—	92	67,644
Unrestricted	(264,338)	258,823	2,117	(3,398)
Total net position	\$ <u>2,669,754</u>	<u>319,967</u>	<u>31,236</u>	<u>3,020,957</u>

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Supplemental Schedule – Schedule of Revenues, Expenses,  
and Changes in Net Position

Year ended June 30, 2016

(In thousands)

	<u>Transit</u>	<u>Sustainable Streets</u>	<u>Parking Garages</u>	<u>SFMTA Eliminations</u>	<u>Total</u>
Operating revenues:					
Passenger fares	\$ 205,374	—	—	—	205,374
Parking and transportation	—	108,448	24,974	—	133,422
Fines, forfeitures, and penalties	—	91,589	—	—	91,589
Charges for services	5,214	16,840	—	—	22,054
Licenses, permits, and franchises	—	13,934	—	—	13,934
Advertising	21,702	—	—	—	21,702
Rents and concessions	2,388	4,029	1,349	—	7,766
Other	—	3,336	57	—	3,393
Total operating revenues	<u>234,678</u>	<u>238,176</u>	<u>26,380</u>	<u>—</u>	<u>499,234</u>
Operating expenses:					
Personnel services	591,803	80,731	4,640	—	677,174
Contractual services	71,634	49,691	3,455	—	124,780
Materials and supplies	75,620	5,283	514	—	81,417
Depreciation and amortization	121,929	10,535	1,251	—	133,715
Services from other City departments	52,849	9,110	—	—	61,959
General and administrative	34,353	6,933	1,409	—	42,695
Other operating expenses	(29,629)	5,956	2,167	—	(21,506)
Total operating expenses	<u>918,559</u>	<u>168,239</u>	<u>13,436</u>	<u>—</u>	<u>1,100,234</u>
Operating income (loss)	<u>(683,881)</u>	<u>69,937</u>	<u>12,944</u>	<u>—</u>	<u>(601,000)</u>
Nonoperating revenues (expenses):					
Operating assistance:					
Federal	7,191	3,364	—	—	10,555
State and other grants	129,689	4,178	—	—	133,867
Interest and investment income	2,591	2,816	3	—	5,410
Interest expense	(3,118)	(3,068)	—	—	(6,186)
Other, net	50,068	12,815	—	—	62,883
Total nonoperating revenues, net	<u>186,421</u>	<u>20,105</u>	<u>3</u>	<u>—</u>	<u>206,529</u>
Income (loss) before capital contribution and transfers	<u>(497,460)</u>	<u>90,042</u>	<u>12,947</u>	<u>—</u>	<u>(394,471)</u>
Capital contributions:					
Federal	286,739	1,742	—	—	288,481
State and others	126,688	4,569	—	—	131,257
Total capital contributions	<u>413,427</u>	<u>6,311</u>	<u>—</u>	<u>—</u>	<u>419,738</u>
Transfers in:					
City and County of San Francisco – General Fund	296,683	84,659	—	—	381,342
San Francisco County Transportation Authority	10,658	7,683	—	—	18,341
City and County of San Francisco – Other City departments	12,783	49,156	—	—	61,939
SFMTA operating transfers in	144,169	9,584	—	(153,753)	—
Total transfers in	<u>464,293</u>	<u>151,082</u>	<u>—</u>	<u>(153,753)</u>	<u>461,622</u>
Transfers out:					
City and County of San Francisco – Other City departments	(2,335)	(2,359)	(3,938)	—	(8,632)
SFMTA operating transfers out	—	(144,169)	(9,584)	153,753	—
Net transfers	<u>461,958</u>	<u>4,554</u>	<u>(13,522)</u>	<u>—</u>	<u>452,990</u>
Change in net position	<u>377,925</u>	<u>100,907</u>	<u>(575)</u>	<u>—</u>	<u>478,257</u>
Net position, beginning of year as restated	<u>2,291,829</u>	<u>219,060</u>	<u>31,811</u>	<u>—</u>	<u>2,542,700</u>
Total net position – end of year	\$ <u>2,669,754</u>	<u>319,967</u>	<u>31,236</u>	<u>—</u>	<u>3,020,957</u>

See accompanying independent auditors' report.

**TRANSIT**

Supplemental Schedule of Grants – Federal

Year ended June 30, 2016

(In thousands)

