

**THIS PRINT COVERS CALENDAR ITEM NO. : 11**

**SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY**

**DIVISION:** Finance and Information Technology

**BRIEF DESCRIPTION:**

Presentation and discussion regarding the SFMTA's 2015 year-end financial audit.

**SUMMARY:**

- KPMG has audited SFMTA's financial statements for the year that ended June 30, 2015. The audited financial statements include a report on internal control over financial reporting and on compliance and other matters in accordance with Government Auditing Standards.
- The audit was completed timely and included a new Government Standard pronouncement on accounting and financial reporting of pensions in 2015.
- There were no findings.
- The audit is available on the SFMTA website: <https://www.sfmta.com/about-sfmta/investor-relations/investor-relations-overview>

**ENCLOSURES:**

1. FY2015 Audited Financial Statements

**APPROVALS:**

**DATE**

DIRECTOR \_\_\_\_\_

12/17/15

SECRETARY \_\_\_\_\_

12/17/15

**ASSIGNED SFMTAB CALENDAR DATE:** January 5, 2016



**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Financial Statements  
and Supplemental Schedules

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

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KPMG LLP  
Suite 1400  
55 Second Street  
San Francisco, CA 94105

## Independent Auditors' Report

The Honorable Mayor, Board of  
Supervisors,

and San Francisco Municipal Transportation Agency Board of  
Directors City and County of San Francisco, California:

### Report on the Financial Statements

We have audited the accompanying financial statements of the San Francisco Municipal Transportation Agency (SFMTA), an enterprise fund of the City and County of San Francisco, California (the City), as of and for the years ended June 30, 2015 and 2014, 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 audits. We did not audit the financial information of the City of San Francisco Uptown Parking Corporation, the City of San Francisco Japan Center Garage Corporation, and the City of San Francisco Portsmouth Plaza Parking Corporation, which reflect total assets constituting 0.91% and 1.00%, respectively, of SFMTA's total assets at June 30, 2015 and 2014, and total revenue constituting 3.91% and 3.31%, respectively, of SFMTA's total revenue for the years then ended. Such financial information was audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for SFMTA, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The

financial statements of the City of San Francisco Portsmouth Plaza Parking Corporation, commissioned by the Department of Recreation and Parks, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the SFMTA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SFMTA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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the U.S. member firm of KPMG International Cooperative  
("KPMG International"), a Swiss entity.



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

***Opinion***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of SFMTA as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with

U.S. generally accepted accounting principles.

***Emphasis of Matter***

As discussed in Note 1, the financial statements of SFMTA are intended to present the net position and the changes in net position and cash flows of only that portion of the City that is attributable to the transactions of SFMTA. They do not purport to, and do not, present fairly the net position of the City as of June 30, 2015 and 2014, the changes in its net position, or, where applicable, the cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2a to the financial statements, in 2015, the SFMTA adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The July 1, 2014 beginning net position has been restated for the retrospective application of this new accounting guidance.

Our opinion is not modified with respect to these matters.

***Other Matters***

***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4–15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



*Supplemental Schedules*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the SFMTA's basic financial statements. The accompanying supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic



financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015 on our consideration of the SFMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SFMTA's internal control over financial reporting and compliance.

KPMG LLP

San Francisco, California  
November 5, 2015



## SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

### Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

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, 2015. 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 City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* as of July 1, 2014 which applies to SFMTA as a department of the City. As indicated in this statement if restatement of all prior periods is not practical, then the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2014.
- The SFMTA's assets and deferred outflows of resources exceeded their liabilities and deferred inflows of resources by \$2,551,280 and \$2,686,060 at the close of fiscal years ended June 30, 2015 and 2014, respectively.
- The SFMTA's total net position decreased by \$134,780 in 2015 and increased by \$421,634 in 2014 over the prior fiscal year.
- Total net investment in capital assets were \$2,529,275 and \$2,396,595 at June 30, 2015 and 2014, respectively, an increase of 5.5% and an increase of 12.8% over the balance of \$2,396,595 and \$2,123,839 at June 30, 2014, and 2013, respectively.

### Overview of the Financial Statements

This discussion and analysis section is intended to serve as an introduction to the SFMTA's financial statements. The SFMTA oversees transit (Muni), bike and pedestrian programs, taxis, parking and traffic control operations in the City. The SFMTA applies Governmental Accounting Standards Board (GASB) Statements. The SFMTA is an integral part of the City and County of San Francisco, California (the City) and these financial statements are included in the City's Comprehensive Annual Financial Report. More information regarding the SFMTA's organization and the basis of presentation are contained in notes 1 and 2(a) (found on page 21).

The statements of net position (found on pages 16 and 17) presents information on all of the SFMTA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net position is the residual of all other four elements presented in the statement of financial position. Over time, increases or decreases in net position may serve as a useful indicator of the financial

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

position of the SFMTA. The information of the SFMTA's financial position is presented as of June 30, 2015 and 2014.

The statements of revenue, expenses, and changes in net position (found on page 18) present information showing how the SFMTA's net position changed during the fiscal years ended June 30, 2015 and 2014. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The statements of cash flows (found on pages 19 and 20) presents information about the cash receipts and payments of the SFMTA during the fiscal years ended June 30, 2015 and 2014. This statement shows the effects on the

# SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

## Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

SFMTA's cash balances of cash flows from operating, noncapital financing, capital and related financing, and investing activities. When used with related disclosures and information in the other financial statements, the information in the statements of cash flows helps readers assess the SFMTA's ability to generate net cash flows, its ability to meet its obligations as they come due, and its needs for external financing.

### 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 21 through 48 of this report.

### Other Information

The supplemental schedules found on pages 49 through 66 of this report are presented for the purpose of providing additional analysis and are not a required part of the financial statements.

### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the SFMTA, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by

\$2,551,280 at the close of the most recent fiscal year.

