



SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Financial Statements
and Supplemental Schedules

June 30, 2013

(With Independent Auditors' Report Thereon)

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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KPMG LLP
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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) of the City and County of San Francisco, California (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the SFMTA's basic 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 audit. We did not audit the financial statements of the City of San Francisco Uptown Parking Corporation, the City of San Francisco Japan Center Garage Corporation, the City of San Francisco Portsmouth Plaza Parking Corporation, the City of San Francisco Ellis-O'Farrell Parking Corporation and the City of San Francisco Downtown Parking Corporation, which statements reflect total assets constituting 1.1%, 0.05%, 0.1%, 0.35%, and 0.57% percent, respectively, of total assets at June 30, 2013, and total revenues constituting 2.3%, 0.33%, 0.33%, 0.13%, and 0.14% percent, respectively, of total revenues for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of San Francisco Uptown Parking Corporation, the City of San Francisco Japan Center Garage Corporation, the City of San Francisco Portsmouth Plaza Parking Corporation, the City of San Francisco Ellis-O'Farrell Parking Corporation, and the City of San Francisco Downtown Parking Corporation, is based solely on the report of the other auditors. We conducted our audit 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.

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 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 entity'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SFMTA as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1, the financial statements present only the SFMTA and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2013, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of SFMTA 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 taken as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2013 on our consideration of 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

October 25, 2013

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2013

(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, 2013. 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 exceeded their liabilities by \$2,266,437 and \$2,095,480 at the close of fiscal years ended June 30, 2013 and 2012, respectively.
- The SFMTA's total net position increased by \$170,957 in 2013 and increased by \$134,560 in 2012 over the prior fiscal year.
- Total net investment in capital assets were \$2,125,062 and \$2,072,355 at June 30, 2013 and 2012, respectively, an increase of 2.5% over the prior year.

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 financial statements include the San Francisco Municipal Railway (Muni), the operations of the Sustainable Streets (which includes functions of the entity previously named the Department of Parking and Traffic), Taxi regulatory operations, and three nonprofit parking garage corporations. Muni provides transit service within the City and County of San Francisco (the City). The Sustainable Streets operation manages 40 City-owned parking garages, metered parking lots, and all traffic engineering functions with the City. Taxi services regulates the taxi industry in San Francisco. The nonprofit parking garage corporations manage three garages on behalf of the City. As explained in Note 2(a) to the financial statements (found on page 20), the SFMTA applies Governmental Accounting Standards Board (GASB) Statements. The SFMTA is an integral part of 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).

The statement of net position (found on pages 15 and 16) presents information on all of the SFMTA's assets and liabilities, with the difference between the two reported as net 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, 2013.

The statement of revenues, expenses, and changes in net position (found on page 17) presents information showing how the SFMTA's net position changed during the fiscal year ended June 30, 2013. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The statement of cash flows (found on pages 18 and 19) presents information about the cash receipts and payments of the SFMTA during the fiscal year ended June 30, 2013. 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

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(Dollars in thousands, unless otherwise noted)

information in the statement 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.

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 38 of this report.

Other Information

The supplemental schedules found on pages 39 through 54 of this report are presented for the purpose of 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 exceeded liabilities by \$2,266,437 at the close of the most recent fiscal year.

Condensed Summary of Net Position

June 30, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets:			
Total current assets	\$ 851,996	584,797	442,559
Total restricted assets	16,984	17,858	21,064
Total other noncurrent assets	788	1,608	1,817
Capital assets, net	<u>2,192,682</u>	<u>2,115,706</u>	<u>2,029,078</u>
Total assets	<u>\$ 3,062,450</u>	<u>2,719,969</u>	<u>2,494,518</u>
Liabilities:			
Total current liabilities	\$ 420,544	302,190	221,280
Total noncurrent liabilities	<u>375,469</u>	<u>322,299</u>	<u>312,318</u>
Total liabilities	<u>\$ 796,013</u>	<u>624,489</u>	<u>533,598</u>
Net position:			
Net investment in capital assets	\$ 2,125,062	2,072,355	1,982,276
Restricted	15,914	16,617	19,898
Unrestricted	<u>125,461</u>	<u>6,508</u>	<u>(41,254)</u>
Total net position	<u>\$ 2,266,437</u>	<u>2,095,480</u>	<u>1,960,920</u>

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June 30, 2013

(Dollars in thousands, unless otherwise noted)

Fiscal Year 2013

During the fiscal year 2013, current assets increased by \$267 million or 46%. The increase includes unrestricted cash and investments of \$240 million, receivables of \$25 million and \$2 million in inventories. The cash and investments increase is attributable to cash balances from bond issuance, higher net operating revenues, City general fund subsidy, and grants reimbursements received compared to prior year.

The SFMTA's net position increased by 8.2% compared to the prior year. The increase in net position is partly attributable to increases in operating revenues, nonoperating revenues, capital contributions, and transfers, offset by increases in operating expenses.

The largest portion of the SFMTA's net position (\$2,125,062 as of June 30, 2013) 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 \$3,672,714 is offset by accumulated depreciation of \$1,480,032 and related debt of \$67,620. More information can be found in Note 5 on page 26. 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 2012

The SFMTA's net position increased by \$134,560 compared to the prior year. The increase in net position is partly attributable to increases in operating revenues, nonoperating revenues, capital contributions, and transfers, offset by increases in operating expenses.

The largest portion of the SFMTA's net position (\$2,072,355 as of June 30, 2012) reflects its investment in capital assets (specifically land, building structure and improvements, equipment, infrastructure, intangibles, and construction in progress). The value of these assets of \$3,484,694 is offset by accumulated depreciation of \$1,368,988 and related debt of \$43,351. More information can be found in Note 5 on page 26. 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.

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(Dollars in thousands, unless otherwise noted)

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

Years ended June 30, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:			
Total operating revenues	\$ 500,523	457,724	443,946
Total nonoperating revenues, net	145,748	138,056	133,586
Capital contributions:			
Federal	104,062	129,226	134,310
State and others	143,596	87,288	64,671
Total capital contributions	247,658	216,514	198,981
Net transfers	300,913	278,961	253,597
Total revenues and net transfers	1,194,842	1,091,255	1,030,110
Expenses:			
Total operating expenses	1,023,885	956,695	902,671
Change in net position	170,957	134,560	127,439
Total net position – beginning	2,095,480	1,960,920	1,833,481
Total net position – ending	\$ 2,266,437	2,095,480	1,960,920

Fiscal Year 2013

Total revenues and net transfers for the year ended June 30, 2013 were \$1,194,842, an increase of \$103,587 or 9.5%, compared to the prior fiscal year. This is due to increases in all revenue categories (i.e., operating, nonoperating, capital contributions, and net transfers).

Operating revenues increased by \$42,799 or 9.4% compared to prior year. This is comprised mostly of increases in the passenger fares by \$17,967 or 8.9%, parking and transportation revenue by \$12,985 or 11.9%, parking fines by \$8,852 or 10.1%, charges for services by \$5,439 or 43.7%, and for various operating revenue categories (advertising, rents, and permits) totaling to \$4,949 or 15.7% offset by net decrease of \$7,393 or 45.5% in taxi medallion revenues. Fares revenue increases are due to increased ridership, a payment from BART for a renegotiated reimbursement agreement covering multiple years, implementation of an indexing policy that increases fares based on a CPI-based formula, increase usage of smart card technology for fare payment, and improved enforcement. For parking and transportation revenues, the increase in parking meter collections was attributable to implementation of various meter payment methods. Charges for services comprise towing fees, street closure, signs, and curb painting fees.

The nonoperating revenues include operating support received from other sources, primarily federal and state operating grants, transit impact development fees, and interest income. Nonoperating revenues increased by \$7,692 or 5.6%, mostly from operating grants, which were offset by a decrease in interest income.

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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 2013 compared to the prior year. This resulted in the significant increase in capital contribution by \$31,144 or 14.4% when compared to fiscal year 2012. Net transfers increased by \$21,952 or 7.9% in fiscal year 2013 mostly due to the increase in the City's General Fund revenue baseline subsidy and less funding transfers to other City departments compared to prior year.

Total operating expenses for the year ended June 30, 2013 were \$1,023,885, an increase of \$67,190 or 7.0%, compared to the prior year. The resulting net increase is comprised of trend changes from various expense categories. Personnel service costs increased by \$6,763 or 1.1%. Contractual services increased by \$43,575 or 65.8%. This is attributable to costs incurred for major repairs and maintenance of infrastructure. Materials and supplies increase by \$307 or 0.4%. Depreciation expense increased by \$3,961 or 3.3% compared to prior year. General and administrative expenses increased by \$6,719 or 22.1%, mainly due to increase in general liability claims compared to prior year. Services provided by other City departments increased by \$2,744 or 5.1% in fiscal year 2013 mainly for city attorney legal costs. The increase in other operating expense category by \$3,121 or 329.6% is primarily due to decrease in recoverable costs.

Parking fines, licenses, and permit revenues have been reclassified to operating revenues in the prior year information noted above to conform to the current year presentation. There were no changes in prior year net position or change in net position resulting from this reclassification.

Fiscal Year 2012

Total revenues and net transfers for the year ended June 30, 2012 were \$1,091,255, an increase of \$61,145 or 5.9%, compared to the prior year. This is due to increases in all revenue categories (i.e., operating, nonoperating, capital contributions, and net transfers).

Operating revenues increased by \$16,324, or 4.9% compared to prior year. This is comprised mostly of increases in the passenger fares by \$10,791 or 5.7% and parking and transportation revenue category by \$5,831 or 5.6%, offset by \$298 net decrease from the other operating revenue categories. The passenger fares increase is attributable to various factors, including increased ridership, implementation of smart card technology for fare payment, and improved transit enforcement strategies. For parking and transportation revenues, the increase in parking meter collections was attributable to new meters that accepted credit cards and cell phone payments as well as demand-based pricing.

The nonoperating revenues include operating support received from other sources, primarily federal and state operating grants, parking permits, fines, and interest income. Nonoperating revenues slightly increased by \$1,924 or 0.8%, with increase in interest income due to higher cash balances and gain from sale of assets, which were offset by decreases in operating grants and parking fines revenues.

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 were more capital expenditures incurred and billable to the grantors in fiscal year 2012 compared to prior year. This resulted in the significant increase in capital contribution by \$17,533 or 8.8% when compared to fiscal year 2011. Net transfers increased

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June 30, 2013

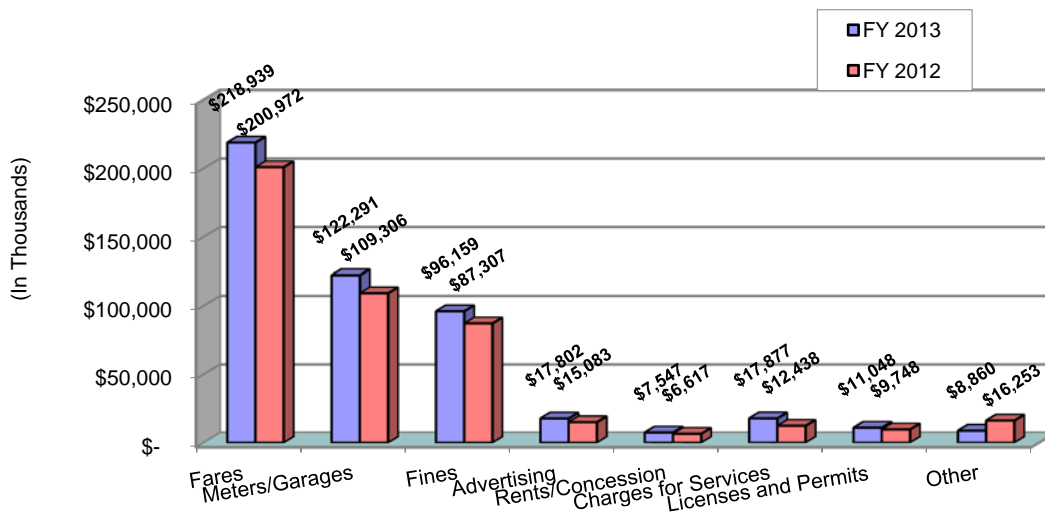
(Dollars in thousands, unless otherwise noted)

by \$25,364 or 10.0% in fiscal year 2012 due to the increase in the City’s General Fund and San Francisco County Transportation Authority subsidies compared to the prior year.