	<u>Authorized grants as of July 1, 2015</u>	<u>New grants approved/ spending commences</u>	<u>Payments received</u>	<u>Expired/ rescinded adjusted grants</u>	<u>Authorized grants as of June 30, 2016</u>	<u>Amounts not expended as of June 30, 2016</u>	<u>Grants receivable as of June 30, 2016</u>
Capital grants:							
FY 2007 Section 5309 New Starts	\$ 130,443	150,000	(89,067)	—	191,376	(164,869)	26,507
FY 2002 Section 5307 Urban Area Formula	1,476	—	(205)	—	1,271	(1,226)	45
FY 2007 Section 5307 Urban Area Formula	5,421	—	(2,353)	—	3,068	(2,383)	685
FY 2008 Section 5307 Urban Area Formula	3,968	—	(1,511)	—	2,457	(793)	1,664
FY 2009 Section 5307 Urban Area Formula	10,756	—	(1,444)	—	9,312	(9,253)	59
FY 2010 Section 5307 Urban Area Formula	200	—	(200)	—	—	—	—
FY 2011 Section 5307 Urban Area Formula	4,079	—	—	—	4,079	(4,079)	—
FY 2013 Section 5307 Urban Area Formula	10,598	—	(5,210)	—	5,388	(2,569)	2,819
FY 2014 Section 5307 Formula Grants	11,147	—	(4,599)	—	6,548	(6,506)	42
FY 2014 Section 5307-3 Urban Area Formula	—	4,133	—	—	4,133	(4,133)	—
FY 2008 and 2009 Section 5317 New Freedom	4	—	—	(4)	—	—	—
FY 2011 Section 5307 CMAQ	208	—	—	—	208	(208)	—
FY 2005 Section 5309 Fixed Guideway	1,929	—	(334)	—	1,595	(1,575)	20
FY 2006 Section 5309 Bus and Facilities	1,415	—	(1,261)	—	154	(32)	122
FY 2007 Section 5309 Fixed Guideway	2,800	—	(1,373)	—	1,427	(271)	1,156
FY 2008 Section 5309 Fixed Guideway	2,591	—	(1)	—	2,590	(1,473)	1,117
FY 2009 Section 5309 Fixed Guideway	25,736	—	(11,807)	—	13,929	(9,571)	4,358
FY 2010 Section 5309 Fixed Guideway	58,910	—	(23,815)	—	35,095	(31,589)	3,506
FY 2011 Section 5309 Bus and Facilities	34,391	—	(6,020)	—	28,371	(26,633)	1,738
FY 2011 Section 5309 Fixed Guideway	58,172	—	(28,149)	—	30,023	(25,729)	4,294
FY 2012 Section 5307 Urban Area Formula	1,426	—	(1,314)	—	112	(74)	38
FY 2012 Section 5309 Fixed Guideway	63,010	—	(12,220)	—	50,790	(34,375)	16,415
FY 2013 Section 5307 CMAQ and Surface Transportation Program	24,566	14,884	(1,626)	—	37,824	(22,970)	14,854
FY 2013 Section 5309 Bus Livability	3,131	—	(113)	—	3,018	(2,650)	368
FY 2015 Section 5309-1 Bus & Bus Facilities	—	8,995	(8,995)	—	—	—	—
FY 2013 Section 5337 State of Good Repair	28,057	—	(1,956)	—	26,101	(26,028)	73
FY 2014 Section 5337 State of Good Repair	17,730	—	—	—	17,730	(17,730)	—
FY 2015 Section 5337 State of Good Repair	—	24,758	—	—	24,758	(24,758)	—
FY 2013 Section 5339 Bus and Facilities Formula	6,691	—	—	—	6,691	—	6,691
FY 2013 Section 5307 Surface Transportation Program	1,051	—	(595)	—	456	—	456
FY 2014 Section 79-TG-3 Tiger IV OST Surface Transportation Infrastructure	9,021	—	(515)	—	8,506	(8,332)	174
FY 2013 CA Regional Priority Development Area Planning Grant	492	—	(43)	—	449	—	449
FY 2014 Section 5307 Formula Fund	—	44,985	(36,898)	10,805	18,892	(7,324)	11,568
FY 2015 Section 5307 Formula Fund	—	26,091	(6,232)	—	19,859	(639)	19,220
FY 2016 Section 5304 Sustainable Communities	—	300	—	—	300	(293)	7
<b>Total capital grants</b>	<b>\$ 519,419</b>	<b>274,146</b>	<b>(247,856)</b>	<b>10,801</b>	<b>556,510</b>	<b>(438,065)</b>	<b>118,445</b>
Operating grants:							
FY 2007 Section 5317 New Freedom	\$ 34	—	(34)	—	—	—	—
FY 2012 Section 5317 New Freedom	52	—	(5)	—	47	(44)	3
FY 2010 Section 5307 Urban Area Formula	2,899	—	(2,899)	—	—	—	—
FY 2013 Section 5307 CMAQ and Surface Transportation Program	1,600	—	(257)	—	1,343	(1,275)	68
FY 2014 Section 5307 Formula Fund	10,805	—	—	(10,805)	—	—	—
FY 2015 Section 5307 Formula Fund	—	4,690	(3,991)	—	699	(699)	—
FY 2015 FTA Section 5303 Planning	40	—	(40)	—	—	—	—
FY 2016 Section 6002(A) Fixing America's Surface	—	100	—	—	100	—	100
<b>Total operating grants</b>	<b>\$ 15,430</b>	<b>4,790</b>	<b>(7,226)</b>	<b>(10,805)</b>	<b>2,189</b>	<b>(2,018)</b>	<b>171</b>

See accompanying independent auditors' report.

**TRANSIT**

Supplemental Schedule of Grants – California Transportation Commission

Year ended June 30, 2016

(In thousands)

	<b>Authorized grants as of July 1, 2015</b>	<b>New grants approved/ spending commences</b>	<b>Payments received</b>	<b>Expired/ rescinded adjusted grants</b>	<b>Authorized grants as of June 30, 2016</b>	<b>Amounts not expended as of June 30, 2016</b>	<b>Grants receivable as of June 30, 2016</b>
Capital grants:							
FY 2008 Prop 1B: 3rd Street Light Rail	\$ 2,407	—	(117)	—	2,290	(2,290)	—
FY 2008 Prop 1B: Farebox Rehab	27	—	(27)	—	—	—	—
FY 2008 Prop 1B: Metro East Light Rail Vehicle Facility	607	—	—	—	607	(607)	—
FY 2008 Prop 1B: Operator Restrooms	790	—	—	—	790	(790)	—
FY 2008 Prop 1B: Transit Security	45	—	(45)	—	—	—	—
FY 2009 Prop 1B: New Central Subway	3,470	—	(1,103)	—	2,367	(2,367)	—
FY 2009 Prop 1B: High Speed Connectivity	18	—	—	—	18	(18)	—
FY 2009 Prop 1B: Transit Security Infrastructure	136	—	(136)	—	—	—	—
FY 2009 Prop 1B: LRV Rehabilitation	35	—	(35)	—	—	—	—
FY 2010 Prop 1B: Transit Security	1,130	—	(572)	(80)	478	(478)	—
FY 2012 Prop 1B: Transit Security	4,450	—	(4,257)	—	193	(193)	—
FY 2010 Prop 1B: Balboa Park Eastside Connection	680	—	(85)	—	595	(595)	—
FY 2013 Prop 1B: Central Subway	46,187	—	(46,186)	—	1	(1)	—
FY 2011 Prop 1B: Transit Security	366	—	(366)	—	—	—	—
FY 2013 Prop 1B: Transit Security	7,071	—	(43)	—	7,028	(7,028)	—
FY 2013 Prop 1B: Mission Mobility Maximization	4,555	—	(895)	—	3,660	(3,660)	—
FY 2013 Prop 1B: 8X Mobility Maximization	3,280	—	(247)	(216)	2,817	(2,817)	—
FY 2013 Prop 1B: Mission Bay Loop	1,047	—	(149)	—	898	(898)	—
FY 2014 Prop 1B: LRV Procurement	6,580	—	—	—	6,580	(6,580)	—
FY 2014 Prop 1B: Central Subway	81,880	—	(12,839)	—	69,041	(69,041)	—
FY 2014 Prop 1B: Transit Security	—	7,071	(121)	—	6,950	(6,950)	—
FY 2016 Prop 1B: Van Ness Bus Rapid Transit	—	5,550	—	—	5,550	(5,550)	—
Total capital grants	\$ 164,761	12,621	(67,223)	(296)	109,863	(109,863)	—
Operating grant:							
FY 2015 Low Carbon Transit Operations Grant	\$ 2,592	—	(1,873)	—	719	(719)	—
FY 2016 Low Carbon Transit Operations Grant	—	8,157	—	—	8,157	(8,157)	—
Total operating grant	\$ 2,592	8,157	(1,873)	—	8,876	(8,876)	—

See accompanying independent auditors' report.