### Condensed Summary of Net Position

June 30, 2015, 2014, and 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u> <u>(Restated)</u>
Assets			
:			
Total current assets	\$ 1,074,180	969,807	851,996
Total restricted assets	52,475	36,333	16,984

Capital assets, net		2,747,219	<u>2,542,048</u>	<u>2,192,682</u>
Total assets		\$ 3,873,874	<u>3,548,188</u>	<u>3,061,662</u>
<del>SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY</del>				
Deferred outflows of resources		\$ 88,450	<u>—</u>	<u>—</u>
Management's Discussion and Analysis (Unaudited)				
Liabilities:				
Total current liabilities	June 30, 2015 and 2014	<del>388,036</del>	383,851	419,061
Total noncurrent liabilities		792,967	<u>460,540</u>	<u>353,868</u>
Total liabilities		\$ 1,181,000	<u>844,391</u>	<u>772,929</u>
Deferred inflows of resources		\$ 230,044	<u>17,737</u>	<u>24,307</u>
Net position:				
Net investment in capital assets		\$ 2,529,275	2,396,595	2,123,839
Restricted		51,429	35,065	15,914
Unrestricted		(29,424)	<u>254,400</u>	<u>124,673</u>
Total net position		\$ 2,551,280	<u>2,686,060</u>	<u>2,264,426</u>

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

***Fiscal Year 2015***

During fiscal year 2015, current assets increased by \$104.4 million or 10.8%. This increase was in unrestricted cash and investments of \$167.3 million, and \$11.3 million in inventories offset by decrease in receivables of

\$74.2 million. The increase is mainly due from higher City general fund allocation, collections from grantors, and

procurement of maintenance parts inventory.

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

The capital assets increased by \$205.2 million or 8.1%, mainly from construction in progress account of

\$203.9 million for the Central Subway Project, Central Control System Upgrade, and Rail Replacement Project. The remaining \$1.3 million is from the acquisition of various equipments and nonrevenue vehicles.

The SFMTA's net position decreased by 5.0% compared to the prior year. The decrease in net position is attributable to decreases in operating revenue, and capital contributions, offset by increases in nonoperating revenues, transfers, decrease in operating expenses, and restatement reduction to the beginning net position with the implementation of GASB Statement No. 68 on pensions.

The largest portion of the SFMTA's net position (\$2,529,275 as of June 30, 2015) reflects its net investment in capital assets (specifically land, building structure and improvements, equipment, infrastructure, intangibles, and construction in progress). The value of these assets of \$4,428,643 is offset by accumulated depreciation of

\$1,681,424 and related debt of \$217,944. More information can be found in note 5 on page 27. The SFMTA uses these assets to provide services.

The remainder of the SFMTA's net position is composed of restricted and unrestricted net assets. The restricted assets include deposits, investments, and receivables. The unrestricted net asset reflects the GASB Statement No. 68 restatement adjustment of \$429.4 million resulting to a negative net unrestricted position of \$29.4 million.

***Fiscal Year 2014***

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

During fiscal year 2014, current assets increased by \$117.8 million or 13.8%. This increase was in unrestricted cash and investments of \$45.3 million, receivables of \$67.4 million, and \$5.1 million in inventories. The increase is mainly due to cash proceeds from new bonds issuance, higher operating revenue including City general fund allocation, and increase in grant-funded billable project costs for the Central Subway Project.

The restricted assets increased by \$19.3 million or 113.9%, attributable to more collection in TIDF of \$12.1 million and from the issuance of new revenue bonds of \$7.2 million held in reserve account by the trustee.

The capital assets increased by \$349.4 million or 15.9% mainly from construction in progress of \$304.9 million for the Central Subway Project, Central Control System Upgrade and Security Projects. The remaining of

\$44.0 million is from the acquisition of the new revenue buses and paratransit vans.

The SFMTA's net position increased 18.6% compared to the prior year. The increase in net position is attributable to increases in operating revenue, nonoperating revenue, capital contributions, and transfers, offset by increases in operating expenses.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

The largest portion of the SFMTA's net position (\$2,396,595 as of June 30, 2014) reflects its net investment in capital assets (specifically land, building structure and improvements, equipment, infrastructure, intangibles, and construction in progress). The value of these assets of \$4,122,350 is offset by accumulated depreciation of

\$1,580,302 and related debt of \$145,453. More information can be found in note 5 on page 28. 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.

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

Years ended June 30, 2015, 2014, and 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u> <u>(Restated)</u>
Revenues			
:			
Total operating revenues	\$ 504,625	527,268	500,523
Total nonoperating revenues, net	166,761	163,973	145,242
Capital contributions:			
Federal	176,315	304,351	104,062
State and others	117,035	141,588	143,596
Total capital contributions	<u>293,350</u>	<u>445,939</u>	<u>247,658</u>
Net transfers	<u>341,331</u>	<u>316,891</u>	<u>300,913</u>
Total revenues and net transfers	1,306,067	1,454,071	1,194,336
Expenses:			
Total operating expenses	<u>1,011,401</u>	<u>1,032,437</u>	<u>1,023,885</u>
Change in net position	294,666	421,634	
	170,451	Net position at beginning of year	
Beginning of year, as previously reported	2,686,060	2,264,426	2,095,480
Cumulative effect of accounting changes	(429,446)	—	(1,505)
Beginning of year as restated	2,256,614	<u>2,264,426</u>	<u>2,093,975</u>
Total net position – ending	\$ 2,551,280	<u><u>2,686,060</u></u>	<u><u>2,264,426</u></u>

## SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

### Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

#### *Fiscal Year 2015*

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

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

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

Capital contributions consist principally of funds received or receivable from federal, state, and local grant agencies that provide funding for many of the SFMTA's capital projects. There was a decrease in capital expenditures incurred and billable to the grantors in fiscal year 2015 compared to the prior year due to federal grants mostly related to Central Subway and other huge projects completed in prior year. This resulted in the significant decrease in capital contribution by \$152,589 or 34.2% when compared to fiscal year 2014.

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

Total operating expenses for the year ended June 30, 2015 were \$1,011,401, a decrease of \$21,036 or 2.0% compared to the prior year. The resulting net decrease comprises trend changes from various expense categories. The increase in contractual services by \$8,567 was attributable to higher rental costs and software license payments during this fiscal year compared to prior year. Depreciation expense increased by \$5,802 or 4.8% with more assets capitalized. Other operating expense category increased by \$10,384 or 79.4% with more noncapitalizable cost and increase in paratransit costs than prior year. The offsetting decreases are in the following categories: personnel services, materials and supplies, general and administrative, and services to other departments. Personnel service costs decrease by



**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

\$12,793 or 2.0%, attributable to reduction of retirement cost associated with the GASB Statement No. 68 implementation that took effect in fiscal year 2015. General and administrative costs decreased by \$14,552 or 25.0%, mainly due to lower judgment and claim costs compared to prior year. Materials and supplies decreased by \$14,289 or 16.4%, and services by other departments decreased by \$4,155 or 7.3% for police security work.

## SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

### Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

#### *Fiscal Year 2014*

Total revenue and net transfers for the year ended June 30, 2014 were \$1,454,071, an increase of \$259,735 or 21.7% 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 revenue increased by \$26,745 or 5.3% compared to prior year. The increase is mainly due to higher taxi medallion revenue from medallion sales by \$26,508 or 299.2%, parking related fees by \$8,036 or 6.6%, advertising revenue by \$1,674 or 9.4%, and permits revenue by \$1,205 or 10.9%; offset by total decrease of \$10,678 or 3.1%, in passenger fares by \$7,255 or 3.3%, parking fines and penalties by \$3,143 or 3.3%, and other operating revenue categories by \$280. For parking and transportation revenue, the increase in parking meter collections was attributable to implementation of various meter payment methods as well as parking rate increase. The fares revenue decrease is due to one-time payment from BART in fiscal year 2013 from prior three years as a result of a finalized agreement.

The nonoperating revenue include operating support received from other sources, primarily federal and state operating grants, transit impact development fees, and interest income. Nonoperating revenue increased by \$18,731 or 12.9%, mostly from transit impact development fee and interest and investment income, which were offset by a decrease in operating grants of \$4.8 million.

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 2014 compared to the prior year. This resulted in the significant increase in capital contribution by \$198,281 or 80.1% when compared to fiscal year 2013.

Net transfers increased by \$15,978 or 5.3% in fiscal year 2014 mostly due to the increase in the City's General Fund baseline allocation of \$23.1 million offset by less funding transfers received from the City's Street Improvement fund compared to prior year.

Total operating expenses for the year ended June 30, 2014 were \$1,032,437, an increase of \$8,552 or 0.8% compared to the prior year. The resulting net increase comprises trend changes from various expense categories. Personnel service costs increase by \$22,142 or 3.7%, attributable to higher salary cost and retirement fringe benefits. General and administrative cost increased by \$21,196 or 57.2% was mainly due to higher judgment and claim costs compared to prior year. Materials and supplies were slightly increased by \$582 or 0.7%. The offsetting decreases are in the following categories: contractual services by \$16,615 or 15.1%, depreciation expense by

\$1,525 or 1.3%; services by other departments by \$81 or 0.1%; and other operating expense by \$17,147 or 421.5%. The decrease in contractual services was attributable to less consulting assistance during this

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

fiscal year compared

to prior year. The decrease in other operating expense category is primarily due to increase in cost recovery

collection

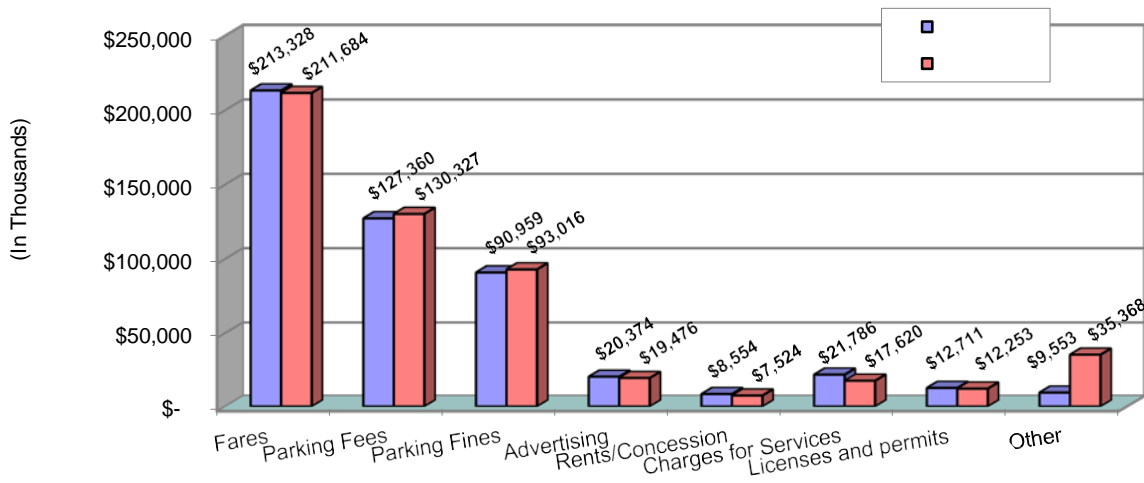
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**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**  
**Management's Discussion and Analysis (Unaudited)**

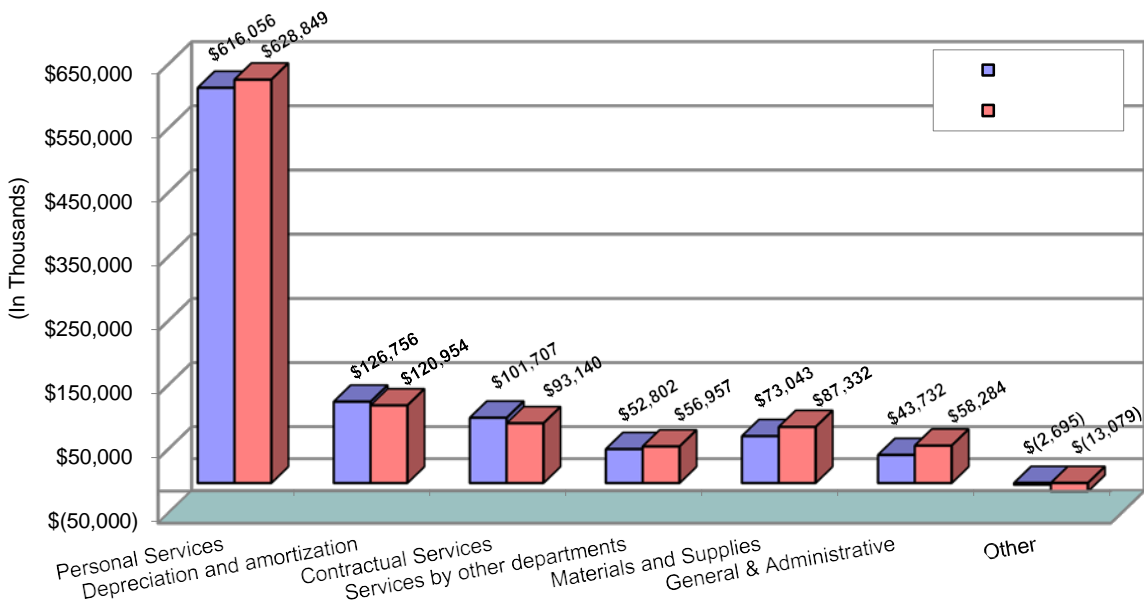
June 30, 2015 and 2014

The charts below illustrate the SFMTA's operating revenue by source and expenses by category for fiscal year 2015 and fiscal year 2014:

**Operating Revenue Comparative - FY2015 and FY2014**



**Operating Expenses Comparative - FY2015 and FY2014**



**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

**Capital Assets and Debt Administration**

*Capital Assets*

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

The SFMTA's investment in capital assets amounts to \$2,542,048 net of accumulated depreciation as of June 30, 2014. This investment includes land, building structures and improvements, equipment, infrastructure, intangibles, and construction in progress. The increase in capital assets is \$349,366 or 15.9%, compared to the previous year. This increase is attributed to continued construction work for both enhancement and state of good repair projects, purchase of transit revenue buses and paratransit vans.