Total operating expenses for the year ended June 30, 2012 were \$956,695, an increase of \$54,024 or 6.0%, compared to the prior year. The resulting net increase is comprised of trend changes from various expense categories. Personnel service costs increased by \$32,993 or 5.8%, attributable to higher medical and retirement fringe benefits and other postemployment benefits (OPEB) compared to prior year. Contractual services increased by \$2,453 or 3.8% and were mainly due to repairs and major maintenance of vehicles, and increased costs of security. Materials and supplies increased by \$13,189 or 18.0%, and were mainly in vehicle repair inventory parts or supplies and fuel. Depreciation expense slightly increased by \$1,931 or 1.7%, compared to the prior year. General and administrative expenses decreased by \$6,154 or 16.9%, mainly due to lower judgment and claims costs compared to prior year. Services provided by other City departments increased by \$2,988 or 5.8%, in fiscal year 2012 mainly for police services, allocated share of a citywide payroll project, and citywide telecommunications services. The increase in other operating expense category by \$6,624 or 116.7%, is primarily due to decrease in recoverable costs as well as an increase in paratransit expenses compared to the previous year.

The charts below illustrate the SFMTA’s operating revenues by source and expenses by category for FY 2013 and FY 2012.

Operating Revenue Comparative – FY 2013 and FY 2012



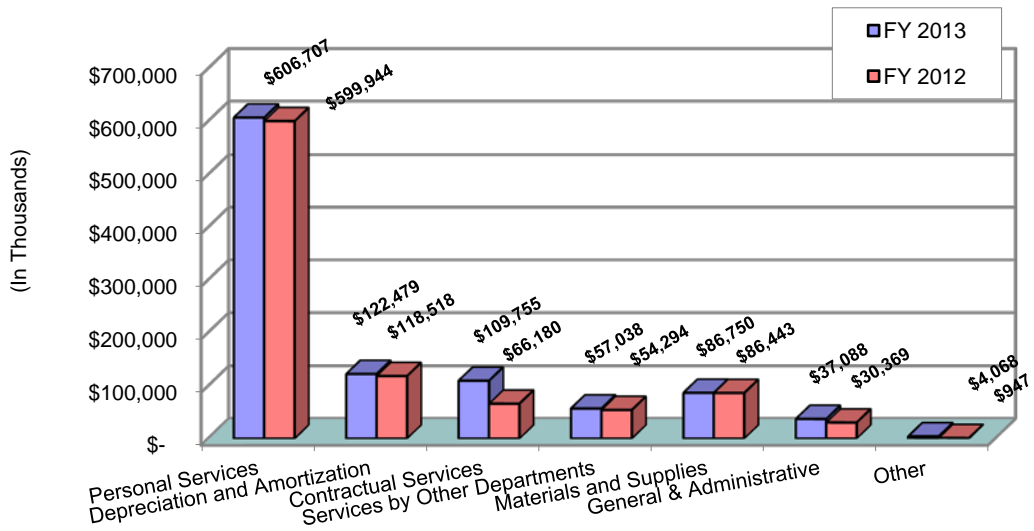
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Operating Expenses Comparative - FY 2013 and FY 2012



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Management's Discussion and Analysis (Unaudited)

June 30, 2013

(Dollars in thousands, unless otherwise noted)

Capital Assets and Debt Administration

Capital Assets

The SFMTA's investment in capital assets amounts to \$2,192,682 net of accumulated depreciation at June 30, 2013. This investment includes land, building structures and improvements, equipment, infrastructure, intangibles and construction in progress. The increase in capital assets is \$76,976 or 3.6%, compared to the previous year. This increase is attributed to continued construction work for new and existing projects.

Summary of Capital Assets

	<u>Balance, June 30, 2013</u>	<u>Balance, June 30, 2012</u>	<u>Balance, June 30, 2011</u>
Capital assets not being depreciated:			
Land	\$ 41,030	41,495	26,501
Construction in progress	544,592	422,361	286,532
Total capital assets not being depreciated	<u>585,622</u>	<u>463,856</u>	<u>313,033</u>
Capital assets being depreciated:			
Building structures and improvements	667,795	633,377	615,763
Equipment	1,229,299	1,212,258	1,205,228
Infrastructure	1,189,998	1,175,203	1,165,135
Total capital assets being depreciated	<u>3,087,092</u>	<u>3,020,838</u>	<u>2,986,126</u>
Less accumulated depreciation for:			
Building structures and improvements	243,523	227,733	214,419
Equipment	764,580	703,068	651,008
Infrastructure	471,929	438,187	404,654
Total accumulated depreciation	<u>1,480,032</u>	<u>1,368,988</u>	<u>1,270,081</u>
Total capital assets being depreciated, net	<u>1,607,060</u>	<u>1,651,850</u>	<u>1,716,045</u>
Total capital assets, net	\$ <u><u>2,192,682</u></u>	<u><u>2,115,706</u></u>	<u><u>2,029,078</u></u>

Construction in progress is made up of various transit, pedestrian, and bike projects. The four projects that have the highest balances on June 30, 2013 are the Central Subway, Rail Replacement, Central Control System upgrades and Wayside Fare collection. The Central Subway Project will link the existing 5.2 mile Phase I T-line, beginning at 4th Street and King Streets, to BART, Muni Metro Market Street, Union Square, and Chinatown to the north. Detailed design contracts for the Chinatown, Moscone, and Union Square Market Street Stations are now completed; all advanced utility relocation construction and the Tunnel Boring Machine (TBM) Launch Box construction were also completed this year. The first of two TBMs was installed and began tunneling. The final construction contract for all stations, track, and systems was awarded and issued a Notice to Proceed. The Federal Transit Agency (FTA) executed the Full Funding Grant Agreement dedicating a total of \$942.2 million

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in federal Section 5309 funds through project completion; this was followed by an FTA allocation of \$85.0 million to the project; the remaining funds will be awarded annually over the next five years. The California Transportation Commission awarded the full amount of \$61.3 million in Proposition 1A Connectivity funds grant for the project tunnel construction and \$117 million in Prop. 1B PTMISEA funds ROW, final design and construction.

The following significant capital asset additions during fiscal year 2013 included:

- Infrastructure – A majority of the \$162.5 million costs incurred is for the new Central Subway Project, Rail Replacement, Phelan Bus Loop Project, and Van Ness Bus Rapid Transit Network implementation. These projects are to upgrade and reconfigure the existing roadway and intersections system and the ongoing program to replace worn parts of the track network.
- Equipment – The cost of \$48.4 million incurred during the fiscal year includes the design costs for the replacement for a new radio communication system on SFMTA fleets and the replacement of the central control and subway communication system. These costs also include continued renovation and rehabilitation of streetcars and midlife rehabilitation of Neoplan buses.
- Building – A total of \$16.4 million was incurred in fiscal year 2013 related to the escalator rehabilitation project, roof rehabilitation at Metro Green facility, and the construction of the Islais Creek bus facility.

Significant capital asset additions during the fiscal year 2012 included:

- Infrastructure – A majority of the \$143.5 million costs incurred is for the new Central Subway Project, Rail Replacement Projects, and reconstruction work on the Overhead Program and Train Control System Projects. These projects are part of the ongoing programs to keep the system in good repair and to replace aging parts of the track network.
- Equipment – The cost of \$33.2 million incurred during the fiscal year includes acquisition and design costs for the refurbishment and modernization of the Farebox Collection System in the subway stations, replacement cost for a new radio communication system on SFMTA fleets, the renovation and rehabilitation of streetcars, and SFpark project costs.
- Building – A total of \$1.4 million was incurred in fiscal year 2012 related to the Escalator Rehabilitation Project.

Debt Administration

At June 30, 2013 and 2012, the SFMTA’s debt obligations outstanding totaled \$66,672 and \$43,351, respectively. The following table summarizes the changes in debt between fiscal year 2013 and 2012 and fiscal year 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Bonds payable	\$ 66,672	43,351	46,802
Total	\$ <u>66,672</u>	<u>43,351</u>	<u>46,802</u>

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

The SFMTA's total debt increased by \$23,321 or 53.8% at June 30, 2013. The increase was primarily due to issuance of new revenue bonds. During the fiscal year, SFMTA issued a total of \$63.8 million, \$38 million of which were used to refund the outstanding revenue bonds for economic savings, and \$25.8 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. The SFMTA carried underlying debt ratings of Aa3 from Moody's and A from Standard & Poor's as of June 30, 2013.

The SFMTA's total debt decreased by \$3,451, or 7.4% at June 30, 2012 compared to prior year. The decrease was primarily due to maturities of existing debt. No new bonds were issued during the year ending June 30, 2012.

More detailed information about the SFMTA's debt activity is presented in Note 7 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 deferred revenue in fiscal year 2002 of \$35.5 million for the difference between the amount received of \$388.2 million and the amount paid to the escrows of \$352.7 million. The deferred revenue amortized in fiscal years 2013 and 2012 amounted to \$1.3 million and \$1.3 million, respectively.

In September 2003, after obtaining final approval from the SFMTA Board of Directors and the City's Board of Supervisors, Muni entered into a second leveraged lease-leaseback transaction for the 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.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Management's Discussion and Analysis (Unaudited)

June 30, 2013

(Dollars in thousands, unless otherwise noted)

Muni received an aggregate of \$72.6 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. Approximately \$67.5 million of this head lease payment was deposited into two escrows. The deferred revenue amortized in fiscal years 2013 and 2012 amounted to \$0.2 million and \$0.2 million, respectively.

More information can be found in Note 14 of the financial statements.

Economic Factors and Next Year's Budget

The SFMTA Board of Directors approved SFMTA's FY 2013 and FY 2014 two-year budget in April 2012. The final adopted budget for FY 2013 is \$828.2 million and for FY 2014, \$851.1 million. Compared to the FY 2012 Amended Budget, there is a 6.4% increase in FY 2013, and from FY 2013 to FY 2014, the increase is 2.8%.

The expenditure budget increase in FY 2013 and FY 2014 included known and projected cost increases such as salary and fringe benefits, contract services, property and building rental expenses, materials and supplies, and interdepartment work orders. The budget also included \$10 million for rainy day reserve that was not set aside separately in FY 2012.

Revenue items that contribute to the budget increase in FY 2013 and FY 2014 are transit fares, operating grants, parking and traffic fees and fines, transit advertising, and General Fund contribution. The projected revenue increase in transit fares and parking fees and fines is mainly due to approved rate increases in transit fares and parking citation rates.

The SFMTA submitted its FY 2014 Amended Budget in May 2013 for the FY 2014 and FY 2015 budget cycle. The total amount for the FY 2014 Amended Budget remains unchanged from the FY 2014 original budget, with adjustments made to few individual line items based on updated projections.