**TRANSIT**

Supplemental Schedule of Grants – Metropolitan Transportation Commission

Year ended June 30, 2016

(In thousands)

	<u>Authorized grants as of July 1, 2015</u>	<u>New grants approved/ spending commences</u>	<u>Payments received</u>	<u>Expired/ rescinded adjusted grants</u>	<u>Authorized grants as of June 30, 2016</u>	<u>Amounts not expended as of June 30, 2016</u>	<u>Grants receivable as of June 30, 2016</u>
Capital grants:							
Bridge toll:							
Match to Capital Grants	\$ 9,679	237	(822)	(3,248)	5,846	(3,973)	1,873
Total capital grants – Bridge tolls	<u>9,679</u>	<u>237</u>	<u>(822)</u>	<u>(3,248)</u>	<u>5,846</u>	<u>(3,973)</u>	<u>1,873</u>
Regional Measure 2							
Match to Capital Grants	—	—	—	1,875	1,875	(1,192)	683
Total capital grants – Regional Measure 2	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,875</u>	<u>1,875</u>	<u>(1,192)</u>	<u>683</u>
State Transit Assistance:							
Third Street Light Rail	306	—	(305)	—	1	(1)	—
Total capital grants – State Transit Assistance	<u>306</u>	<u>—</u>	<u>(305)</u>	<u>—</u>	<u>1</u>	<u>(1)</u>	<u>—</u>
Total capital grants	<u>\$ 9,985</u>	<u>237</u>	<u>(1,127)</u>	<u>(1,373)</u>	<u>7,722</u>	<u>(5,166)</u>	<u>2,556</u>
Operating grants:							
AB1107 Sales Tax	\$ 3,447	40,262	(43,709)	—	—	—	—
State Transit Assistance	9,317	37,212	(24,557)	—	21,972	—	21,972
Transportation Development Act	4,182	44,335	(48,517)	—	—	—	—
Translink Project – Wayside Fare Collection	14	—	—	—	14	(14)	—
Lifeline Cycle 2 – Shopping Shuttle	16	600	(550)	(42)	24	—	24
RM2:							
Owl Service	—	188	(188)	—	—	—	—
T-Third Light Rail	—	2,500	(2,500)	—	—	—	—
Lifeline Cycle 4							
Expanded Late Night Transit	<u>—</u>	<u>3,512</u>	<u>(701)</u>	<u>—</u>	<u>2,811</u>	<u>(2,811)</u>	<u>—</u>
Total operating grants	<u>\$ 16,976</u>	<u>128,609</u>	<u>(120,722)</u>	<u>(42)</u>	<u>24,821</u>	<u>(2,825)</u>	<u>21,996</u>

See accompanying independent auditors' report.

**TRANSIT**

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2016

(In thousands)

	<b>Authorized grants as of July 1, 2015</b>	<b>New grants approved/ spending commences</b>	<b>Payments received</b>	<b>Expired/ rescinded adjusted grants</b>	<b>Authorized grants as of June 30, 2016</b>	<b>Amounts not expended as of June 30, 2016</b>	<b>Grants receivable as of June 30, 2016</b>
Capital grants:							
Third Street Light Rail Projects	\$ 4,169	2,030	(2,030)	—	4,169	(4,169)	—
Cable Car Infrastructure	813	—	—	(813)	—	—	—
Central Subway	4,991	—	(4,451)	—	540	(122)	418
Escalator Replacement Study	3,672	—	(116)	—	3,556	(2,938)	618
Islais Creek Woods	3,264	—	—	—	3,264	(3,264)	—
Muni Rail Replacement Project	1,649	—	—	—	1,649	(1,649)	—
PCC Streetcars 10-Year Overhaul	828	—	—	(828)	—	—	—
Rail Replacement and Mission Bay Loop	1,571	—	—	—	1,571	(1,571)	—
Central Train Control and Communication (3C)	18,707	—	(2,071)	(2,022)	14,614	(14,158)	456
Van Ness Bus Rapid Transit Environmental Review	5	—	—	(5)	—	—	—
Radio Communications System	59,175	—	(4,125)	—	55,050	(54,651)	399
Bus Rapid Transit (Geary/Van Ness)	4,291	8,298	(961)	(1,928)	9,700	(9,175)	525
Wayside Fare Collection	2,573	—	(1)	—	2,572	(2,572)	—
Balboa Park Intermodal Improvements	1,774	—	—	—	1,774	(1,631)	143
Balboa Park Station Eastside Connection	163	—	(12)	—	151	(151)	—
Motor Coach NABI Replacement	4,196	—	(750)	—	3,446	(3,381)	65
Green Center Rail Replacement	4,090	—	(1,775)	—	2,315	(1,872)	443
Market and Haight Transit and Pedestrian Improvements	273	—	(42)	—	231	(229)	2
Motor Coach Replacement	5,699	—	(1,665)	—	4,034	(3,938)	96
Central Subway Phase 3 Initial Study	6	—	—	—	6	(6)	—
Muni Forward Bike and Pedestrian Integration	131	—	(131)	—	—	—	—
Bayshore Multimodal Station Location	14	—	(13)	—	1	—	1
Glen Park Bus Terminal	85	—	(80)	—	5	—	5
60 Foot Trolley Coach Replacement	20,389	—	(12,368)	—	8,021	(7,187)	834
Phelan Plaza Development	933	—	(83)	—	850	(341)	509
Paratransit 35 Vans Ness	122	—	—	(122)	—	—	—
Muni Forward	11,273	—	(3,567)	—	7,706	(6,820)	886
New Light Rail Vehicles	131,153	—	—	—	131,153	(131,153)	—
Geneva – Harvey Bus Rapid Transit Study	109	135	(217)	—	27	(21)	6
Muni Metro East (MME) Phase II	2,490	—	(354)	—	2,136	(2,097)	39
Fall Protection System	2,014	706	(742)	—	1,978	(1,920)	58
Recplace M-Line Curve Tracks	—	190	(48)	—	142	(130)	12
Procurement of 30, 40 & 60 Ft Hybrid Buses	—	93,626	(11,809)	—	81,817	(76,019)	5,798
Kearny Corridor Multimodal Project	—	100	—	—	100	(100)	—
Ensuring Transit Srv Equity Thru Comm. En	—	39	—	—	39	(38)	1
Fire Life Safety Upgrade	—	400	—	—	400	(393)	7
1570 Burket Facility Renovation	—	4,400	—	—	4,400	(4,337)	63
Total capital grants	\$ 290,622	109,924	(47,411)	(5,718)	347,417	(336,033)	11,384

**TRANSIT**

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2016

(In thousands)

	<u>Authorized grants as of July 1, 2015</u>	<u>New grants approved/ spending commences</u>	<u>Payments received</u>	<u>Expired/ rescinded adjusted grants</u>	<u>Authorized grants as of June 30, 2016</u>	<u>Amounts not expended as of June 30, 2016</u>	<u>Grants receivable as of June 30, 2016</u>
Operating grants:							
Transit Corridor Investment Study	\$ 289	256	(67)	—	478	(75)	403
N-Judah Customer First	<u>393</u>	<u>—</u>	<u>(153)</u>	<u>—</u>	<u>240</u>	<u>(224)</u>	<u>16</u>
Total operating grants	<u>\$ 682</u>	<u>256</u>	<u>(220)</u>	<u>—</u>	<u>718</u>	<u>(299)</u>	<u>419</u>

See accompanying independent auditors' report.