**Summary of Capital Assets**

	<u>Balance, June 30, 2015</u>	<u>Balance, June 30, 2014</u>	<u>Balance, June 30, 2013</u>
Capital assets not being depreciated:			
Land	\$ 41,030	41,030	41,030
Construction in progress	1,035,096	<u>849,447</u>	<u>544,592</u>
Total capital assets not being depreciated	<u>1,076,126</u>	<u>890,477</u>	<u>585,622</u>
Capital assets being depreciated:			
Building structures and improvements	697,731	679,847	667,795
Equipment	1,413,277	1,326,667	1,229,299
Infrastructure	<u>1,241,509</u>	<u>1,225,359</u>	<u>1,189,998</u>
Total capital assets being depreciated	<u>3,352,517</u>	<u>3,231,873</u>	<u>3,087,092</u>
Less accumulated depreciation for:			
Building structures and improvements	274,731	258,927	243,523
Equipment	865,348	815,280	764,580
Infrastructure	<u>541,345</u>	<u>506,095</u>	<u>471,929</u>

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

Total accumulated depreciation	<u>1,681,424</u>	<u>1,580,302</u>	<u>1,480,032</u>
Total capital assets being depreciated, net	<u>1,671,093</u>	<u>1,651,571</u>	<u>1,607,060</u>
Total capital assets, net	<u>\$ 2,747,219</u>	<u>2,542,048</u>	<u>2,192,682</u>

Construction in progress is made up of various transportation projects. The five projects that have the highest balances on June 30, 2015 are the Central Subway, Central Control System Upgrades, Muni Forward, Rail Replacement, and Radio Replacement.

## SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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Central Subway Project will link the existing 5.4 mile Phase I T-line, beginning at 4th Street and King Streets, to BART, Muni Metro along Market Street, Union Square, and Chinatown to the north. Construction is over 50% complete and the two rail tunnels are bored through from end to end. The final construction contract for all stations, track, and systems was awarded and issued a Notice to Proceed. On October 11, 2012, the Federal Transit Agency (FTA) executed the Full Funding Grant Agreement dedicating a total of \$942.2 million in federal Section 5309 funds through project completion; this was followed by FTA allocations of \$85.0 million to the project for fiscal year 2012, \$141.8 million for FY 13, and \$150 million for fiscal year 2014. It is expected that the remaining funds will be awarded annually at up to \$150 million per year. The California Transportation Commission awarded the full amount of control from the State Transportation Improvement Program (STIP) with an additional \$75.5 million pending in future STIP funding cycles. Caltrans awarded a total of \$309.1 million of Prop. 1B PTMISEA funds for ROW, final design, vehicles, and construction.

Significant capital asset additions during fiscal year 2015 included:

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

Significant capital asset additions during fiscal year 2014 included:

- Infrastructure and Construction in progress – A majority of the \$331.5 million costs incurred is for the new Central Subway Project, Rail Replacement, and Escalator Replacement and Rehabilitation. These projects are to upgrade and reconfigure rail and tracks and roadway improvements to support transit.
- Equipment – The cost of \$98.1 million incurred during the fiscal year for the purchase of new buses, a partial replacement of the aging fleet, and escalator replacement.
- Building – The total of \$7.9 million was incurred in fiscal year 2014 related to the construction of the Trolley Overhead Reconstruction, Bayview Town Center Construction and tenant improvements on the new Sign Shop at Bayshore Boulevard.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

***Debt Administration***

At June 30, 2015 and 2014, the SFMTA's debt obligations outstanding totaled \$214,449 and \$142,940, respectively. The following table summarizes the balances in debt between fiscal years 2015, 2014, and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Bonds payable	\$ 214,449	142,940	67,407
Total	<u>\$ 214,449</u>	<u>142,940</u>	<u>67,407</u>

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

The SFMTA's total debt increased by \$71,509 or 50% as of June 30, 2015. The increase was primarily due to issuance of new revenue bonds. During the fiscal year, SFMTA issued a total of \$70.6 million to finance a portion of the costs of various capital projects, including a deposit to the bond reserve fund and payment for portion of the cost of issuance. The SFMTA carried underlying debt ratings of Aa2 from Moody's and AA from Standard & Poor's as of June 30, 2015.

The SFMTA's total debt increased by \$75,533 or 112.1% as of June 30, 2014. The increase was primarily due to issuance of new revenue bonds. During the fiscal year, SFMTA issued a total of \$75.4 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 initially carried underlying debt ratings of Aa3 from Moody's and AA – from Standard & Poor's as of June 30, 2014 which subsequently received upgrades in fiscal year 2015.

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

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

In April 2002, Muni entered into the leveraged lease-leaseback transaction for 118 Breda light rail vehicles (the Equipment). The transaction was structured as a head lease of the Equipment to separate special purpose trusts and a sublease of the Equipment back from such trusts. The sublease provides Muni with an option to purchase the Equipment in approximately 27 years, the scheduled completion date of the sublease. During the term of the sublease, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment. Muni received an aggregate of \$388.2 million from the equity investors in full prepayment of the head lease. Muni deposited a portion of this amount



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into an escrow, and a portion was paid to a debt payment undertaker whose repayment obligation is guaranteed by Assured Guaranty Municipal Corp (AGM) as successor to Financial Security Assurance, Inc., a bond insurance company. Muni recorded \$35.5 million in fiscal year 2002 for the difference between the amounts received of \$388.2 million and the amounts paid to the escrows of \$352.7 million. This amount is reclassified as the deferred inflow of resources and will be amortized over the life of the sublease unless the purchase option is executed. SFMTA exercised the purchase option with respect to 30 items of the Equipment on March 17, 2014.

## SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

### Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

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

\$67.5 million of this head lease payment was deposited into two escrows.

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

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

### **Economic Factors and Next Year's Budget**

The SFMTA's originally adopted two-year budget for fiscal year 2015 and fiscal year 2016 totals to \$945.2 million and \$963.2 million respectively. Based on the City Charter, the SFMTA can amend the second year of the two- year budget (fiscal year 2016 Amended Budget) by submitting a supplemental budget is subject to SFMTA Board approval and Board of Supervisors review under the Charter rules, which allow the Board of Supervisors to reject the SFMTA Budget in its entirety by 7/11<sup>th</sup> vote without line item amendment authority.