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, 8th 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

Statement of Net Position

June 30, 2013

(In thousands)

Assets:

Current assets:

Cash and investments with City Treasury	\$	665,136
Cash and investments held outside City Treasury		3,735
Cash on hand		724

Receivables:

Grants		96,007
Due from the San Francisco County Transportation Authority		6,462
Charges for services (net of allowance for doubtful accounts of \$68 in 2013)		16,262
Interest and other		6,351

Total receivables 125,082

Inventories		56,986
Current deferred charges		333

Total current assets 851,996

Restricted assets:

Cash and investments with City Treasury		8,316
Cash and investments held outside City Treasury		5,530
Other receivables		3,138

Total restricted assets 16,984

Noncurrent assets:

Deferred charges and other assets		788
Capital assets, net		2,192,682

Total noncurrent assets 2,210,454

Total assets \$ 3,062,450

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statement of Net Position

June 30, 2013

(In thousands)

Liabilities:

Current liabilities:

Due to other funds	\$	33
Accounts payable and accrued expenses		99,631
Accrued payroll		34,107
Accrued vacation and sick leave		17,207
Accrued workers' compensation		14,366
Accrued claims		15,301
Grants received in advance		225,526
Deferred revenue and other deferred credits		9,040
Payable from restricted assets		1,070
Accrued interest payable		948
Bonds, loans, capital leases, and other payables		3,315
		<hr/>
Total current liabilities		420,544
		<hr/>

Noncurrent liabilities:

Accrued vacation and sick leave, net of current portion	11,947
Accrued workers' compensation, net of current portion	74,836
Accrued claims, net of current portion	22,336
Other postemployment benefits obligation	180,657
Deferred revenue and other deferred credits, net of current portion	22,336
Bonds, loans, capital leases, and other payables, net of current portion	63,357
	<hr/>
Total noncurrent liabilities	375,469
	<hr/>

Total liabilities	\$	<u>796,013</u>
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Net position:

Net investment in capital assets	\$	2,125,062
Restricted:		
Debt service		5,530
Other purposes		10,384
Unrestricted		125,461
		<hr/>
Total net position	\$	<u>2,266,437</u>

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statement of Revenues, Expenses,
and Changes in Net Position

Year ended June 30, 2013

(In thousands)

Operating revenues:	
Passenger fares	\$ 218,939
Parking and transportation	122,291
Fines, forfeitures, and penalties	96,159
Charges for services	17,877
Licenses, permits, and franchises	11,048
Advertising	17,802
Rents and concessions	7,547
Other	8,860
Total operating revenues	500,523
Operating expenses:	
Personnel services	606,707
Contractual services	109,755
Materials and supplies	86,750
Depreciation and amortization	122,479
Services from other City departments	57,038
General and administrative	37,088
Other operating expenses	4,068
Total operating expenses	1,023,885
Operating loss	(523,362)
Nonoperating revenues (expenses):	
Operating assistance:	
Federal	11,387
State and other grants	133,063
Interest and investment income/loss	(623)
Interest expense	(2,841)
Other, net	4,762
Total nonoperating revenues, net	145,748
Loss before capital contributions and transfers	(377,614)
Capital contributions:	
Federal	104,062
State and others	143,596
Total capital contributions	247,658
Transfers in:	
City and County of San Francisco – General Fund	287,861
San Francisco County Transportation Authority	11,647
City and County of San Francisco – Other City departments	7,588
Total transfers in	307,096
Transfers out:	
City and County of San Francisco – Other City departments	(6,183)
Net transfers	300,913
Change in net position	170,957
Total net position – beginning of year	2,095,480
Total net position – end of year	\$ 2,266,437

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statement of Cash Flows

Year ended June 30, 2013

(In thousands)

Cash flows from operating activities:	
Cash received from passengers and service contracts	\$ 420,692
Cash received from fines, forfeitures, and penalties	96,159
Cash received from tenants for rent	5,176
Cash paid to employees for services	(570,351)
Cash paid to suppliers for goods and services	(289,505)
Cash paid for judgments and claims	<u>(5,326)</u>
Net cash used in operating activities	<u>(343,155)</u>
Cash flows from noncapital financing activities:	
Operating grants	149,366
Net transfers	301,247
Other noncapital increases	<u>6,079</u>
Net cash provided by noncapital financing activities	<u>456,692</u>
Cash flows from capital and related financing activities:	
Capital grants	325,288
Proceeds from sale of capital assets	4
Acquisition of capital assets	(220,397)
Bond sale proceeds and loans received	70,153
Retirement of capital leases, bonds, and loans	(45,765)
Bond issue cost paid	(643)
Interest paid on long-term debt	<u>(1,773)</u>
Net cash provided by capital and related financing activities	<u>126,867</u>
Cash flows from investing activities:	
Interest income/loss received	<u>(562)</u>
Net cash used in investing activities	<u>(562)</u>
Net increase in cash and cash equivalents	239,842
Cash and cash equivalents – beginning of year	<u>443,599</u>
Cash and cash equivalents – end of year	<u><u>\$ 683,441</u></u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statement of Cash Flows

Year ended June 30, 2013

(In thousands)

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (523,362)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	122,479
Provision for doubtful accounts	52
Write-off of assets	33,132
Changes in operating assets and liabilities:	
Receivables, net	(18,000)
Inventories	(2,205)
Deferred charges	200
Accounts payable and accrued expenses	15,990
Accrued payroll	978
Accrued vacation and sick leave	875
Accrued workers' compensation	1,363
Accrued claims	3,906
Other postemployment benefits obligations	27,288
Due to other funds	(3,698)
Deferred revenues and other deferred credits	(2,153)
Net cash used in operating activities	<u>\$ (343,155)</u>
Reconciliation of cash and cash equivalents to the statement of net position:	
Deposits with City Treasury:	
Unrestricted	\$ 665,136
Restricted	8,316
Deposits held outside City Treasury:	
Unrestricted	3,735
Restricted	5,530
Total deposits and investments	<u>682,717</u>
Cash on hand	<u>724</u>
Total cash and cash equivalents, end of year	<u><u>\$ 683,441</u></u>

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2013

(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. The SFMTA financial statements include the entire City and County of San Francisco, California (the City's) surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and 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 fund in the City's Comprehensive Annual Financial Report.

Proposition E passed by the San Francisco voters in November 1999 amended the City Charter, calling for the creation of the SFMTA by consolidating Muni and Department of Parking and Traffic (now named as Sustainable Streets) by July 1, 2002. The incorporations are intended to support the City's TransitFirst Policy. 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 carries more than 200 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 manages 40 City-owned garages and metered parking lots. It also manages all traffic engineering functions within San Francisco, including the placement of signs, signals, traffic striping, curb markings, and parking meters. It also promotes the safe and efficient movement of people and goods throughout the City. 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 nonprofit parking garage corporations operate to provide operational oversight of four garages. Two nonprofit garage corporations (Ellis O'Farrell Parking Corporation and Downtown Parking Corporation) did not enter into a new lease executed by SFMTA in June 2012, and opted to be dissolved. In January 2013, all operations and financial reporting of these two garages have been transferred to Sustainable Streets.

(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 United States generally accepted accounting principles. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures, which does not

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2013

(Dollars in thousands, unless otherwise noted)

conflict with or contradict other GASB pronouncements. The SFMTA implemented the provisions of this statement effective for the fiscal year ended June 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renames the resulting measure as net position rather than net assets. The SFMTA implemented the provisions of this statement effective for the fiscal year ended June 30, 2013.

The SFMTA distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses primarily result from providing transportation and street and parking services in connection with the SFMTA's principal ongoing operations. The principal operating revenues are generated from passenger fares, meter parking, garage parking fees, fines, parking permits, and fees collected from advertisements on the SFMTA property. All revenues received that are not part of normal business operations such as operating assistance grants, interest income and transit impact development fees are considered nonoperating revenues. Operating expenses of the SFMTA include employment costs, materials, services, depreciation on capital assets, and other expenses related to the delivery of transportation and parking services. All expenses not meeting this definition are reported as nonoperating expenses.

(b) 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. The SFMTA's portion of this pool is displayed on the statement of net position as "Deposits 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 and losses).

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.

(c) Inventories

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

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2013

(Dollars in thousands, unless otherwise noted)

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

(d) Capital Assets

Capital assets are stated at cost. All construction in progress items over \$100,000 and nonconstruction in progress items over \$5,000 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, equipment, and infrastructure. Generally, no depreciation is recorded in the year of acquisition, and a full year's depreciation is taken in the year of disposal.

(e) 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, equipment, and infrastructure 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.

(f) Accrued Vacation and Sick Leave

Accrued vacation pay, which vests and may be accumulated up to ten 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, 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.

(g) 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.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2013

(Dollars in thousands, unless otherwise noted)

(h) *Operating Assistance Grants*

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

The SFMTA receives operating assistance from federal and various state and local sources. Transportation Development Act funds are received from the City to meet, in part, the SFMTA's operating requirements based on annual claims filed with and approved by the MTC. Sales tax represents an allocation by the MTC of the 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 Metropolitan Transportation Commission to provide safe, accessible, clean, and environmentally sustainable service through transportation programs.

(i) *Transit Impact Development Fees*

Transit Impact Development Fees (TIDF) are restricted for the capital and maintenance costs of increased peak period transit service associated with new commercial development in the City. These fees are recorded as nonoperating revenues in the year in which they are assessed.

(j) *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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2013

(Dollars in thousands, unless otherwise noted)

(3) Net Position

Net position as of June 30, 2013 consists of the following:

Restricted assets:	
Deposits and investments with City Treasury	\$ 8,316
Deposits and investments outside City Treasury (see note below)	5,530
Receivables	3,138
	<hr/>
Total restricted assets	16,984
	<hr/>
Restricted liabilities of:	
Payable from restricted assets	1,070
	<hr/>
Total restricted liabilities	1,070
	<hr/>
Restricted assets, net	\$ 15,914
	<hr/> <hr/>
Net position:	
Restricted:	
Debt service	\$ 5,530
Other purposes	10,384
	<hr/>
Total restricted net position	15,914
Unrestricted	125,461
Net investment in capital assets	2,125,062
	<hr/>
Net position	\$ 2,266,437
	<hr/> <hr/>

Restricted Net Assets

SFMTA financial statements utilize a net position presentation. Net position are 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, 2013, SFMTA reported \$5.5 million restricted assets related to debt reserves and \$10.4 million is restricted by enabling legislation. 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, 2013

(Dollars in thousands, unless otherwise noted)

(4) Deposits and Investments

Pursuant to the City Charter, the SFMTA maintains its deposits and investments with the City Treasury and a portion of its restricted asset deposits as part of the City's pool of deposits 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 deposits and investments. As of June 30, 2013, the SFMTA's unrestricted and restricted deposits and investments with City Treasury totaled to \$665,136 and \$8,316, respectively. These constitute approximately 10% of the City's investment pool as of June 30, 2013.

The unrestricted deposits and investments outside the City Treasury are cash held by the three nonprofit garage corporations totaling to \$3,115 and \$620 in revolving funds as of June 30, 2013. The SFMTA had restricted deposits and investments of \$5,530 held by an independent trustee outside the City's investment pool.