**TRANSIT**

Supplemental Schedule of Grants – Others

Year ended June 30, 2016

(In thousands)

	<u>Authorized grants as of July 1, 2015</u>	<u>New grants approved/ spending commences</u>	<u>Payments received</u>	<u>Expired/ rescinded adjusted grants</u>	<u>Authorized grants as of June 30, 2016</u>	<u>Amounts not expended as of June 30, 2016</u>	<u>Grants receivable as of June 30, 2016</u>
Capital grants:							
Homeland Security:							
FY 2008 CA Emergency Management Agency – Transit Security	\$ 1	—	—	—	1	(1)	—
FY 2011 Federal Homeland Security – TSA K9 Project	1,174	—	(219)	—	955	(908)	47
FY 2013 Transit Security Grant Program	<u>1,570</u>	<u>—</u>	<u>(1,569)</u>	<u>(1)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total capital grants	\$ <u>2,745</u>	<u>—</u>	<u>(1,788)</u>	<u>(1)</u>	<u>956</u>	<u>(909)</u>	<u>47</u>
Operating in nature grants:							
BAAQMD–TFCA 82X Shuttle Service	122	—	(52)	—	70	—	70
FY 2014 Transit Security Grant Program	2,810	—	(1,773)	—	1,037	(84)	953
FY 2015 Transit Security Grant Program	<u>—</u>	<u>4,663</u>	<u>—</u>	<u>—</u>	<u>4,663</u>	<u>(4,427)</u>	<u>236</u>
Total operating grants	\$ <u>2,932</u>	<u>4,663</u>	<u>(1,825)</u>	<u>—</u>	<u>5,770</u>	<u>(4,511)</u>	<u>1,259</u>

See accompanying independent auditors' report.

**SUSTAINABLE STREETS**

Supplemental Schedule of Grants – Federal

Year ended June 30, 2016

(In thousands)

	<b>Authorized grants as of July 1, 2015</b>	<b>New grants approved/ spending commences</b>	<b>Payments received</b>	<b>Expired/ rescinded adjusted grants</b>	<b>Authorized grants as of June 30, 2016</b>	<b>Amounts not expended as of June 30, 2016</b>	<b>Grants receivable as of June 30, 2016</b>
Capital grants:							
FY 2009 CMAQ – SF Park	\$ 1,665	—	(419)	—	1,246	(795)	451
FY 2012 Section 4314 Transportation Community and System Preservation	8	—	(8)	—	—	—	—
FY 2012 Highway Safety Improvement – Bayshore Paul Signals	48	—	(32)	—	16	(16)	—
FY 2013 Section 5307 Surface Transportation	507	—	(498)	—	9	(9)	—
FY 2012 Safe Routes to School – Chinatown	244	—	(88)	—	156	(18)	138
FY 2010 Highway Safety Improvement–Sunset New Signals	105	—	—	—	105	(105)	—
FY 2012 CMAQ – Outer Sunset	549	—	(417)	—	132	(132)	—
FY 2012 Surface Transportation – Church and Duboce	116	—	—	—	116	(116)	—
FY 2013 Highway Safety Improgram – Continental Crosswalks	312	—	(150)	—	162	(16)	146
FY 2013 Highway Safety Improgram – Masonic Signals Project	739	—	(572)	(33)	134	(58)	76
FY 2013 Safe Routes to School – Jefferson SRTS Project	303	—	(256)	—	47	(36)	11
FY 2013 Highway Safety Improvement – Rail Signals	717	—	—	—	717	(562)	155
FY 2013 Surface Transportation – Mansell Corridor Complete Streets	1,730	—	(105)	—	1,625	(438)	1,187
FY 2014 Highway Safety Improvement Program – Polk Street Signals	1,538	—	(93)	—	1,445	(1,371)	74
FY 2016 and 2017 Highway Safety Improvement Program – South Van Ness Pedestrian Signals Projects	254	1,339	(99)	—	1,494	(1,433)	61
FY 2015 State Transportation Improvement – Twin Peaks Connectivity	168	—	(24)	—	144	(113)	31
FY 2013 State Transportation Improvement – Crosswalks	245	—	(68)	—	177	(174)	3
<b>Total capital grants</b>	<b>\$ 9,248</b>	<b>1,339</b>	<b>(2,829)</b>	<b>(33)</b>	<b>7,725</b>	<b>(5,392)</b>	<b>2,333</b>
Operating in nature:							
TEA Pedestrian Safety Education	\$ 20	—	—	—	20	—	20
Inner Sunset Traffic Calming and Transit Enhancement	69	—	—	—	69	(69)	—
Inner Sunset Traffic Calming and Transit Enhancement	73	—	—	—	73	(73)	—
Tenderloin Pedestrian Improvements	279	—	—	—	279	(279)	—
Golden Gate Park Pedestrian Improvements	63	—	—	—	63	(3)	60
Various Bike Network Improvements	8	—	—	—	8	(8)	—
Chinatown Safe Routes to School	25	—	—	—	25	(25)	—
Van Ness Corridor Improvement	566	—	(89)	—	477	(471)	6
Fulton Curb Ramps	71	—	—	(71)	—	—	—
Bayshore and Paul Signal Upgrade Design	2	—	—	—	2	(2)	—
Parking Guidance Project	747	—	(522)	—	225	—	225
Sunset Boulevard New Traffic Signal Design	26	—	—	—	26	(26)	—
Alamo School Safe Routes to School	576	—	(451)	—	125	(112)	13
SFGO Van Ness Corridor Management – TSP/BRT	17,248	—	(1,872)	—	15,376	(15,347)	29
Sunset Blvd Ped Safety Education Program	17	—	—	—	17	(17)	—
SF Bicycle Parking Program	27	—	(15)	—	12	(12)	—
Pedestrian Safety Program	4	—	—	—	4	(2)	2
Masonic Avenue Signal Upgrade	66	—	(21)	—	45	(45)	—
FY 2007 Safe Routes to School	29	—	—	—	29	(29)	—
FY 2012 Safe Routes to School – Tenderloin	757	—	(21)	—	736	(378)	358
FY 2012 Safe Transportation Improvement – Ped Countdown	112	—	(112)	—	—	—	—
FY 2013 Safe Routes to School – Denman	67	760	(25)	—	802	(743)	59
FY 2012 State Transportation Improvement – Church and Duboce	18	—	—	—	18	(1)	17
VPPL-6328(054) Link Price Elec	1,304	—	(30)	—	1,274	(1,229)	45
FY 2010 and 2011 State Transportation Improvement Program – SF Pedestrian Safety and Encouragement	395	—	(231)	—	164	(24)	140
FY 2013 CA Regional Priority Development Area Planning – Various Projects	2,181	—	(193)	—	1,988	(509)	1,479
FY 2015 State Active Transportation Program – SF Safer Street Campaign	—	2,000	—	—	2,000	(1,783)	217
<b>Total operating in nature</b>	<b>\$ 24,750</b>	<b>2,760</b>	<b>(3,582)</b>	<b>(71)</b>	<b>23,857</b>	<b>(21,187)</b>	<b>2,670</b>

See accompanying independent auditors' report.