In November 2014, the voters passed Proposition B with a Charter amendment that would, beginning in fiscal year 2016, increase SFMTA's baseline funding by the percentage growth in the City's population during the past 10 years. This baseline funding amount will continue to be adjusted in future years as the City's population grows. Due to the additional funding authorized by Proposition B as well as increased fees due to the strong economy, SFMTA submitted a supplemental appropriation request for its fiscal year 2016 budget. The final adopted fiscal year 2016 Amended Budget totals to \$1.02 billion, a \$54.7 million increase from its originally adopted budget of

\$963.2 million. The major changes in SFMTA's fiscal year 2016 Amended Budget as compared to fiscal

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

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year 2016 Original Budget are as follows:

- The total \$54.7 million net revenue increase in fiscal year 2016 is attributable to \$18 million City's general fund contribution baseline adjustment and an additional \$25.9 million general fund transfers to SFMTA for population baseline increase as stipulated in Proposition B. The remaining \$13.9 million increase is the supplemental appropriation budget for the Community Improvement Impact Fee (IPIC) that funds various community-based capital projects. Offsetting the above increases is the \$3.1 million reduction in transit fare revenue based on more recent projections.
- The total \$54.7 million expenditures increase in fiscal year 2016 are comprised of \$47.8 million additional budget under capital project funds and \$6.9 million under operating funds. Major capital projects include \$8 million budgeted for LRV procurement; \$18.2 million for hybrid bus purchase; \$13.6 million for

## **SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

### **Management's Discussion and Analysis (Unaudited)**

June 30, 2015 and 2014

community and neighborhood pedestrian safety improvements; \$6 million for bike, pedestrian, and traffic improvement projects; and \$1.7 million for designated general reserve. Major changes in operating expenditure include salary and fringe benefit adjustments based on labor agreements and various nonlabor expenditure adjustments including designated general reserve.

### **Requests for Information**

This report is designed to provide a general overview of the SFMTA's finances for all those with a general interest. The financial statements and related disclosures in the notes to the financial statements and supplemental information are presented in accordance with U.S. generally accepted accounting principles. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, SFMTA, One South Van Ness Avenue, 3rd Floor, San Francisco, CA 94103.

Questions regarding the City and County of San Francisco or a request for a copy of the City's Comprehensive Annual Financial Report should be addressed to the Office of the Controller, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Statements of Net  
Position June 30, 2015  
and 2014 (In thousands)

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets:		
Cash and investments with City Treasury	\$ 872,240	707,945
Cash and investments held outside City Treasury	9,688	6,679
Cash on hand	226	254
Receivables:		
Grants	99,509	174,064
Due from the San Francisco County Transportation Authority	4,001	6,286
Due from component unit	13	—
Charges for services (net of allowance for doubtful accounts of \$156 in 2015 and \$132 in 2014)	6,587	5,523
Interest and other	<u>7,983</u>	<u>6,472</u>
Total receivables	118,093	192,345
Inventories	73,419	62,069
Current prepaids and other assets	<u>514</u>	<u>515</u>
Total current assets	<u>1,074,180</u>	<u>969,807</u>
Restricted assets:		
Cash and investments with City Treasury	31,852	20,808
Cash and investments held outside City Treasury	18,299	12,763
Other receivables	<u>2,324</u>	<u>2,762</u>
Total restricted assets	52,475	36,333
Noncurrent assets:		
Capital assets, net	<u>2,747,219</u>	<u>2,542,048</u>
Total noncurrent assets	<u>2,799,694</u>	<u>2,578,381</u>
Total assets	\$ <u>3,873,874</u>	\$ <u>3,548,188</u>
Deferred outflow of resources:		
Related to pensions	\$ <u>88,450</u>	<u>—</u>
Total deferred outflows of resources	\$ <u>88,450</u>	<u>—</u>

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Statements of Net  
Position June 30, 2015  
and 2014 (In thousands)

	<b>2015</b>	<b>2014</b>
<b>Liabilities:</b>		
<b>Current</b>		
Liabilities other funds	\$ 3,627	2,500
Accounts payable and accrued expenses	100,425	97,717
Accrued payroll	19,375	38,730
Accrued vacation and sick leave	21,711	18,475
Accrued workers' compensation	17,191	15,423
Accrued claims	34,979	27,345
Grants received in advance	168,933	159,102
Unearned revenue and other liabilities	10,304	15,282
Payable from restricted assets	1,046	1,268
Accrued interest payable	3,102	2,064
Bonds, loans, capital leases, and other payables	7,340	5,945
<b>Total current liabilities</b>	<b>388,033</b>	<b>383,851</b>
<b>Noncurrent liabilities:</b>		
Accrued vacation and sick leave, net of current portion	10,971	12,256
Accrued workers' compensation, net of current portion	85,793	79,728
Accrued claims, net of current portion	30,501	32,356
Other postemployment benefits obligation	220,297	199,205
Pensions obligation	238,296	—
Bonds, loans, capital leases, and other payables, net of current portion	207,109	136,995
<b>Total noncurrent liabilities</b>	<b>792,967</b>	<b>460,540</b>
<b>Total liabilities</b>	<b>\$ 1,181,000</b>	<b>844,391</b>
<b>Deferred inflows of resources:</b>		
Unamortized gain on leaseback transaction	\$ 16,141	17,288
Unamortized gain on refunding of debt	393	449
Related to pensions	213,510	—
<b>Total deferred inflows of resources</b>	<b>\$ 230,044</b>	<b>17,737</b>
<b>Net position:</b>		
Net investment in capital assets	\$ 2,529,275	2,396,595
Restricted:		
Debt service	18,299	12,763
Other purposes	33,130	22,302
Unrestricted	(29,424)	254,400

Total net position	\$ <u>2,551,280</u>	<u>2,686,060</u>
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**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

See accompanying notes to financial statements

Statements of Net  
Position June 30, 2015  
and 2014 (In thousands)

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Statements of Revenues, Expenses,  
and Changes in Net Position  
Years ended June 30, 2015 and 2014  
(In thousands)