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

	Investment maturities (in months)			
	Under 1	1 to less than 6	6 to less than 12	12-60
2013	9.1%	4.9%	9.4%	76.6%

The following table shows the restricted cash and investments outside of City Treasury as of June 30, 2013

Restricted cash and investment outside City Treasury			
Investment	Maturities		Fair Value
Money Market Funds	Less than 1 month	\$	5,530

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2013

(Dollars in thousands, unless otherwise noted)

(5) Capital Assets

Capital asset balances and their movements as of and for the year ended June 30, 2013 are as follows:

	<u>Balance, July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 41,495	—	(465)	41,030
Construction in progress	422,361	231,311	(109,080)	544,592
	<u>463,856</u>	<u>231,311</u>	<u>(109,545)</u>	<u>585,622</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Building structures and improvements	633,377	34,418	—	667,795
Equipment	1,212,258	31,113	(14,072)	1,229,299
Infrastructure	1,175,203	14,866	(71)	1,189,998
	<u>3,020,838</u>	<u>80,397</u>	<u>(14,143)</u>	<u>3,087,092</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Building structures and improvements	227,733	15,790	—	243,523
Equipment	703,068	72,876	(11,364)	764,580
Infrastructure	438,187	33,813	(71)	471,929
	<u>1,368,988</u>	<u>122,479</u>	<u>(11,435)</u>	<u>1,480,032</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>1,651,850</u>	<u>(42,082)</u>	<u>(2,708)</u>	<u>1,607,060</u>
Total capital assets, net	\$ <u>2,115,706</u>	<u>189,229</u>	<u>(112,253)</u>	<u>2,192,682</u>

Certain buses and equipment were sold, disposed, and retired during 2013. The net gain for sold assets is \$4. The loss on the retirement of the assets totaled to \$2,423. The decreases in CIP included \$33,132 of write-offs in 2013.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2013

(Dollars in thousands, unless otherwise noted)

Construction in progress consists of the following projects as of June 30, 2013:

	<u>Amount</u>
Rail Replacement	\$ 29,112
Historic Street Car Renovation	20,329
Cable Car Propulsion	3,418
Islais Creek-Woods Annex	10,811
Trolley Overhead Reconstruction	3,188
New Central Subway	362,302
Motor Bus Hybrid Procurement	2,714
Wayside Fare Collection	21,999
Facility Upgrades	17,523
Radio Replacement	16,637
Security Projects	10,550
Central Control System Upgrades	32,643
Paratransit Van Procurement	2,922
Traffic Signal Upgrades	3,126
Others	7,318
	<u>\$ 544,592</u>

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were \$99,631 at June 30, 2013. 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.

Vouchers payable	\$ 45,491
Accruals	49,243
Contracts retainage	<u>4,897</u>
Total accounts payable and accrued expenses	<u>\$ 99,631</u>

(7) 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.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2013

(Dollars in thousands, unless otherwise noted)

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 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%	101%
2002 Ellis Parking	2,535	4.20%–4.70%	100%
2002 Downtown Parking	6,095	4.50%–5.375%	100%
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 statement of net position. Although the refunding resulted in the recognition of a deferred accounting loss of \$0.9 million, 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, 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.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2013

(Dollars in thousands, unless otherwise noted)

The following is a summary of long-term obligations of the SFMTA:

	<u>Final maturity date</u>	<u>Remaining interest rate</u>	<u>Balance June 30, 2013</u>
Revenue Bonds Series 2012A			
Sustainable Streets	2032	2.0%–5.0%	\$ 38,717
Revenue Bonds Series 2012B			
Municipal Railway	2042	3.0%–5.0%	22,515
Sustainable Streets	2042	3.0%–5.0%	<u>5,440</u>
Total long-term obligations			\$ <u><u>66,672</u></u>

The changes in long-term obligations for the SFMTA for year ended June 30, 2013 are as follows:

	<u>July 1, 2012</u>	<u>Additional Obligations, Interest Accretion and Net Increases</u>	<u>Current Maturities, Retirements, and Net Decreases</u>	<u>June 30, 2013</u>	<u>Amounts Due Within One Year</u>
Bonds payable:					
Revenue bonds	\$ 37,615	63,795	(40,690)	60,720	3,315
Lease revenue bonds	5,075	—	(5,075)	—	—
Add/less deferred amounts:					
For issuance premiums	661	7,256	(1,230)	6,687	—
For refunding loss	—	(898)	163	(735)	—
Total bonds payable	<u>43,351</u>	<u>70,153</u>	<u>(46,832)</u>	<u>66,672</u>	<u>3,315</u>
Accrued vacation and sick leave	28,279	21,021	(20,146)	29,154	17,207
Accrued workers' compensation	87,839	18,216	(16,853)	89,202	14,366
Accrued claims	33,731	9,232	(5,326)	37,637	15,301
Other postemployment benefits obligation	153,369	53,272	(25,984)	180,657	—
Deferred revenue and other deferred credits	<u>32,092</u>	<u>3,263</u>	<u>(3,979)</u>	<u>31,376</u>	<u>9,040</u>
Total long-term obligations	\$ <u><u>378,661</u></u>	<u><u>175,157</u></u>	<u><u>(119,120)</u></u>	<u><u>434,698</u></u>	<u><u>59,229</u></u>

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The bond debt service requirements are as follows:

Year ending June 30:	<u>Principal</u>	<u>Bond Interest</u>	<u>Total</u>
2014	\$ 3,315	2,844	6,159
2015	3,415	2,744	6,159
2016	3,555	2,608	6,163
2017	3,715	2,430	6,145
2018	3,505	2,244	5,749
2019–2023	9,160	9,351	18,511
2024–2028	6,310	7,673	13,983
2029–2033	7,860	6,117	13,977
2034–2038	9,970	4,023	13,993
2039–2042	9,915	1,270	11,185
	<u>\$ 60,720</u>	<u>41,304</u>	<u>102,024</u>

The SFMTA’s debt policy is that the aggregate annual debt service on long-term debt cannot exceed five percent of SFMTA’s annual operating expenses. SFMTA met the requirement for fiscal year ended 2013.

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, 2013, the bond reserve fund with the trustee totaled to \$4.5 million.

(8) Employee Benefit Plans

(a) Retirement Plan – City and County of San Francisco

Plan Description

The City has a single-employer defined benefit retirement plan (the Plan), which is administered by the San Francisco City and County Employees’ Retirement System (the Retirement System). The Plan covers substantially all full-time employees of the SFMTA along with other employees of the City. The Plan provides basic retirement, disability, and death benefits based on specified percentages of final average salary, and provide cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and Administrative Code are the authority that establishes and amends the benefit provisions and employer obligations of the Plan. The Retirement System issues a Citywide level publicly available financial report that includes financial statements and required supplemental information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees’ Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, CA 94102, or by calling 415-487-7020.

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Funding Policy

Contributions are made to the basic plan by both the SFMTA and the participating employees. Employee contributions are mandatory. Employee contribution rates for fiscal year 2013 varied from 7% to 8% as a percentage of covered payroll. The SFMTA is required to contribute at an actuarially determined rate. For fiscal year 2013, the actuarially determined contribution rate as a percentage of covered payroll was 20.71% and the SFMTA's required contribution was approximately \$58.8 million. The SFMTA contributed 100% of their required contribution.

The SFMTA's contributions to the Retirement System on behalf of its employees amounted to \$9.1 million for the year ended June 30, 2013, which were equal to the required employee contributions for the year.

Refer to the City's Comprehensive Annual Financial Report (CAFR) for the other required disclosures related to the City's pension plan.

(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. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or 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.

(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 \$85,906 in fiscal year 2013, is determined by a charter provision based on similar contributions made by the ten most populous counties in California.

Included in these amounts is \$25,984 for fiscal year 2013, to provide postretirement benefits for retired employees, on a pay-as-you-go basis. No additional City allocation was made for fiscal year 2013 to SFMTA's contribution allocation on payments to Health Service System for postretirement health benefits.

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 45, by the City's

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actuaries. The City's allocation of the OPEB-related cost to the SFMTA for the year ended June 30, 2013 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, 2013, 2012, and 2011, the amounts contributed to the plan and changes in the net OPEB obligations:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 52,025	51,232	50,338
Interest on net OPEB obligation	7,297	6,017	4,747
Adjustment to ARC	<u>(6,050)</u>	<u>(4,987)</u>	<u>(3,721)</u>
Annual OPEB cost	53,272	52,262	51,364
Contribution made	<u>(25,984)</u>	<u>(25,352)</u>	<u>(24,898)</u>
Increase in net OPEB obligation	27,288	26,910	26,466
Net OPEB obligation, beginning of fiscal year	<u>153,369</u>	<u>126,459</u>	<u>99,993</u>
Net OPEB obligation, end of fiscal year	\$ <u><u>180,657</u></u>	<u><u>153,369</u></u>	<u><u>126,459</u></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.

(9) 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 participant. 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 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 \$7.6 million for operating needs in fiscal year 2013. The PCJPB's annual financial statements are publicly available.

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(Dollars in thousands, unless otherwise noted)

(10) Risk Management

The SFMTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; transit and general liability; injuries to employees; and natural disasters. The SFMTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City’s Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. The 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.

Risks	Coverage
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 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 \$2 million. As of June 30, 2013, the reserve was \$10 million. 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 scheduled facilities 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, 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 a third-party administrator under SFMTA’s oversight and management. SFMTA continues to develop and implement programs to mitigate growth of costs

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such as the transitional work programs that bring injured workers back to work on modified duty. Other programs include injury prevention, injury investigation, and medical treatment bills review.

(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.

Workers' compensation expense is part of personnel services, while claims expense is part of general and administrative under operating expenses in the accompanying statement of revenues, expenses and changes in net position.

(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 7, Long-Term Debt, Loans, and Other Payables.

(11) Transactions with the City

The amount of operating subsidy provided to the SFMTA each year is limited to the amount set by the City Charter and budgeted by the City. Such subsidy 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 \$222 million in fiscal year 2013, as required by the City Charter.

(12) Federal, State, and Local Assistance

The SFMTA receives capital grants from various federal, state, and local agencies to finance transit-related property and equipment purchases. As of June 30, 2013, the SFMTA had approved capital grants with unused balances amounting to \$878.0 million. Capital grants receivable as of June 30, 2013 totaled \$82.9 million.

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, 2013, the SFMTA had various operating grants receivable of \$19.6 million. In fiscal year 2013, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of \$1.1 million and other federal, state, and local grants of \$9.1 million 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 2013, the SFCTA approved \$42.4 million in new capital grants and the SFMTA received payments totaling \$227.9 million. As of June 30, 2013, the SFMTA had \$6.1 million in capital grants due from the SFCTA. Similarly, the SFMTA receives operating grants from SFCTA. During the fiscal year 2013, SFCTA approved \$10.0 million in new operating grants, and SFMTA received payments totaling \$6.5 million. The SFMTA had \$1.0 million in operating grants due from the SFCTA as of June 30, 2013.

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(Dollars in thousands, unless otherwise noted)

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) that is funding solely for public transit projects. The SFMTA received cash totaling \$136.5 million in fiscal year 2013 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 eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal year 2013, \$41.4 million drawdowns were made from the funds for various eligible projects costs.

(13) Commitments and Contingencies

(a) Grants and Subventions

Receipts from federal and state grants and other similar programs are subject to audit to determine if the funds were expended in accordance with appropriate statutes, grant terms, and regulations. The SFMTA believes that no significant liabilities will result from any such audits.

(b) 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 2037. These agreements are accounted for as operating leases. Rent expense was \$13.4 million for the year ended June 30, 2013.