**SUSTAINABLE STREETS**

Supplemental Schedule of Grants – California Transportation Commission

Year ended June 30, 2016

(In thousands)

	<u>Authorized grants as of July 1, 2015</u>	<u>New grants approved/ spending commences</u>	<u>Payments received</u>	<u>Expired/ rescinded adjusted grants</u>	<u>Authorized grants as of June 30, 2016</u>	<u>Amounts not expended as of June 30, 2016</u>	<u>Grants receivable as of June 30, 2016</u>
Capital grants:							
Prop IB – Persia Triangle Improvements	\$ —	—	(304)	529	225	(225)	—
Prop IB – Hunter’s View Transit Connection	—	—	—	13	13	(13)	—
Prop 1B – 8X Mobility Maximization	—	—	(13)	216	203	(203)	—
Prop 1B – Transit Security	—	—	(80)	80	—	—	—
Total capital grants	\$ <u>—</u>	<u>—</u>	<u>(397)</u>	<u>838</u>	<u>441</u>	<u>(441)</u>	<u>—</u>
Operating in nature grants:							
Randolph/Farralones/Orizaba Transit Access							
Pedestrian Safety	\$ 125	—	(122)	—	3	(3)	—
Addison and Dighy Traffic Circle	63	—	—	—	63	(63)	—
Van Ness Corridor Improvement	1,943	—	(1,942)	—	1	(1)	—
Prop IB – Persia Triangle Improvements	529	—	—	(529)	—	—	—
Prop IB – Hunter’s View Transit Connection	13	—	—	(13)	—	—	—
Class II and III Bikeways	260	—	—	—	260	(125)	135
West Portal Improvements to School Access	162	—	—	—	162	(162)	—
Western Approach to SFO Bay Bridge	8	—	(8)	—	—	—	—
Jean Parker Safe Routes to School	413	—	(47)	—	366	(362)	4
Total operating in nature grants	\$ <u>3,516</u>	<u>—</u>	<u>(2,119)</u>	<u>(542)</u>	<u>855</u>	<u>(716)</u>	<u>139</u>

See accompanying independent auditors’ report.

**SUSTAINABLE STREETS**

Supplemental Schedule of Grants – Metropolitan Transportation Commission

Year ended June 30, 2016

(In thousands)

	<u>Authorized grants as of July 1, 2015</u>	<u>New grants approved/ spending commences</u>	<u>Payments received</u>	<u>Expired/ rescinded adjusted grants</u>	<u>Authorized grants as of June 30, 2016</u>	<u>Amounts not expended as of June 30, 2016</u>	<u>Grants receivable as of June 30, 2016</u>
Capital in nature grants:							
TDA:							
TDA FY2016 Allocation	\$ —	511	—	—	511	(511)	—
CBTP:							
Western Addition CBTP	—	60	—	—	60	(60)	—
Total capital in nature grants	\$ <u>—</u>	<u>571</u>	<u>—</u>	<u>—</u>	<u>571</u>	<u>(571)</u>	<u>—</u>
Operating in nature grants:							
TDA:							
Market and Octavia Bicycle Markings	\$ 6	—	(6)	—	—	—	—
Bicycle Safety Education	3	—	(3)	—	—	—	—
Bicycle Facility	3	—	(2)	(1)	—	—	—
Green Lanes Project	10	—	—	(1)	9	—	9
Bicycle Share System	121	—	(105)	—	16	—	16
Folsom-Essex Bicycle Improvements	28	—	(26)	—	2	—	2
Raised Cycletrack Demonstration	33	—	(21)	(10)	2	—	2
Long-term Bike Parking	200	—	—	—	200	(181)	19
FY2015 Bicycle Projects, Safety and Outreach	132	—	—	(132)	—	—	—
Second Street VZIP Improvements	59	—	(21)	—	38	(4)	34
Polk Street Southbound Bicycle Lane	29	—	—	(29)	—	—	—
King Street Bike Lanes	18	—	—	—	18	(2)	16
Howard Street Buffered Bicycle Lane	95	—	—	—	95	(75)	20
Fell & Oak Bikeway Improvements	—	98	—	—	98	(98)	—
Folsom-Essex Bicycle Improvements - FY2015	—	26	—	—	26	(21)	5
Polk Street Southbound Bicycle Lane	—	29	—	—	29	(26)	3
Electronic Bicycle Lockers	—	8	—	—	8	—	8
Bridge Tolls (RM2):							
Mission/Geneva Pedestrian Improvements – Construction	93	—	—	(93)	—	—	—
Balboa Park Station Connection Phase II – Signals and Signs	55	—	(9)	—	46	(46)	—
Bicycle Transit System Integration	26	—	—	—	26	(26)	—
Polk Street Bicycle Gap Closure	29	—	(29)	—	—	—	—
Total operating in nature grants	\$ <u>940</u>	<u>161</u>	<u>(222)</u>	<u>(266)</u>	<u>613</u>	<u>(479)</u>	<u>134</u>

See accompanying independent auditors' report.

**SUSTAINABLE STREETS**

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2016

(In thousands)