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Passenger fares	\$ 213,328	211,684
Parking and transportation	127,360	130,327
Fines, forfeitures, and penalties	90,959	93,016
Charges for services	21,786	17,620
Licenses, permits, and franchises	12,711	12,253
Advertising	20,374	19,476
Rents and concessions	8,554	7,524
Other	9,553	35,368
Total operating revenues	504,625	<u>527,268</u>
Operating expenses:		
Personnel services	616,056	628,849
Contractual services	101,707	93,140
Materials and supplies	73,043	87,332
Depreciation and amortization	126,756	120,954
Services from other City departments	52,802	56,957
General and administrative	43,732	58,284
Other operating expenses	(2,695)	(13,079)
Total operating expenses	1,011,401	<u>1,032,437</u>
Operating loss	(506,776)	<u>(505,169)</u>
Nonoperating revenues (expenses):		
Operating assistance:		
Federal	13,887	8,507
State and other grants	136,663	131,161
Interest and investment income	5,756	6,093
Interest expense	(6,850)	(4,931)
Other, net	17,305	23,143
Total nonoperating revenues, net	<u>166,761</u>	<u>163,973</u>
Loss before capital contributions and transfers	<u>(340,015)</u>	<u>(341,196)</u>
Capital contributions:		
Federal	176,315	304,351
State and others	117,035	141,588
Total capital contributions	<u>293,350</u>	<u>445,939</u>
Transfers in:		
City and County of San Francisco – General Fund	344,484	310,920
San Francisco County Transportation Authority	12,264	12,353
City and County of San Francisco – Other City departments	3,600	3,506
Total transfers in	360,348	326,779
Transfers out:		
City and County of San Francisco – Other City departments	(19,017)	(9,888)
Net transfers	341,331	316,891
Change in net position	294,666	421,634
Net position at beginning of year		
Beginning of year, as previously reported	2,686,060	2,264,426
Restatement due to implementation of GASB Statement No. 68 (note 2)	(429,446)	—
Net position, beginning of year as restated	2,256,614	<u>2,264,426</u>
Total net position, end of year	\$ 2,551,280	<u>2,686,060</u>

See accompanying notes to financial statements.



**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Statements of Cash Flows

Years ended June 30, 2015 and

2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from passengers and service contracts	\$ 454,613	490,903
Cash received from fines, forfeitures, and penalties	90,924	93,029
Cash received from tenants for rent	8,630	7,566
Cash paid to employees for services	(670,562)	(598,468)
Cash paid to suppliers for goods and services	(303,639)	(312,771)
Cash paid for judgments and claims	<u>(15,558)</u>	<u>(15,651)</u>
	Net cash used in operating	
activities	<u>(435,592)</u>	<u>(335,392)</u>
Cash flows from noncapital financing activities:		
Operating grants	149,736	131,834
Net transfers	341,332	316,942
Other noncapital increases	<u>16,342</u>	<u>17,147</u>
Net cash provided by noncapital financing activities	<u>507,410</u>	<u>465,923</u>
Cash flows from capital and related financing activities:		
Capital grants	378,764	313,683
Proceeds from sale of capital assets	33	25
Acquisition of capital assets	(338,204)	(458,850)
Other capital contribution increase	—	2,500
Bond sale proceeds and loans received	80,393	82,243
Retirement of capital leases, bonds, and loans	(7,695)	(5,896)
Bond issue cost paid	(681)	(1,051)
Interest paid on long-term debt	<u>(6,377)</u>	<u>(3,617)</u>
Net cash provided by (used in) capital and related financing activities	<u>106,233</u>	<u>(70,963)</u>
Cash flows from investing activities:		
Interest income received	<u>5,805</u>	<u>5,440</u>
Net cash provided by investing activities	<u>5,805</u>	<u>5,440</u>
Net increase in cash and investments	183,856	65,008
Cash and investments – beginning of year	<u>748,449</u>	<u>683,441</u>
Cash and investments – end of year	\$ <u>932,305</u>	<u>748,449</u>

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Statements of Cash Flows

Years ended June 30, 2015 and

2014

	<b>2015</b>	<b>2014</b>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (506,776)	(505,169)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	126,756	120,954
Provision for doubtful accounts	24	64
Changes in operating assets and liabilities:		
Receivables, net	(1,678)	8,573
Inventories	(11,350)	(5,083)
Prepaid and others	1	(182)
Accounts payable and accrued expenses	8,192	(15,104)
Accrued payroll	(18,651)	4,306
Accrued vacation and sick leave	1,951	1,577
Accrued workers' compensation	7,833	5,949
Accrued claims	5,779	22,064
Other postemployment benefits obligations	21,092	18,548
Pension obligations	(66,090)	—
Due to other funds	274	(33)
Unearned revenues and others	(2,949)	8,144
Net cash used in operating activities	\$ (435,592)	(335,392)
Reconciliation of cash and cash equivalents to the statement of net position:		
Deposits with City Treasury:		
Unrestricted	\$ 872,240	707,945
Restricted	31,852	20,808
Deposits held outside City Treasury:		
Unrestricted	9,688	6,679
Restricted	18,299	12,763
Total deposits and investments	932,079	748,195
Cash on hand	226	254



# SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Notes to Financial

Statements June 30, 2015

and 2014

## (1) Description of Reporting Entity

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

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

Muni is one of America's oldest public transit agencies, the largest in the Bay Area and seventh largest system in the United States. It currently has more than 219 million boardings annually. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world famous cable cars, Muni's fleet is among the most diverse in the world.

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

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

## (2) Significant Accounting Policies

(a) *Measurement Focus and Basis of Accounting*

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Notes to Financial

Statements June 30, 2015

and 2014

The activities of the SFMTA are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under this method, revenue is recorded when earned and expenses are recorded when the related liability is incurred. When both restricted and unrestricted resources are available for use, it is generally SFMTA's policy to use unrestricted resources first, and then use restricted resources when they are needed.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Notes to Financial

Statements June 30, 2015

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

During fiscal year 2015, the City implemented the following accounting standards:

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. Also, in November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities.

The provisions of Statements No. 68 and No. 71 are effective for fiscal years beginning after June 15, 2014. While restatement of all prior periods was not practical because the actuarial information was not available, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2014. As of July 1, 2014, the SFMTA restated its net position to record beginning net pension liability and beginning deferred outflows.

	<u>As previously reported</u>	<u>Change in accounting principle</u>	<u>As restated</u>
Net position	\$ 2,686,060	(429,446)	2,256,614

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB Statement No. 69 establishes accounting and financial reporting standards for governments that combine or dispose of their operations. GASB Statement No. 69 is effective for periods beginning after December 15, 2013. As of July 1, 2014, SFMTA determined that GASB Statement No. 69 did not have a significant impact on its financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 70 establishes accounting and financial reporting standards for governments that offer or receive financial guarantees that are nonexchange transactions. GASB Statement No. 70 is effective for periods beginning after June 15, 2013. As of July 1, 2014, SFMTA determined that GASB Statement No. 70

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Notes to Financial

Statements June 30, 2015

and 2014

did not have a significant impact on its financial statements.