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

Year ending June 30:		
2014	\$	11,224
2015		11,475
2016		11,765
2017		11,635
2018		11,880
2019–2023		64,865
2024–2028		75,211
2029–2033		83,698
2034–2038		79,268
Total	\$	<u>361,021</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2013

(Dollars in thousands, unless otherwise noted)

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

Year ending June 30:		
2014	\$	4,141
2015		3,243
2016		2,180
2017		1,668
2018		1,512
2019–2023		7,275
2024–2028		6,335
2029–2033		6,250
2034–2038		6,250
2039–2043		6,250
2044–2048		6,250
2049–2053		6,250
2054–2058		3,333
Total	\$	<u>60,937</u>

(c) Other Commitments

As of June 30, 2013, the SFMTA has outstanding commitments of approximately \$349.5 million with third parties for various capital projects. Grant funding is available for the majority of this amount. The SFMTA also has outstanding commitments of approximately \$63.5 million with third parties for noncapital expenditures. Various local funding sources are used to finance these expenditures.

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

(14) 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 the respective sublease, Muni may exercise an option to purchase the Tranche 1 Equipment on specified dates between November 2026 and January 2030 and Tranche 2 Equipment in January 2030, in each case, following the scheduled sublease expiration dates. During the terms of the subleases, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

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June 30, 2013

(Dollars in thousands, unless otherwise noted)

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 are not recorded on the financial statements of the SFMTA as of June 30, 2013.

The terms of the SILO documents require the Muni to replace AGM, as successor to FSA, if its ratings are downgraded below "BBB+" by S&P or "Baa1" by Moody's. AGM's current ratings of "AA-" from S&P and "A2" from Moody's satisfy this requirement.

In addition, AGM, as successor to FSA, provides a surety policy with respect to each Equipment transaction to guarantee potential payments in the event such transactions were terminated in whole or in part prior to such sublease expiration date. The terms of the Equipment transaction documents require Muni to replace AGM, as surety provider, if its ratings are downgraded below "AA-" by S&P or "Aa3" by Moody's. On January 17, 2013, Moody's downgraded AGM's rating to "A2." Failure of Muni to replace AGM following a downgrade by either Moody's or S&P to below the applicable rating threshold within a specified period of time following demand by an investor could allow such investor, in effect, to issue a default notice to Muni. Because replacement of AGM in either of its roles as debt payment undertaker guarantor or surety may not be practicable, Muni could become liable to pay termination costs as provided in certain schedules of the Equipment transaction documents. These early termination costs are in the nature of liquidated damages. The scheduled termination costs as of June 30, 2013 after giving effect to the market value of the securities in the escrow accounts, would approximate \$87.56 million. The scheduled termination costs increase over the next several years. As of June 30, 2013, no investor has demanded the replacement of AGM as the surety provider.

Muni recorded deferred revenue of \$35.5 million and \$4.4 million in fiscal year 2002 and 2003, respectively, for the difference between the amounts received of \$388.2 million and \$72.6 million, respectively, and the amounts paid to the escrows and the debt payment undertaker of \$352.7 million and \$67.5 million, respectively. The deferred revenue will be amortized over the life of the sublease. The deferred revenue amortized amounts were \$1.3 million and \$0.2 million in fiscal year 2013.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial Statements

June 30, 2013

(Dollars in thousands, unless otherwise noted)

(15) Subsequent Event

(a) *Commercial Paper and Bond 2013A Series Issuance*

Based on approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors, on September 10, 2013, the SFMTA obtained an irrevocable, direct pay letter of credit issued by State Street that will support the SFMTA's issuance of up to \$100 million in Commercial Paper (CP) Notes, the proceeds of which are expected to be used to pay for costs of projects pending the receipt of grant proceeds and/or to finance state of good repair and other capital projects. Such CP Notes, and the SFMTA's obligation to reimburse State Street for draws under the letter of credit to pay the principal of and interest on the CP Notes, will be secured by a pledge of Pledged Revenues that is junior and subordinate to the pledge securing the Bonds. The letter of credit issued by State Street is scheduled to expire on September 10, 2018, subject to prior termination pursuant to its terms and as provided for in the related reimbursement agreement.

The Series 2013 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 September 24, 2013. The total Series 2013 Bonds will result in project funding of \$75 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 2013 Reserve Account of the Reserve Fund established under the Indenture for the Series 2012 and 2013 Bonds; and (c) to pay a portion of the costs of issuance of the Series 2013 Bonds.

(b) *Rating Status*

On October 2, 2013, Standard and Poors (S&P) raised its rating to "A+" on the SFMTA Series 2012 and Series 2013 bonds and Moody's reaffirmed its "Aa3" rating on both the 2012 and 2013 bonds.

SUPPLEMENTAL SCHEDULES

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Supplemental Schedule – Schedule of Net Position

June 30, 2013

(In thousands)

	<u>Muni</u>	<u>Sustainable Streets</u>	<u>Parking Garages</u>	<u>Total</u>
Assets:				
Current assets:				
Deposits and investments with City Treasury	\$ 504,162	160,974	—	665,136
Deposits and investments held outside City Treasury	215	405	3,115	3,735
Cash on hand	724	—	—	724
Receivables:				
Grants	85,282	10,725	—	96,007
Due from the San Francisco County Transportation Authority	6,162	300	—	6,462
Charges for services, net	13,620	2,540	102	16,262
Other, net	5,567	784	—	6,351
Total receivables	<u>110,631</u>	<u>14,349</u>	<u>102</u>	<u>125,082</u>
Inventories	56,986	—	—	56,986
Current deferred charges	—	—	333	333
Total current assets	<u>672,718</u>	<u>175,728</u>	<u>3,550</u>	<u>851,996</u>
Restricted assets:				
Deposits and investments with City Treasury	8,316	—	—	8,316
Deposits and investments held outside City Treasury	1,850	3,680	—	5,530
Other receivables	3,138	—	—	3,138
Total restricted assets	<u>13,304</u>	<u>3,680</u>	<u>—</u>	<u>16,984</u>
Noncurrent assets:				
Deferred charges and other assets	314	474	—	788
Capital assets, net	2,094,423	66,180	32,079	2,192,682
Total noncurrent assets	<u>2,108,041</u>	<u>70,334</u>	<u>32,079</u>	<u>2,210,454</u>
Total assets	\$ <u><u>2,780,759</u></u>	<u><u>246,062</u></u>	<u><u>35,629</u></u>	<u><u>3,062,450</u></u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Supplemental Schedule – Schedule of Net Position

June 30, 2013

(In thousands)

	<u>Muni</u>	<u>Sustainable Streets</u>	<u>Parking Garages</u>	<u>Total</u>
Liabilities:				
Current liabilities:				
Due to other funds	\$ 33	—	—	33
Accounts payable and accrued expenses	83,070	14,873	1,688	99,631
Accrued payroll	29,892	4,134	81	34,107
Accrued vacation and sick leave	14,697	2,510	—	17,207
Accrued workers' compensation	12,195	2,171	—	14,366
Grants received in advance	12,900	2,401	—	15,301
Deferred tax, grant and subvention revenues	224,991	535	—	225,526
Deferred revenue and other deferred credits	6,574	2,083	383	9,040
Payable from restricted assets	1,070	—	—	1,070
Accrued interest receivable	332	616	—	948
Bonds, loans, capital leases, and other payables	—	3,315	—	3,315
Total current liabilities	<u>385,754</u>	<u>32,638</u>	<u>2,152</u>	<u>420,544</u>
Noncurrent liabilities:				
Accrued vacation and sick leave	10,183	1,764	—	11,947
Accrued workers' compensation	60,682	14,154	—	74,836
Accrued claims	17,660	4,676	—	22,336
Other postemployment benefits obligation	157,520	23,137	—	180,657
Deferred revenue and other deferred credits	22,336	—	—	22,336
Bonds, loans, capital leases, and other payables	22,515	40,842	—	63,357
Total noncurrent liabilities	<u>290,896</u>	<u>84,573</u>	<u>—</u>	<u>375,469</u>
Total liabilities	<u>\$ 676,650</u>	<u>117,211</u>	<u>2,152</u>	<u>796,013</u>
Net position:				
Net investment in capital assets	\$ 2,071,576	21,407	32,079	2,125,062
Restricted				
Debt service	1,850	3,680		5,530
Other purposes	10,384	—	—	10,384
Unrestricted	<u>20,299</u>	<u>103,764</u>	<u>1,398</u>	<u>125,461</u>
Total net position	<u>\$ 2,104,109</u>	<u>128,851</u>	<u>33,477</u>	<u>2,266,437</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, 2013

(In thousands)

	<u>Muni</u>	<u>Sustainable Streets</u>	<u>Parking Garages</u>	<u>SFMTA Eliminations</u>	<u>Total</u>
Operating revenues:					
Passenger fares	\$ 218,939	—	—	—	218,939
Parking and transportation	—	84,612	37,679	—	122,291
Fines, forfeitures, and penalties	—	96,159	—	—	96,159
Charges for services	1,165	16,712	—	—	17,877
Licenses, permits, and franchises	—	11,048	—	—	11,048
Advertising	17,802	—	—	—	17,802
Rents and concessions	1,443	3,639	2,465	—	7,547
Other	187	8,603	70	—	8,860
Total operating revenues	<u>239,536</u>	<u>220,773</u>	<u>40,214</u>	<u>—</u>	<u>500,523</u>
Operating expenses:					
Personnel services	529,607	69,319	7,781	—	606,707
Contractual services	48,783	57,078	3,894	—	109,755
Materials and supplies	78,346	7,239	1,165	—	86,750
Depreciation and amortization	118,350	1,537	2,592	—	122,479
Services from other City departments	40,939	16,099	—	—	57,038
General and administrative	30,487	5,462	1,139	—	37,088
Other operating expenses	(9,125)	11,216	1,977	—	4,068
Total operating expenses	<u>837,387</u>	<u>167,950</u>	<u>18,548</u>	<u>—</u>	<u>1,023,885</u>
Operating income (loss)	<u>(597,851)</u>	<u>52,823</u>	<u>21,666</u>	<u>—</u>	<u>(523,362)</u>
Nonoperating revenues (expenses and losses):					
Operating assistance:					
Federal	9,125	2,262	—	—	11,387
State and other grants	128,588	4,475	—	—	133,063
Interest and investment income (loss)	(110)	(517)	4	—	(623)
Interest expense	(778)	(1,912)	(151)	—	(2,841)
Other, net	3,490	1,272	—	—	4,762
Total nonoperating revenues, net	<u>140,315</u>	<u>5,580</u>	<u>(147)</u>	<u>—</u>	<u>145,748</u>
Income (loss) before capital contribution and transfers	<u>(457,536)</u>	<u>58,403</u>	<u>21,519</u>	<u>—</u>	<u>(377,614)</u>
Capital contributions:					
Federal	96,799	7,263	—	—	104,062
State and others	142,238	1,358	—	—	143,596
Total capital contributions	<u>239,037</u>	<u>8,621</u>	<u>—</u>	<u>—</u>	<u>247,658</u>
Transfers in:					
City and County of San Francisco – General Fund	227,080	60,781	—	—	287,861
San Francisco County Transportation Authority	8,850	2,797	—	—	11,647
City and County of San Francisco – Other City departments	—	7,588	—	—	7,588
SFMTA operating transfers in	104,685	28,084	—	(132,769)	—
Total transfers in	<u>340,615</u>	<u>99,250</u>	<u>—</u>	<u>(132,769)</u>	<u>307,096</u>
Transfers out:					
City and County of San Francisco – Other City departments	(465)	—	(5,718)	—	(6,183)
SFMTA operating transfers out	—	(104,685)	(28,084)	132,769	—
Net transfers	<u>340,150</u>	<u>(5,435)</u>	<u>(33,802)</u>	<u>—</u>	<u>300,913</u>
Change in net position	121,651	61,589	(12,283)	—	170,957
Total net position – beginning of year	1,982,458	67,262	45,760	—	2,095,480
Total net position – end of year	\$ <u>2,104,109</u>	<u>128,851</u>	<u>33,477</u>	<u>—</u>	<u>2,266,437</u>