	<b>Authorized grants as of July 1, 2015</b>	<b>New grants approved/ spending commences</b>	<b>Payments received</b>	<b>Expired/ rescinded adjusted grants</b>	<b>Authorized grants as of June 30, 2016</b>	<b>Amounts not expended as of June 30, 2016</b>	<b>Grants receivable as of June 30, 2016</b>
Capital in nature grants:							
Bicycle Program Projects	\$ —	882	(140)	—	742	(629)	113
Pedestrian Safety Program Projects	—	2,100	(373)	—	1,727	(1,699)	28
Traffic Calming Program Projects	—	375	(271)	—	104	(85)	19
Traffic Signal/Traffic Sign Projects	—	9,949	(2,101)	—	7,848	(6,952)	896
Transit Study & Street Improvement Projects	—	533	(227)	—	306	(258)	48
Transportation Demand/Parking Management	—	60	—	—	60	(60)	—
Total capital in nature grants	<u>\$ —</u>	<u>13,899</u>	<u>(3,112)</u>	<u>—</u>	<u>10,787</u>	<u>(9,683)</u>	<u>1,104</u>
Pass-thru grants capital in nature:							
Bicycle Program Projects	\$ —	529	(69)	—	460	(309)	151
Total pass-thru grants capital in nature	<u>\$ —</u>	<u>529</u>	<u>(69)</u>	<u>—</u>	<u>460</u>	<u>(309)</u>	<u>151</u>
Operating in nature grants:							
Bicycle Program Projects	\$ 2,663	—	(1,573)	(11)	1,079	(803)	276
Pedestrian Safety Program Projects	2,747	655	(1,124)	(70)	2,208	(1,868)	340
Traffic Calming Program Projects	1,614	—	(337)	(26)	1,251	(1,176)	75
Traffic Signal/Traffic Sign Projects	7,470	300	(2,185)	(215)	5,370	(4,437)	933
Transit Study and Street Improvement Projects	3,703	—	(331)	(59)	3,313	(1,301)	2,012
Taxi Vehicle Alternative Fuel Program	202	—	(107)	—	95	(4)	91
Transportation Demand/Parking Management	100	—	—	—	100	(100)	—
Total operating in nature grants	<u>\$ 18,499</u>	<u>955</u>	<u>(5,657)</u>	<u>(381)</u>	<u>13,416</u>	<u>(9,689)</u>	<u>3,727</u>
Pass-through grants operating in nature:							
Bicycle Program Projects	\$ 235	—	(163)	—	72	(72)	—
Traffic Calming Projects	131	—	(109)	—	22	(19)	3
Transportation Demand/Parking Management	498	—	(302)	—	196	(33)	163
Transportation Outreach	—	244	—	—	244	(222)	22
Total pass-through grants operating in nature	<u>\$ 864</u>	<u>244</u>	<u>(574)</u>	<u>—</u>	<u>534</u>	<u>(346)</u>	<u>188</u>

See accompanying independent auditors' report.

**SUSTAINABLE STREETS**

Supplemental Schedule of Grants – Others

Year ended June 30, 2016

(In thousands)

	<u>Authorized grants as of July 1, 2015</u>	<u>New grants approved/ spending commences</u>	<u>Payments received</u>	<u>Expired/ rescinded adjusted grants</u>	<u>Authorized grants as of June 30, 2016</u>	<u>Amounts not expended as of June 30, 2016</u>	<u>Grants receivable as of June 30, 2016</u>
Capital grant:							
Electronic Bicycle Lockers	\$ —	40	—	—	40	—	40
Total capital grant	\$ —	40	—	—	40	—	40
Operating in nature grants:							
OCII – 6th Street Pedestrian Safety Improvements	\$ 526	—	—	—	526	(517)	9
Total operating in nature grants	\$ 526	—	—	—	526	(517)	9

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Schedule of Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA)

Year ended June 30, 2016

(In thousands)

Project Title	Allocation	Beginning Balance July 1, 2015	Additions	Reassigned Allocation	Interest Earned	Reassigned Interest Earnings	Expenditures	Ending Balance June 30, 2016
<b>First Allocation Fiscal Year 2007–2008</b>								
Third Street Light Rail Interest	\$ —	58	—	—	15	—	—	73
Third Street/Metro East-CP/Other Direct	3,700	2,407	—	(2,200)	—	—	—	207
LRV4 VCC Support	—	—	—	2,200	—	—	(117)	2,083
Subtotal PTSB01	3,700	2,465	—	—	15	—	(117)	2,363
Auto Passenger Count	1,200	1	—	—	—	—	—	1
New Central Subway	1,300	—	—	—	—	—	—	—
Subtotal PTSB02	2,500	1	—	—	—	—	—	1
Trolley Overhead Reconstruction	2,267	—	—	—	1	—	—	1
Mid-Life Rehabilitation of Neoplan Buses	733	—	—	—	—	—	—	—
New Propulsion Rehabilitation Campaign	—	6	—	—	—	—	(6)	—
Subtotal PTSB03	3,000	6	—	—	1	—	(6)	1
STA Prop 1B, FY0708, Farebox Rehab	—	3	—	—	2	—	—	5
Operator-Restroom	—	—	—	27	—	—	(27)	—
Farebox Rehabilitation	19,590	—	—	—	—	—	—	—
Neoplan Life Cycle Rehabilitation	223	—	—	—	—	—	—	—
Vehicle Video Surveillance Replacement	80	—	—	—	—	—	—	—
14 Mission Customer First	80	—	—	—	—	—	—	—
Transportation Capital Infrastructure Account	27	27	—	(27)	—	—	—	—
New Propulsion Rehabilitation Campaign	—	38	—	—	—	—	(38)	—
Subtotal PTSB04	20,000	68	—	—	2	—	(65)	5
STA Prop 1B, FY0708, Geneva	—	—	—	—	3	—	—	3
Historic Streetcar Shed	6,092	—	—	—	—	—	—	—
New Central Subway	1,200	—	—	—	—	—	—	—
14 Mission Customer First	208	—	—	—	—	—	—	—
New Propulsion Rehabilitation Campaign	—	108	—	—	—	—	(108)	—
Subtotal PTSB05	7,500	108	—	—	3	—	(108)	3
<b>Total First Allocation Fiscal Year 2007–2008</b>	<b>36,700</b>	<b>2,648</b>	<b>—</b>	<b>—</b>	<b>21</b>	<b>—</b>	<b>(296)</b>	<b>2,373</b>
<b>Second Allocation Fiscal Year 2007–2008</b>								
STA Prop 1B, FY0708, Metro East LRV	—	5	—	—	8	—	—	13
New Third Street Light Rail	8,052	—	—	—	—	—	—	—
FY10 TSGP Subway CCTV Surveillance System	700	—	—	—	—	—	—	—
Vehicle Video Surveillance Replacement	607	607	—	—	—	—	—	607
Capital Program Controls System Procurement	—	6	—	—	—	—	—	6
14 Mission Customer First	341	—	—	—	—	—	—	—
LRV ATCS Antenna Replacement	—	221	—	—	—	—	(165)	56
New Propulsion Rehabilitation Campaign	—	27	—	—	—	—	(27)	—
Subtotal PTSB06	9,700	866	—	—	8	—	(192)	682
STA Prop 1B, FY0708, Operator Restroom	—	22	—	—	5	—	—	27
Operator Restrooms	2,165	—	—	—	—	—	—	—
Wood Lifts Heavy Maintenance Shop	10	—	—	—	—	—	—	—
Cable Car Safety & Reliability Improvement	422	422	—	—	—	—	—	422
Transportation Capital Infrastructure Account	368	368	—	—	—	—	—	368
Subtotal PTSB07	2,965	812	—	—	5	—	—	817
STA Prop 1B, FY0708, Wsysd Fare Collect Eq	—	35	—	—	—	—	—	35
Wayside Fare Collection	1,000	—	—	—	—	—	—	—
New Propulsion Rehabilitation Campaign	—	10	—	—	—	—	(10)	—
Subtotal PTSB08	1,000	45	—	—	—	—	(10)	35
<b>Total Second Allocation Fiscal Year 2007–2008</b>	<b>\$ 13,665</b>	<b>1,723</b>	<b>—</b>	<b>—</b>	<b>13</b>	<b>—</b>	<b>(202)</b>	<b>1,534</b>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Schedule of Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA)