The SFMTA distinguishes operating revenue and expenses from nonoperating revenue and expenses. Operating revenue and expenses primarily result from providing transportation and street and parking services in connection with the SFMTA's principal ongoing operations. The principal operating revenue is generated from passenger fares, meter parking, garage parking fees, fines, parking permits, and fees collected from advertisements on the SFMTA property. All revenue received that is not part of normal business operations such as operating assistance grants, interest income, and Transit Impact

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Notes to Financial

Statements June 30, 2015

and 2014

Development Fees (TIDF) is considered nonoperating revenue. Operating expenses of the SFMTA include employment costs, materials, services, depreciation on capital assets, work from other city departments, and other expenses related to the delivery of transportation and parking services. All expenses not meeting this definition are reported as nonoperating expenses.

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

The SFMTA maintains its deposits and investments and a portion of its restricted deposits and investments as part of the City's pool of cash and investments pursuant to the City Charter's requirements. The SFMTA's portion of this pool is displayed on the statements of net position as "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.

**(d) *Inventories***

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

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

**(e) *Capital Assets***

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



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*(f) Construction in Progress*

Construction in progress represents the design and construction costs of various uncompleted projects. As facilities are accepted by the SFMTA and become operative, they are transferred to building structures and improvements, infrastructure, and equipment accounts and depreciated in accordance

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with the SFMTA's depreciation policies. Costs of construction projects that are discontinued are recorded as expense in the year in which the decision is made to discontinue such projects.

**(g) *Bond Premium, Issuance Costs, and Refunding of Debt***

Bond issuance costs related to prepaid insurance costs are capitalized and amortized using the effective interest method. Other bond issuance costs are expensed when incurred. Original issue bond discount or premiums are offset against the related debt and are also amortized using the effective interest method. Deferred outflows/inflows of resources from refunding of debt are recognized as a component of interest expense using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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

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

**(i) *Capital Grants and Contributions***

Capital grants and contributions from external sources are recognized as capital contribution earned when applicable eligibility requirements are met, such as the time reimbursable expenditures related to the grants are incurred.

The U.S. Department of Transportation, through the Federal Transit Administration (FTA), provides capital assistance to the SFMTA for the acquisition and construction of transit-related property and equipment. This assistance generally approximates 80% of acquisition cost and is administered through the Metropolitan Transportation Commission (MTC). The capital assistance provided to the SFMTA by the California Transportation Commission and San Francisco County Transportation Authority (SFCTA) is generally used as a local match to the federal capital assistance. Additional capital assistance provided to the SFMTA by other agencies is administered by MTC, and is also generally used as a local match for the federal capital assistance.

**(j) *Operating Assistance Grants***

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

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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.

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Additionally, the SFMTA receives funding from the U.S. Department of Transportation through the Federal Highway Administration, California Transportation Commission, and the MTC to provide safe, accessible, clean, and environmentally sustainable service through transportation programs.

**(k) Transit Impact Development Fees**

The TIDF is an impact fee levied on most nonresidential new development citywide to offset new development's impacts on the transit system. Revenue generated by the fee is directed to SFMTA and is restricted for the capital and maintenance costs of transit service. These fees are recorded as nonoperating revenue in the year in which they are assessed.

**(l) Use of Estimates**

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**(3) Net Position**

Net position as of June 30, 2015 and 2014 consists of the following:

	<b>2015</b>	<b>2014</b>
Restricted assets:		
Deposits and investments with City Treasury	\$ 31,852	20,808
Deposits and investments outside City Treasury	18,299	12,763
Receivables	<u>2,324</u>	<u>2,762</u>
Total restricted assets	52,475	<u>36,333</u>
Restricted liabilities of:		
Payable from restricted assets	1,046	<u>1,268</u>
Total restricted liabilities	1,046	<u>1,268</u>
Restricted assets, net	\$ 51,429	<u>35,065</u>
Net position:		
Restricted:		
Debt service	\$ 18,299	12,763
Other purposes	33,130	<u>22,302</u>
Total restricted net position	51,429	<u>35,065</u>
Unrestricted	(29,424)	254,400

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Net investment in capital assets		2,529,275	<u>2,396,595</u>
Net position		\$ 2,551,280	<u>2,686,060</u>

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***Restricted Net Assets***

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

Restricted category represents net assets that have external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation and includes amounts restricted for debt service and liabilities. At June 30, 2015 and 2014, SFMTA reported \$18.3 million and \$12.8 million restricted assets related to debt reserves and debt service and \$33.1 million and \$22.3 million were restricted by legislation, respectively. The net investment in capital assets category includes capital assets net of accumulated depreciation and outstanding balances of debt attributable to the acquisition, construction, or improvement of those assets. Unrestricted is the residual amount not included in the above categories. With the first year implementation of GASB Statement No. 68, SFMTA restated its beginning net position by \$429.4 million reduction, which resulted to a negative \$29.4 million unrestricted net position in fiscal year 2015.

**(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, 2015 and 2014, the SFMTA's unrestricted and restricted deposits and investments with City Treasury totaled to \$904,092 and \$728,753, respectively.

The unrestricted deposits and investments outside the City Treasury are cash held by the three nonprofit garage corporations totaling to \$3,618 and \$2,952, taxi medallion collateral sale to \$5,791 and \$3,446, and revolving fund to \$279 and \$281 as of June 30, 2015 and 2014, respectively. The SFMTA had restricted deposits and investments of \$18,299 and \$12,763 held by an independent trustee outside the City's investment pool as of June 30, 2015 and 2014, respectively.

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

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maturity:

**Investment maturities (in months)**

	<u>Under 1</u>	<u>1 to less than 6</u>	<u>6 to less than 12</u>	<u>12-60</u>
2015	12.6%	11.9%	10.5%	65.0%
2014	3.4%	9.6%	15.6%	71.4%

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The following table shows the restricted cash and investments outside of City Treasury as of June 30, 2015 and 2014.