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL RAILWAY

Supplemental Schedule of Grants – Federal

Year ended June 30, 2013

(In thousands)

	Authorized grants as of July 1, 2012	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2013	Amounts not expended as of June 30, 2013	Grants receivable as of June 30, 2013
Capital grants:							
FY 2005 Section 5309 Bus & Facilities	\$ 2,291	—	(2,291)	—	—	—	—
FY 2006 & 2007 Section 5309 Bus & Facilities (Islais Creek)	8,202	—	—	(8,202)	—	—	—
FY 2007 Section 5309 New Starts	3,242	85,000	(7,338)	—	80,904	(67,725)	13,179
FY 2005 through 2010 Section 5309 Fixed Guideway	198,596	—	—	(198,596)	—	—	—
FY 2006 Section 5309 Bus & Facilities (Glen Park)	2,843	—	—	(2,843)	—	—	—
FY 2008 Section 5309 Bus & Facilities	463	—	(216)	—	247	—	247
FY 1999 Section 5307 Urban Area Formula	337	—	(206)	—	131	(72)	59
FY 2002 Section 5307 Urban Area Formula	2,674	—	(153)	—	2,521	(2,455)	66
FY 2004 Section 5307 Urban Area Formula	711	—	(699)	—	12	(12)	—
FY 2005 Section 5307 Urban Area Formula	1,686	—	—	—	1,686	(1,686)	—
FY 2006 Section 5307 Urban Area Formula	1,494	—	(334)	(193)	967	(967)	—
FY 2007 Section 5307 Urban Area Formula	11,509	—	(2,513)	—	8,996	(7,340)	1,656
FY 2008 Section 5307 Urban Area Formula	16,686	—	(8,445)	—	8,241	(6,450)	1,791
FY 2009 Section 5307 Urban Area Formula	20,187	—	(2,184)	—	18,003	(15,209)	2,794
FY 2010 Sec 5307 Urban Area Formula	12,583	—	(864)	—	11,719	(3,910)	7,809
FY 2011 Sec 5307 Urban Area Formula	6,642	4,027	(1,763)	—	8,906	(8,906)	—
FY 2004 Section 5309 Fixed Guideway	1,557	—	(1,557)	—	—	—	—
FY 2008 & 2009 Section 5317 New Freedom	701	—	(315)	—	386	(229)	157
FY 2011 Section 5307 CMAQ	2,800	948	(418)	—	3,330	(3,043)	287
FY 2008 Section 5307 CMAQ	19,310	—	(19,310)	—	—	—	—
FY 2005 Section 5309 Fixed Guideway	—	—	(3,526)	9,911	6,385	(5,180)	1,205
FY 2006 Section 5309 Bus & Facilities	—	—	(3,734)	6,270	2,536	(2,493)	43
FY 2006 Section 5309 Fixed Guideway	—	—	(207)	808	601	(253)	348
FY 2007 Section 5309 Fixed Guideway	—	—	(5,233)	10,877	5,644	(5,236)	408
FY 2007 Section 5309 Bus & Facilities	—	—	(4,556)	4,881	325	—	325
FY 2008 Section 5309 Fixed Guideway	—	—	(11,821)	29,061	17,240	(15,544)	1,696
FY 2009 Section 5309 Fixed Guideway	—	15,000	(8,243)	34,990	41,747	(39,225)	2,522
FY 2010 Section 5309 Fixed Guideway	—	6,800	(432)	56,749	63,117	(61,668)	1,449
FY 2011 Section 5309 Bus & Facilities	—	—	(586)	43,694	43,108	(41,865)	1,243
FY 2011 Section 5309 Fixed Guideway	—	10,000	(354)	56,200	65,846	(65,385)	461
FY 2012 Section 5307 Urban Area Formula	—	6,182	—	—	6,182	(6,179)	3
FY 2012 Section 5309 Bus Livability	—	6,822	(1,506)	—	5,316	(2,291)	3,025
FY 2012 Section 5309 Fixed Guideway	—	68,252	—	—	68,252	(68,252)	—
FY 2013 Section 5307 CMAQ & STP	—	10,767	—	—	10,767	(10,559)	208
FY 2013 Section 5309 Bus Livability	—	6,352	—	—	6,352	(6,352)	—
Total capital grants	\$ 314,514	220,150	(88,804)	43,607	489,467	(448,486)	40,981
ARRA grants:							
FY 2009 Section 5307 ARRA (Operating in nature)	\$ 8,877	—	(8,473)	(383)	21	(3)	18
FY 2009 Section 5307 ARRA (Capital)	150	—	(465)	383	68	(52)	16
Total ARRA grants	\$ 9,027	—	(8,938)	—	89	(55)	34
Operating grants:							
FY 2010 Section 5316 JARC	\$ 495	—	(495)	—	—	—	—
FY 2007 Section 5317 New Freedom	225	—	(26)	—	199	(140)	59
FY 2012 Section 5317 New Freedom	—	200	(24)	—	176	(176)	—
FY 2012 Section 5307 Urban Area Formula	—	3,759	(3,759)	—	—	—	—
Total operating grants	\$ 720	3,959	(4,304)	—	375	(316)	59

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL RAILWAY
Supplemental Schedule of Grants – California Transportation Commission
Year ended June 30, 2013
(In thousands)

	Authorized grants as of July 1, 2012	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2013	Amounts not expended as of June 30, 2013	Grants receivable as of June 30, 2013
Capital grants:							
FY 2008 Prop IB: 3rd St Light Rail	\$ 2,533	—	(105)	—	2,428	(2,428)	—
FY 2008 Prop IB: Auto Passenger Counter Equipment	2	—	—	—	2	(2)	—
FY 2008 Prop IB: Overhead Rehab 5 Fulton/Hayes Bus Lines	733	—	—	—	733	(733)	—
FY 2008 Prop IB: Farebox Rehab	278	—	(117)	—	161	(161)	—
FY 2008 Prop 1B: Geneva Yard – Historic Street Car Enclosure Facility	233	—	(25)	—	208	(208)	—
FY 2008 Prop 1B: Metro East Light Rail Vehicle Facility	1,649	—	(1)	—	1,648	(1,648)	—
FY 2008 Prop IB: Operator Restrooms	2,534	—	(558)	—	1,976	(1,976)	—
FY 2008 Prop IB: Transit Security	4,829	—	(1,530)	—	3,299	(3,299)	—
FY 2009 Prop IB: New Central Subway	8,667	—	(273)	—	8,394	(8,394)	—
FY 2009 Prop IB: Central Control & Communications (C3)	400	—	(10)	—	390	(390)	—
FY 2009 Prop IB: Central Control & Communications (C3)	1,126	—	—	—	1,126	(1,126)	—
FY 2009 Prop IB: LRV Rehab Program	1,933	—	(1,933)	—	—	—	—
FY 2009 Prop IB: High Speed Connectivity	797	—	—	—	797	(797)	—
FY 2009 Prop IB: Transit Security Infrastructure	5,787	—	(1,547)	—	4,240	(4,240)	—
FY 2009 Prop IB: LRV Rehabilitation	5,262	—	(1,339)	—	3,923	(3,923)	—
FY 2009 & 2010 Prop IB: LRV Restoration Program	781	—	(781)	—	—	—	—
FY 2009 & 2010 Prop IB: Central Subway	81,482	—	(29,740)	—	51,742	(51,742)	—
FY 2010 Prop IB: Transit Security	7,070	—	—	—	7,070	(7,070)	—
FY 2010 Prop IB: Balboa Park Eastside Connection	864	—	—	—	864	(864)	—
FY 2010 Prop IB: Motor Coach Component Rehab	700	—	(70)	—	630	(630)	—
FY 2013 Prop 1B: Central Subway	—	117,681	—	—	117,681	(117,681)	—
FY 2013 Prop 1B: Transit Security	—	7,071	(2,397)	—	4,674	(4,674)	—
FY 2013 High Speed Passenger Train Bond Fund	—	61,308	(8,306)	—	53,002	(32,580)	20,422
FY 2013 Prop 1B: Mission Mobility Maximization	—	5,057	—	—	5,057	(5,057)	—
FY 2013 Prop 1B: 8X Mobility Maximization	—	5,285	—	—	5,285	(5,285)	—
FY 2013 Prop 1B: Mission Bay Loop	—	1,382	—	—	1,382	(1,382)	—
Total capital grants	\$ 127,660	197,784	(48,732)	—	276,712	(256,290)	20,422

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL RAILWAY
Supplemental Schedule of Grants – Metropolitan Transportation Commission
Year ended June 30, 2013
(In thousands)

	Authorized grants as of July 1, 2012	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2013	Amounts not expended as of June 30, 2013	Grants receivable as of June 30, 2013
Capital grants:							
Bridge toll:							
Match to Capital Grants	\$ 11,932	3,546	(3,821)	(2,393)	9,264	(6,826)	2,438
Total capital grants – Bridge tolls	<u>\$ 11,932</u>	<u>3,546</u>	<u>(3,821)</u>	<u>(2,393)</u>	<u>9,264</u>	<u>(6,826)</u>	<u>2,438</u>
State Transit Assistance:							
Third Street Light Rail	\$ 764	—	(458)	—	306	(306)	—
Clipper Limited Use Card	19	—	—	(19)	—	—	—
Balboa Park Station Eastside Connection	—	219	—	—	219	(212)	7
Total capital grants - State Transit Assistance	<u>\$ 783</u>	<u>219</u>	<u>(458)</u>	<u>(19)</u>	<u>525</u>	<u>(518)</u>	<u>7</u>
Operating grants:							
AB1107 Sales Tax	\$ 3,271	34,812	(34,665)	—	3,418	—	3,418
State Transit Assistance	7,990	47,750	(44,657)	—	11,083	—	11,083
Transportation Development Act	—	42,108	(42,108)	—	—	—	—
Owl Operations	—	188	(188)	—	—	—	—
T-3rd Street Operations	—	2,500	(2,500)	—	—	—	—
Translink Project – Wayside Fare Collection	14	—	—	—	14	(14)	—
Lifeline Cycle 2 – Shopping Shuttle	24	75	(59)	(24)	16	(16)	—
Total operating grants	<u>\$ 11,299</u>	<u>127,433</u>	<u>(124,177)</u>	<u>(24)</u>	<u>14,531</u>	<u>(30)</u>	<u>14,501</u>

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL RAILWAY

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2013

(In thousands)