Year ended June 30, 2016

(In thousands)

Project Title	Allocation	Beginning Balance July 1, 2015	Additions	Reassigned Allocation	Interest Earned	Reassigned Interest Earnings	Expenditures	Ending Balance June 30, 2016
<b>First Allocation Fiscal Year 2008–2009</b>								
STA Prop 1B, FY0910, Central Subway	\$ —	34	—	—	23	—	—	57
Operator-Restroom	—	—	—	19	—	—	(16)	3
New Central Subway	20,000	—	—	—	—	—	—	—
Wayside/Central Train Control System	3,345	1,834	—	—	—	—	(350)	1,484
Mid-Life Rehabilitation of Neoplan Buses	1,424	79	—	(19)	—	—	(60)	—
Subway CCTV Surveillance System	1,169	79	—	—	—	—	—	79
Vehicle Video Surveillance Replacement	1,144	682	—	—	—	—	(18)	664
14 Mission Customer First	786	—	—	96	—	—	—	96
Fall Protection Scaffolding	825	52	—	(50)	—	—	—	2
8X Customer First	562	—	—	—	—	—	—	—
Safer Market Street	745	745	—	(96)	—	—	(641)	8
Flynn Lift	—	—	—	50	—	—	(20)	30
Subtotal PTSB11	30,000	3,505	—	—	23	—	(1,105)	2,423
STA Prop 1B, FY0910, Interim Line Mgt	—	19	—	—	—	—	—	19
Central Control and Communications Program	400	—	—	—	—	—	—	—
Subtotal PTSB12	400	19	—	—	—	—	—	19
STA Prop 1B, FY0910, Lt RI Op Cont Ctr	—	58	—	—	—	—	—	58
Central Control and Communications Program	1,300	—	—	—	—	—	—	—
Subtotal PTSB13	1,300	58	—	—	—	—	—	58
STA Prop 1B, FY0809, Persia Triangle	—	7	—	—	1	—	—	8
Persia Triangle Improvements	127	114	—	—	—	—	—	114
Subtotal PKSB01	127	121	—	—	1	—	—	122
STA Prop 1B, FY0809, Randolph/Farallones	—	3	—	—	—	—	—	3
Randolph/Farallones/Orizaba	85	4	—	—	—	—	—	4
Subtotal PKSB01	85	7	—	—	—	—	—	7
<b>Total First Allocation Fiscal Year 2008–2009</b>	<b>31,912</b>	<b>3,710</b>	<b>—</b>	<b>—</b>	<b>24</b>	<b>—</b>	<b>(1,105)</b>	<b>2,629</b>
<b>Third Allocation Fiscal Year 2007–2008 and Second Allocation 2008–2009</b>								
STA Prop 1B, FY0910, LRV Rehab Program	—	14	—	—	—	—	—	14
LRV Safety Mods and Overhaul Project	3,638	—	—	—	—	—	—	—
Subtotal PTSB14	3,638	14	—	—	—	—	—	14
STA Prop 1B, FY0910, Central Subway	—	—	—	—	1	—	—	1
New Central Subway	352	—	—	—	—	—	—	—
Subtotal PTSB15	352	—	—	—	1	—	—	1
STA Prop 1B, FY0910, High Speed Connectivity	—	25	—	—	—	—	—	25
Central Control & Comm (C3) Program	817	17	—	—	—	—	—	17
Sub-total PTSB16	817	42	—	—	—	—	—	42
<b>Total Third Allocation Fiscal Year 2007–2008 and Second Allocation 2008–2009</b>	<b>4,807</b>	<b>56</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>57</b>
<b>Third Allocation Fiscal Year 2008–2009</b>								
STA Prop 1B, FY0809, LRV Rehabilitation	—	110	—	—	4	—	—	114
LRV Safety Mods and Overhaul Project	5,262	35	—	—	—	—	(35)	—
Capital Program Controls Syst Procurement	—	61	—	—	—	—	(1)	60
Subtotal PTSB18	5,262	206	—	—	4	—	(36)	174
STA Prop 1B, FY0809, LRV Restoration Prgm	—	44	—	—	—	—	—	44
LRV Collision Repairs	3,831	—	—	—	—	—	—	—
Subtotal PTSB19	3,831	44	—	—	—	—	—	44
STA Prop 1B, FY0809, Central Subway	—	—	—	—	1	—	—	1
New Central Subway	719	—	—	—	—	—	—	—
Subtotal PTSB20	719	—	—	—	1	—	—	1
<b>Total Third Allocation Fiscal Year 2008–2009</b>	<b>\$ 9,812</b>	<b>250</b>	<b>—</b>	<b>—</b>	<b>5</b>	<b>—</b>	<b>(36)</b>	<b>219</b>

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Schedule of Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA)

Year ended June 30, 2016

(In thousands)