	<u>Authorized grants as of July 1, 2012</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, 2013</u>	<u>Amounts not expended as of June 30, 2013</u>	<u>Grants receivable as of June 30, 2013</u>
Capital grants:							
3rd Street Light Rail Projects CPT522	\$ 4,233	—	(7)	(57)	4,169	(4,169)	—
Accessible Vans CPT436	5	—	—	—	5	—	5
Bus & Trolley System Overhaul Program CPT636	1,418	—	(1,195)	(223)	—	—	—
Cable Car Infrastructure CPT527	3,091	—	(94)	—	2,997	(2,997)	—
Central Subway CPT544	47,604	19,722	(56,351)	—	10,975	(10,759)	216
Diesel Bus Purchase CPT466	105	—	—	—	105	(105)	—
Escalator Replacement Study CPT526	1,309	—	(692)	—	617	(617)	—
Facilities Rehabilitation & Improvement (Various CPTs)	367	—	—	—	367	(367)	—
Financial Capacity Study CPT308	240	—	—	—	240	(240)	—
Geneva Building Demolition CPT465-576-584	35	—	—	(35)	—	—	—
Hybrid Buses CPT581	226	—	(119)	—	107	(107)	—
Islais Creek Woods CPT432	7,143	—	(3,470)	—	3,673	(3,002)	671
Muni Rail Replacement Proj CPT579	9,391	—	(977)	(6,656)	1,758	(1,654)	104
Overhead Rehab Program CPT447	4,172	—	(411)	(757)	3,004	(3,004)	—
PCC'S 10 Yr Overhaul CPT583	2,083	—	(416)	—	1,667	(1,596)	71
Procurement 56 – 40 Hybrids CPT554	1,377	—	(10)	(1,367)	—	—	—
Rail Replacement/Mntce Equip/Mission Bay CPT438-445-580	1,915	—	(63)	(140)	1,712	(1,712)	—
Re-power Standard Motor Coaches CPT598	116	—	—	(116)	—	—	—
Trolley Coach Rebuild CPT575	504	—	(300)	—	204	(204)	—
Woods/Potrero Roof Replacement CPT505-509	2	—	—	—	2	(2)	—
Woods Lifts – Heavy Maintenance Shop CPT629	2,458	—	(207)	—	2,251	(2,251)	—
Central Train Control & Comm CP595-630	40,840	—	(6,274)	(383)	34,183	(34,168)	15
Duboce Ave. Pedestrian Improv CPT634	136	—	(130)	—	6	—	6
Van Ness BRT Env Review CPT620	5	—	—	—	5	(5)	—
LRV Collision Repairs CPT626	28	—	(28)	—	—	—	—
Radio Communications System & CAD CPT535	59,285	—	—	(110)	59,175	(59,175)	—
Bus Rapid Transit (Geary/Van Ness) CPT646-640	2,388	—	(120)	(2,012)	256	(188)	68
Wayside Fare Collection CPT560	2,774	—	(201)	—	2,573	(2,573)	—
ParaTransit Vans Procurement CPT659	470	—	(448)	(22)	—	—	—
Balboa park Intermodal Improvements CPT662	339	73	(329)	—	83	(83)	—
Balboa Park Circulation Study CPT673	65	—	—	—	65	(47)	18
Enterprise Asset Management System CPT655	46	—	(46)	—	—	—	—
Balboa Park Station Eastside Connection CPT653	271	—	—	—	271	(271)	—
Motor Coach NABI Replacement CPT676	—	15,937	(277)	—	15,660	(10,760)	4,900
Green Center Rail Replacement CPT681	—	6,656	(12)	—	6,644	(6,608)	36
Total capital grants	\$ 194,441	42,388	(72,177)	(11,878)	152,774	(146,664)	6,110

SAN FRANCISCO MUNICIPAL RAILWAY

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2013

(In thousands)

	Authorized grants as of July 1, 2012	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2013	Amounts not expended as of June 30, 2013	Grants receivable as of June 30, 2013
Operating grants:							
Capital Grant Staffing CPT462	\$ 8	—	—	(8)	—	—	—
Trolley Bus Lifts Operations and Maintenance	75	—	—	(75)	—	—	—
Transit Corridor Investment Study CPT677	—	67	—	—	67	(61)	6
Mission Bay Transit Loop CPT684	—	157	(146)	—	11	(11)	—
N-Judah Customer First CPT689	—	716	—	—	716	(670)	46
Total operating grants	\$ <u>83</u>	<u>940</u>	<u>(146)</u>	<u>(83)</u>	<u>794</u>	<u>(742)</u>	<u>52</u>

See accompanying independent auditors' report.

SAN FRANCISCO MUNICIPAL RAILWAY

Supplemental Schedule of Grants – Others

Year ended June 30, 2013

(In thousands)

	<u>Authorized grants as of July 1, 2012</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, 2013</u>	<u>Amounts not expended as of June 30, 2013</u>	<u>Grants receivable as of June 30, 2013</u>
Capital grants:							
Homeland Security:							
FY 2008 CA Emergency Management Agency – Transit Security	\$ 7,639	1,138	(1,418)	(1,138)	6,221	(1)	6,220
FY 2011 Federal Homeland Security – TSA K9 Project	654	126	(218)	(12)	550	(473)	77
FY 2007 CA Emergency Management Agency – Transit Security	405	—	(405)	—	—	—	—
FY 2009 Federal Homeland Safety Grants	5,101	—	(1,112)	—	3,989	(3,459)	530
FY 2010 Federal Homeland Safety Grants	—	—	—	7,510	7,510	(7,510)	—
Total capital grants	<u>\$ 13,799</u>	<u>1,264</u>	<u>(3,153)</u>	<u>6,360</u>	<u>18,270</u>	<u>(11,443)</u>	<u>6,827</u>
Operating in nature grants:							
CA Video Surveillance Project	\$ 23	—	(15)	—	8	(8)	—
FY 2011 Federal Homeland Security – SFPD	927	—	(349)	—	578	(564)	14
Total operating grants	<u>\$ 950</u>	<u>—</u>	<u>(364)</u>	<u>—</u>	<u>586</u>	<u>(572)</u>	<u>14</u>

See accompanying independent auditors' report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – Federal

Year ended June 30, 2013

(In thousands)

	Authorized grants as of July 1, 2012	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2013	Amounts not expended as of June 30, 2013	Grants receivable as of June 30, 2013
Capital grants:							
FY 2009 CMAQ – SF Park	\$ 20,810	—	(10,358)	—	10,452	(4,394)	6,058
FY 2011 Section 5307 Surface Transportation	—	490	—	—	490	(490)	—
FY 2012 Sec 4314 Transportation Community & System Preservation	—	241	—	—	241	(241)	—
FY 2012 Highway Safety Improvement – Bayshore Paul Signals	—	259	—	—	259	(243)	16
FY 2013 Section 5307 Surface Transportation	—	517	—	—	517	(516)	1
FY 2012 Safe Routes to Schools – Chinatown	—	386	—	—	386	(386)	—
FY 2010 Highway Safety Improvement-Sunset New Signals	—	626	—	—	626	(625)	1
FY 2012 CMAQ – Outer Sunset	—	481	—	—	481	(481)	—
FY 2012 Surface Transportation – Church & Duboce	—	341	—	—	341	(305)	36
Total capital grants	\$ 20,810	3,341	(10,358)	—	13,793	(7,681)	6,112
Operating in nature:							
Tea Shared Lane Marking Project	\$ 167	—	—	(167)	—	—	—
Tea Ped Safety Education RPSTPLE-632(007)	20	—	—	—	20	—	20
Inner Sunset Traffic Calming & Transit Enhancement	69	—	—	—	69	(69)	—
Inner Sunset Traffic Calming & Transit Enhancement	73	—	—	—	73	(72)	1
Tenderloin Pedestrian Improvements	313	—	(34)	—	279	(279)	—
Golden Gate Park Ped Improvements	63	—	—	—	63	(3)	60
Var Bike Network Improvements	50	—	(41)	—	9	(1)	8
Eastern Neighborhoods	428	—	—	—	428	(172)	256
Chinatown Safe Routes to Schools	122	—	(103)	—	19	(9)	10
Van Ness Corridor Improvement	3,828	—	(175)	—	3,653	(3,357)	296
Fulton Curb Ramps	9	142	(4)	—	147	(84)	63
HSIP – Emergency Vehicle Signal Project	438	—	(54)	—	384	—	384
Bayshore & Paul Signal Upgrade Design	34	—	(32)	—	2	(2)	—
Parking Guidance Project	3,595	—	(1,664)	—	1,931	(680)	1,251
Jefferson Safe Routes to School – Planning	114	—	(102)	—	12	(4)	8
Sunset Blvd New Traffic Signal Design	129	—	(84)	—	45	—	45
Alamo School SRTS Project	129	—	(38)	—	91	(38)	53
SFGO Van Ness Corridor Management – TSP/BRT	6,000	—	(1)	—	5,999	(5,986)	13
TEP Intern Program	7	—	(7)	—	—	—	—
Sunset Blvd Ped Safety Education Program	147	—	(130)	—	17	(17)	—
SF Bicycle Parking Program	235	—	(72)	—	163	(4)	159
Pedestrian Safety Program	70	—	—	—	70	—	70
Masonic Avenue Signal Upgrade	161	—	(8)	—	153	(85)	68
FY 2007 Safe Routes to Schools	—	—	(23)	52	29	(29)	—
FY 2004 Safe Routes to Schools	—	—	—	12	12	(12)	—
FY 2012 Safe Routes to Schools – Tenderloin	—	121	(9)	—	112	(80)	32
FY 2012 Safe Transportation Improvement – Ped Countdown	—	464	—	—	464	(132)	332
FY 2013 Safe Routes to Schools – Denman	—	124	(3)	—	121	(94)	27
FY 2012 State Transportation Improvement – Church & Duboce	—	47	—	—	47	(23)	24
VPPL-6328(054) Link Price Elec	—	571	—	—	571	(566)	5
Total operating in nature	\$ 16,201	1,469	(2,584)	(103)	14,983	(11,798)	3,185
ARRA:							
Inner Sunset Traffic Calming – Construction Phase	\$ 128	—	(49)	—	79	(79)	—
Various Locations Ped Signal Upgrade	—	—	—	—	—	—	—
Total ARRA	\$ 128	—	(49)	—	79	(79)	—

See accompanying independent auditors' report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – California Transportation Commission

Year ended June 30, 2013

(In thousands)

	<u>Authorized grants as of July 1, 2012</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, 2013</u>	<u>Amounts not expended as of June 30, 2013</u>	<u>Grants receivable as of June 30, 2013</u>
Operating in nature grants:							
Randolph/Farralones/Orizaba Transit Access							
Ped Safety	\$ 442	—	(23)	—	419	(419)	—
Tea Shared Lane Marking Project	21	—	—	(21)	—	—	—
SF Community & Monroe Elec School – Safety Route	158	—	—	—	158	(158)	—
Buena Vista Safe Routes to School	192	—	—	—	192	(192)	—
Inner Sunset/Traffic Calming & Transit Enhancement	9	—	—	—	9	(6)	3
Addison & Dighy Traffic Circle – Design	7	—	—	—	7	(4)	3
Addison & Dighy Traffic Circle	56	—	—	—	56	(56)	—
Van Ness Corridor Improvement	4,709	—	(910)	—	3,799	(3,407)	392
Clarendon Safe Route to School	98	—	(98)	—	—	—	—
Prop IB – Persia Triangle Improvements	796	—	(16)	—	780	(780)	—
Prop IB – Hunter’s View Transit Connection	510	—	(163)	—	347	(347)	—
Class II & III Bikeways	466	—	(206)	—	260	(210)	50
West Portal Improve School Access	135	—	(35)	—	100	(27)	73
Eastern Neighborhoods CBTBG	4	—	—	—	4	(4)	—
Leonard Flynn Safe Route to School	—	—	—	27	27	(27)	—
Total operating in nature grants	\$ <u>7,603</u>	<u>—</u>	<u>(1,451)</u>	<u>6</u>	<u>6,158</u>	<u>(5,637)</u>	<u>521</u>

See accompanying independent auditors’ report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – Metropolitan Transportation Commission

Year ended June 30, 2013

(In thousands)

	<u>Authorized grants as of July 1, 2012</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, 2013</u>	<u>Amounts not expended as of June 30, 2013</u>	<u>Grants receivable as of June 30, 2013</u>
Operating in nature grants:							
TDA:							
Bicycle Parking Projects	\$ 2	—	—	(2)	—	—	—
Bicycle Safety Education Outreach – FY2010	7	—	(7)	—	—	—	—
Bicycle Facility Implementation	82	—	(82)	—	—	—	—
Bicycle Safety Education & Outreach – FY2011	30	—	(26)	—	4	(2)	2
Bicycle Facility Project – FY2011	330	—	(317)	(13)	—	—	—
Bicycle Safety Education & Outreach – FY2012	30	—	(29)	—	1	—	1
Bicycle Facility Project – FY2012	325	—	(189)	—	136	(126)	10
Market & Octavia Bicycle Markings	—	25	—	—	25	(24)	1
Bicycle Safety Education	—	23	—	—	23	(12)	11
Bicycle Facility	—	159	(13)	—	146	(64)	82
Short Term Bike Parking	—	80	—	—	80	(52)	28
Bike Share Pilot	—	167	—	—	167	(167)	—
Bicycle Parking TDA 06-07	—	—	—	102	102	(102)	—
Bridge tolls (RM2):							
Improvement Bicycle Access to 16th St Bart	1	—	—	(1)	—	—	—
Market St Safety Zone	150	—	—	—	150	(150)	—
Mission/Geneva Ped Improvements – Design	14	—	—	—	14	(14)	—
Mission/Geneva Ped Improvements – Construction	797	—	(704)	—	93	(93)	—
24th & Mission Ped Improvement – Design	43	—	(43)	—	—	—	—
24th & Mission Ped Improvement – Construction	354	—	(115)	—	239	(239)	—
Glen Park Area Bicycle – Design	2	—	(2)	—	—	—	—
Glen Park Area Bicycle – Construction	41	—	(18)	(22)	1	(1)	—
Improve Bicycle Access to 16th St Bart Station	13	—	—	(13)	—	—	—
Balboa Park Stn Connection Ph II – Signals/Livable Sts	643	—	(351)	—	292	(250)	42
Better Market Street	167	—	(167)	—	—	—	—
Sidewalk Improvement – Construction	—	16	—	—	16	(16)	—
Bicycle Transit System Integ	—	180	(20)	—	160	(150)	10
Polk St Bicycle Gap Closure	—	584	—	—	584	(584)	—
511 Real-Time Parking SFPark	—	125	(125)	—	—	—	—
Total operating in nature grants	\$ 3,031	1,359	(2,208)	51	2,233	(2,046)	187

See accompanying independent auditors' report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2013

(In thousands)

	Authorized grants as of July 1, 2012	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2013	Amounts not expended as of June 30, 2013	Grants receivable as of June 30, 2013
Operating in nature grants:							
Bike Program Projects	\$ 1,578	1,452	(1,202)	—	1,828	(1,453)	375
Pedestrian Safety Program Projects	2,183	254	(803)	—	1,634	(1,632)	2
Traffic Calming Program Projects	5,216	287	(1,902)	—	3,601	(3,552)	49
Traffic Signal/Traffic Sign Projects	4,300	7,080	(2,259)	—	9,121	(9,019)	102
Transit Study & Street Improvement Projects	454	—	(61)	2,805	3,198	(3,194)	4
Total operating in nature grants	\$ <u>13,731</u>	<u>9,073</u>	<u>(6,227)</u>	<u>2,805</u>	<u>19,382</u>	<u>(18,850)</u>	<u>532</u>
Pass-thru grants operating in nature:							
Bike Program Projects	\$ 927	—	(136)	(85)	706	(298)	408
Traffic Calming Projects	70	—	—	(12)	58	(58)	—
Traffic Signal Projects	73	—	—	—	73	(73)	—
Bike Program Projects	8	—	—	—	8	(8)	—
Transit Study & Street Improvement Projects	2	—	—	—	2	(2)	—
Total pass-thru grants operating in nature	\$ <u>1,080</u>	<u>—</u>	<u>(136)</u>	<u>(97)</u>	<u>847</u>	<u>(439)</u>	<u>408</u>

See accompanying independent auditors' report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – Others

Year ended June 30, 2013

(In thousands)

	<u>Authorized grants as of July 1, 2012</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, 2013</u>	<u>Amounts not expended as of June 30, 2013</u>	<u>Grants receivable as of June 30, 2013</u>
Operating in nature grants:							
BAAQMD – Transportation Fund for Clean Air:							
7th Ave Traffic Calming	\$ 2	—	—	—	2	(2)	—
North Point St Bicycle Lanes, Between Embarcadero	5	—	—	(5)	—	—	—
Design/Plan/Implement Citywide Bike Rack	84	—	—	—	84	(5)	79
Install Bike Lane – Lake Merced/Skyline	67	—	(23)	—	44	(44)	—
Total operating in nature grants	\$ <u>158</u>	<u>—</u>	<u>(23)</u>	<u>(5)</u>	<u>130</u>	<u>(51)</u>	<u>79</u>

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, 2013

(In thousands)

Project Number	Grant title	Allocation	Beginning Balance July 1, 2012	Interest Earned	Additions	Reassigned Interest Earnings	Expenditures	Ending Balance June 30, 2013
First Allocation Fiscal Year 2007–2008								
CPT522	Third Street Light Rail	\$ 3,700	2,735	23	—	—	(105)	2,653
CPT588 & CPT544	Automated Passenger Count Equipment & Central Subway	2,500	41	—	—	(40)	—	1
CPT447	Overhead Rehabilitation: 5 Fulton and 21 Hayes Bus Lines	3,000	862	7	—	—	—	869
CPT613 & CPT650,	Farebox Rehabilitation, Neoplan Lifecycle Rehabilitation, Vehicle							
CPT672 & CPT688	Video Surveillance & 14 Mission Customer First	20,000	319	2	—	—	(117)	204
CPT531 & CPT544	Geneva Yard – Historic Street Car Enclosure Facility & Central Subway	7,500	419	4	—	(58)	(25)	340
	Sub-total	36,700	4,376	36	—	(98)	(247)	4,067
Second Allocation Fiscal Year 2007–2008								
CPT522	Third Street Light Rail	9,700	2,051	17	—	—	(1)	2,067
CPT303 & CPT629	Operator Restrooms & Woods Lifts Heavy Maintenance Shop	2,965	2,701	22	—	—	(558)	2,165
CPT560	Wayside Fare Collection Equipment	1,000	45	—	—	—	—	45
	Sub-total	13,665	4,797	39	—	—	(559)	4,277
First Allocation Fiscal Year 2008–2009								
CPT544; 595, 672,681	Central Subway; Wayside Central Control and							
CPT688, 694, 699	Muni Rail Replacement	30,000	8,866	126	—	(194)	(273)	8,525
CPT630	Interim Line Management Center	400	412	3	—	—	(10)	405
CPT630	Light Rail Operations Control Center Improvements	1,300	1,167	10	—	—	—	1,177
CPKA74	Persia Triangle Transit Access Improvements	127	124	1	—	—	(4)	121
CPKA66	Randolph, Farallones, and Orizaba Transit Access Pedestrian Safety	85	50	—	—	—	(24)	26
	Sub-total	31,912	10,619	140	—	(194)	(311)	10,254
Third Allocation Fiscal Year 2007–2008 and Second Allocation 2008–2009								
CPT591	Light Rail Vehicle Rehabilitation Program	3,638	2,013	16	—	—	(1,933)	96
CPT544	Construction of Central Subway Light Rail Line	352	7	—	—	(12)	—	(5)
CPT630	High Speed Connectivity and Communications Upgrade	817	815	7	—	—	—	822
	Sub-total	4,807	2,835	23	—	(12)	(1,933)	913
Third Allocation Fiscal Year 2008–2009								
CPT591	Light Rail Vehicle Rehabilitation Program	5,262	5,334	45	—	—	(1,339)	4,040
CPT626	Light Rail Vehicle Collision Repairs	3,831	51	4	—	—	(11)	44
CPT544	Construction of Central Subway Light Rail Line	719	6	—	—	(6)	—	—
	Sub-total	9,812	5,391	49	—	(6)	(1,350)	4,084
First Allocation Fiscal Year 2009–2010								
CPT544	Construction of Central Subway Light Rail Line	20,216	17,037	—	—	—	(17,037)	—
CPT626	Light Rail Vehicle Restoration	770	770	—	—	—	(770)	—
CPT653	Balboa Park Station Eastside Connections	864	864	—	—	—	—	864
CPKE96	Hunter's View Revitalization Transit Stop Connection	510	510	—	—	—	(322)	188
CPT631	Motor Coach Component Rehab	700	700	—	—	—	(70)	630
Unassigned	Interest Earned on First Allocation FY 2009–2010	—	143	149	—	(226)	—	66
	Sub-total	23,060	20,024	149	—	(226)	(18,199)	1,748

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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

Year ended June 30, 2013

(In thousands)

Project Number	Grant title	Allocation	Beginning Balance July 1, 2012	Interest Earned	Additions	Reassigned Interest Earnings	Expenditures	Ending Balance June 30, 2013
Second Allocation Fiscal Year 2009–2010								
CPT544	Construction of Central Subway Light Rail Line	\$ 16,045	16,120	136	—	(54)	(1,593)	14,609
CPKA66	Randolph, Farallones, and Orizaba Transit Access Pedestrian Safety	395	395	5	—	—	—	400
	Sub-total	<u>16,440</u>	<u>16,515</u>	<u>141</u>	<u>—</u>	<u>(54)</u>	<u>(1,593)</u>	<u>15,009</u>
Third Allocation Fiscal Year 2009–2010								
CPT544	Construction of Central Subway Light Rail Line	48,400	48,413	389	—	(14)	(11,110)	37,678
CPKA74	Persia Triangle Improvements	676	676	—	—	—	(12)	664
	Sub-total	<u>49,076</u>	<u>49,089</u>	<u>389</u>	<u>—</u>	<u>(14)</u>	<u>(11,122)</u>	<u>38,342</u>
First Allocation Fiscal Year 2010–2011								
CPT544	New Central Subway	117,681	—	414	117,681	—	—	118,095
	Sub-total	<u>117,681</u>	<u>—</u>	<u>414</u>	<u>117,681</u>	<u>—</u>	<u>—</u>	<u>118,095</u>
Second Allocation Fiscal Year 2010–2011								
CPT995	Mission Mobility Maximization	5,057	—	—	5,057	—	—	5,057
CPT995	8X Mobility Maximization	4,225	—	—	4,225	—	—	4,225
CPT672	Vehicle Video Surveillance Replacement	1,060	—	—	1,060	—	—	1,060
CPT684	Mission Bay Loop	1,382	—	—	1,382	—	—	1,382
	Sub-total	<u>11,724</u>	<u>—</u>	<u>—</u>	<u>11,724</u>	<u>—</u>	<u>—</u>	<u>11,724</u>
Reassigned Interest Earnings								
CPT665	Central Subway Goodwill	—	365	—	—	(315)	(50)	—
CPT656	Paratransit Mobile Van Data Terminals	—	161	—	—	—	(104)	57
CPT687	Capital Program Controls System Procurement	—	—	—	—	920	(302)	618
	Sub-total	<u>—</u>	<u>526</u>	<u>—</u>	<u>—</u>	<u>605</u>	<u>(456)</u>	<u>675</u>
	Total	<u>\$ 314,877</u>	<u>114,172</u>	<u>1,380</u>	<u>129,405</u>	<u>1</u>	<u>(35,770)</u>	<u>209,188</u>

See accompanying independent auditors' report.



KPMG LLP
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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) of the City and County of San Francisco, California (the City) as of and for the year then ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2013.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 *Governmental 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 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 SFMTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 25, 2013