<u>Project Title</u>	<u>Allocation</u>	<u>Beginning Balance July 1, 2015</u>	<u>Additions</u>	<u>Reassigned Allocation</u>	<u>Interest Earned</u>	<u>Reassigned Interest Earnings</u>	<u>Expenditures</u>	<u>Ending Balance June 30, 2016</u>
<b>First Allocation Fiscal Year 2009–2010</b>								
STA Prop 1B, FY0910, PTMISEA Funds	\$ —	18	—	—	8	(8)	—	18
New Central Subway	20,216	—	—	—	—	—	—	—
LRV Collision Repairs	770	—	—	—	—	—	—	—
Mid-life Rehabilitation of Neoplan Buses	700	—	—	—	—	—	—	—
Balboa Park Station Eastside Connection	864	680	—	—	—	—	(85)	595
Capital Program Controls System Procurement	—	103	—	—	—	—	(2)	101
LRV ATCS Antenna Replacement	—	72	—	—	—	—	(20)	52
Hunters View Revitalize Transit Stop Connection	510	13	—	—	—	—	—	13
New Propulsion Rehabilitation Campaign	—	3	—	—	—	—	(3)	—
Safer Market Street	—	—	—	—	—	8	—	8
Subtotal PTSB22	23,060	889	—	—	8	—	(110)	787
<b>Total First Allocation Fiscal Year 2009–2010</b>	23,060	889	—	—	8	—	(110)	787
<b>Second Allocation Fiscal Year 2009–2010</b>								
STA Prop 1B, FY0910, PTMISEA Funds	—	3	—	—	4	—	—	7
New Central Subway	16,045	—	—	—	—	—	—	—
Capital Program Controls System Procurement	—	54	—	—	—	—	(1)	53
LRV ATCS Antenna Replacement	—	208	—	—	—	—	(57)	151
Subtotal PTSB23	16,045	265	—	—	4	—	(58)	211
STA Prop 1B, FY0910, Randolph/Farallones	—	9	—	—	1	—	—	10
11151/686A26 Randolph/Farallones/Orizaba	395	122	—	—	—	—	(122)	—
Subtotal PKSB03	395	131	—	—	1	—	(122)	10
<b>Total Second Allocation Fiscal Year 2009–2010</b>	16,440	396	—	—	5	—	(180)	221
<b>Third Allocation Fiscal Year 2009–2010</b>								
STA Prop1B, Central Subway & Persia	—	5	—	—	10	—	—	15
Persia Triangle Improvements	676	405	—	—	—	—	(314)	91
New Central Subway	48,400	—	—	—	—	—	—	—
Central Subway Goodwill	—	55	—	—	—	—	—	55
Capital Program Controls System Procurement	—	14	—	—	—	—	—	14
LRV ATCS Antenna Replacement	—	512	—	—	—	—	(405)	107
UCSF Platform Extension and Crossover Track	—	63	—	—	—	—	—	63
Subtotal PTSB24	49,076	1,054	—	—	10	—	(719)	345
<b>Total Third Allocation Fiscal Year 2009–2010</b>	49,076	1,054	—	—	10	—	(719)	345
<b>First Allocation Fiscal Year 2010–2011</b>								
STA Prop1B, FY1213, PTMISEA Fnds Central	—	275	—	—	225	(95)	—	405
New Central Subway	117,681	46,186	—	—	—	—	(46,186)	—
FY10 TSGP Subway CCTV Surveillance System	—	—	—	—	—	95	—	95
LRV 2/3 ATCS Antenna Replacement	—	680	—	—	—	—	(680)	—
New Propulsion Rehab Campaign	—	377	—	—	—	—	(377)	—
UCSF Platform Ext and Crossover Track	—	377	—	—	—	—	—	377
Subtotal PTSB26	117,681	47,895	—	—	225	—	(47,243)	877
<b>Total First Allocation Fiscal Year 2010–2011</b>	\$ 117,681	47,895	—	—	225	—	(47,243)	877

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**  
Schedule of Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA)  
Year ended June 30, 2016  
(In thousands)

Project Title	Allocation	Beginning Balance July 1, 2015	Additions	Reassigned Allocation	Interest Earned	Reassigned Interest Earnings	Expenditures	Ending Balance June 30, 2016
<b>Second Allocation Fiscal Year 2010–2011</b>								
STA Prop 1B, FY13, PTMISEA Mission Mobility	\$ —	67	—	—	26	—	—	93
14 Mission Customer First	836	811	—	—	—	—	(286)	525
Muni Forward-West Portal/St Francis Circle	1,743	1,700	—	—	—	—	(353)	1,347
Cable Car Safety and Reliability Improvement	978	615	—	—	—	—	(228)	387
Muni Forward-Lower Haight Street (71)	1,500	1,428	—	—	—	—	(28)	1,400
Subtotal PTSB27	5,057	4,621	—	—	26	—	(895)	3,752
STA Prop 1B, FY13, PTMISEA 8X Mobility Max	—	65	—	—	20	—	—	85
8X Customer First	1,763	1,504	—	—	—	—	(40)	1,464
Operator Restrooms	186	5	—	—	—	—	(5)	—
FY10 TSGP Subway CCTV Surveillance System	1,060	—	—	—	—	—	—	—
Balboa Park Station Area and Plaza Improvement	1,460	955	—	—	—	—	(202)	753
Transportation Capital Infrastructure	816	816	—	(216)	—	—	—	600
New Propulsion Rehab Campaign	—	—	—	—	—	—	—	—
Potrero Hill Pedestrian Safety & Transit Improv	—	—	—	216	—	—	(13)	203
Subtotal PTSB28	5,285	3,345	—	—	20	—	(260)	3,105
STA Prop 1B, FY13, PTMISEA Mission Bay Loop	—	17	—	—	6	—	—	23
Mission Bay Transit Loop	1,382	1,046	—	—	—	—	(149)	897
Subtotal PTSB29	1,382	1,063	—	—	6	—	(149)	920
<b>Total Second Allocation Fiscal Year 2010–2011</b>	11,724	9,029	—	—	52	—	(1,304)	7,777
<b>First Allocation Fiscal Year 2013–2014</b>								
STA Prop 1B, FY14, LRV Procurement	—	16	—	—	38	—	—	54
Van Ness Bus Rapid Transit	—	—	—	639	—	—	—	639
Procurement of New Light Rail Vehicles	6,580	6,580	—	(6,580)	—	—	—	—
Elevator Safety & Reliability Project	—	—	—	2,200	—	—	—	2,200
Transportn Capital Infrastructure Act	—	—	—	3,741	—	—	—	3,741
Sub-total PTSB31	6,580	6,596	—	—	38	—	—	6,634
STA Prop 1B, FY14, Central Subway	—	203	—	—	475	—	—	678
New Central Subway	81,880	81,880	—	—	—	—	(12,839)	69,041
Sub-total PTSB33	81,880	82,083	—	—	475	—	(12,839)	69,719
Van Ness Bus Rapid Transit	5,550	—	5,550	—	14	—	—	5,564
Sub-total PTSB36	5,550	—	5,550	—	14	—	—	5,564
<b>Total First Allocation Fiscal Year 2013–2014</b>	94,010	88,679	5,550	—	527	—	(12,839)	81,917
<b>Grand Total</b>	\$ 408,887	156,329	5,550	—	891	—	(64,034)	98,736

See accompanying independent auditors' report.



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**Independent Auditors' 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, Board of Supervisors,  
and San Francisco Municipal Transportation Agency Board of Directors  
City and County of San Francisco, California:

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 (the City) as of and for the year then ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2016. Our report includes a reference to other auditors who audited the financial statements of certain entities to the SFMTA financial statements. Our report included an emphasis of matter paragraph related to the SFMTA's adoption of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and Statement No. 82, *Pension Issues*. The financial statements of the City of San Francisco Portsmouth Plaza Parking Corporation were not audited in accordance with *Government Auditing Standards*.

**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) to determine the 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 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 may exist that have not been identified.



### **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 determination of financial statement amounts. 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 SFMTA'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 SFMTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

San Francisco, California  
October 21, 2016