	<b>Restricted cash and investment outside City Treasury</b>		
	<b>Investment value</b>	<b>Maturities</b>	<b>Fair value</b>
2015	Money Market Funds	Less than 1 month	\$ 18,299
2014	Money Market Funds	Less than 1 month	12,763

**(5) Capital Assets**

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

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

(Continued)



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

Capital asset balances and their movements as of and for the year ended June 30, 2014 are as follows:

	<u>Balance, July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 41,030	—	—	41,030
Construction in progress	544,592	466,846	(161,991)	849,447
Total capital assets not being depreciated	<u>585,622</u>	<u>466,846</u>	<u>(161,991)</u>	<u>890,477</u>
Capital assets being depreciated:				
Building structures and improvements	667,795	12,052	—	679,847
Equipment	1,229,299	119,288	(21,920)	1,326,667
Infrastructure	1,189,998	35,361	—	1,225,359
Total capital assets being depreciated	<u>3,087,092</u>	<u>166,701</u>	<u>(21,920)</u>	<u>3,231,873</u>
Less accumulated depreciation for:				
Building structures and improvements	243,523	15,404	—	258,927
Equipment	764,580	71,384	(20,684)	815,280
Infrastructure	471,929	34,166	—	506,095
Total accumulated depreciation	<u>1,480,032</u>	<u>120,954</u>	<u>(20,684)</u>	<u>1,580,302</u>
Total capital assets being depreciated, net	<u>1,607,060</u>	<u>45,747</u>	<u>(1,236)</u>	<u>1,651,571</u>
Total capital assets, net	<u>\$ 2,192,682</u>	<u>512,593</u>	<u>(163,227)</u>	<u>2,542,048</u>

Certain buses and equipment were sold, disposed, and retired during 2014. The net gain on disposal or retirement is \$25.

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Construction in progress consists of the following projects as of June 30, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
New Central Subway	\$ 794,809	603,576
Central Control System Upgrades	75,719	57,920
Security Projects	9,151	34,477
Historic Street Car Renovation	2,912	23,763
Wayside Fare Collection	—	22,701
Radio Replacement	25,098	19,642
Facility Upgrades	15,509	17,510
Islais Creek-Woods Annex	16,835	15,225
Transit Effectiveness Program	26,397	14,923
Rail Replacement	35,760	14,402
Traffic Signal Upgrades	16,302	8,761
Motor Bus Hybrid Procurement	—	6,542
Traffic Sign Installation/Traffic Calming	1,090	4,170
Trolley Overhead Reconstruction	1,713	1,258
Cable Car Propulsion	—	826
Street Improvements	4,822	—
Trolley Bus Procurement	4,441	—
Others	4,538	3,751
	\$ 1,035,096	849,447

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

Accounts payable and accrued expenses were \$100,425 and \$97,717 at June 30, 2015 and 2014, respectively. This category consists of liabilities for goods and services either evidenced by vouchers approved for payment but not paid as of June 30, accrued expenses for amount owed to private persons or organizations for goods and services, and construction contracts retainage payable.

	<b>2015</b>	<b>2014</b>
Vouchers payable	\$ 70,527	70,539
Accruals	23,693	20,354
Contracts retainage	6,205	6,824
Total accounts payable and accrued expenses	\$ 100,425	97,717

**(7) Short-Term Debt**

On June 4, 2013, pursuant to the City Charter Section 8A.102 (b)13, the SFMTA Board of Directors authorized the issuance of commercial paper notes in an aggregate principal

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amount not to exceed

\$100 million. On July 16, 2013, the Board of Supervisors concurred with the issuance. The commercial paper is secured by an irrevocable letter of credit from the State Street Bank and Trust Company issued on

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September 10, 2013 for a term of five years and interest rate not to exceed 12% per annum. The letter of credit will cover the principal as well as the interest accrued on the 270 days prior to the maturity date. The commercial paper program is jointly administered by the Office of Public Finance (OPF) and SFMTA. OPF will be initiating the issuance of commercial paper with the dealers and reporting on the commercial paper program. The commercial paper notes will be issued from time to time on a revolving basis to pay for Board-approved project costs in the Capital Improvement Program and other related uses. SFMTA will be requesting drawdowns based on cash flow needs and expenditure schedules.

No commercial paper notes have been drawn or outstanding as of June 30, 2015 and 2014.

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

In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors.

#### *Series 2014 Revenue Bonds*

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

#### *Series 2013 Revenue Bonds*

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

#### *Series 2012A Revenue Bonds*

In July 2012, the SFMTA issued Revenue Refunding Bonds, Series 2012A in the total amount of

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\$38.0 million to refund prior bonds issued <sup>and 2014</sup> 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

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

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

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

***Series 2012B Revenue Bonds***

In July 2012, the SFMTA issues its Revenue Bonds, Series 2012B in the total amount of \$25.8 million. The net proceeds of \$28.0 million (consisting of \$25.8 million of the Series 2012B bonds plus original issue premium of \$2.2 million) were used to pay \$0.1 million underwriter discount and \$0.4 million in costs of issuance and set aside for City’s audit services, deposit \$1.8 million into the Reserve Account, and fund

\$25.7 million for various transit and parking capital projects for the SFMTA. The Series 2012B included serial and term bonds with interest ranging from 3.0% to 5.0% and have a final maturity on March 1, 2042.

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

	<b>Final maturity date</b>	<b>Remaining interest rate</b>	<b>Balance June 30, 2015</b>	<b>Balance June 30, 2014</b>
Revenue Bonds Series 2012A	2032	4.0%–5.0%	\$ 31,608	35,576
Revenue Bonds Series 2012B	2042	3.0%–5.0%	27,864	27,910
Revenue Bonds Series 2013	2033	3.0%–5.0%	76,521	79,454
Revenue Bonds Series 2014	2044	3.0%–5.0%	78,456	—

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Total long-term  
obligations

\$ 214,449 142,940

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The changes in long-term obligations for the SFMTA for year ended June 30, 2015 and 2014 are as follows:

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



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	<u>July 1, 2013</u>	<u>Additional obligations, interest accretion, and net increases</u>	<u>Current maturities, retirements, and net decreases</u>	<u>June 30, 2014</u>	<u>Amounts due within one year</u>
Bonds payable:					
Revenue bonds	\$ 60,720	75,440	(5,895)	130,265	5,945
Add/less unamortized amounts:					
For issuance premiums	<u>6,687</u>	<u>6,803</u>	<u>(815)</u>	<u>12,675</u>	<u>—</u>
Total bonds payable	67,407	82,243	(6,710)	142,940	5,945
Accrued vacation and sick leave	29,154	1,623	(46)	30,731	18,475
Accrued workers' compensation	89,202	24,245	(18,296)	95,151	15,423
Accrued claims	37,637	37,715	(15,651)	59,701	27,345
Other postemployment benefits obligation	180,657	45,614	(27,066)	199,205	—
Unearned revenue and other liabilities	<u>7,557</u>	<u>8,388</u>	<u>(663)</u>	<u>15,282</u>	<u>15,282</u>
Total long-term obligations	<u>\$ 411,614</u>	<u>199,828</u>	<u>(68,432)</u>	<u>543,010</u>	<u>82,470</u>

The bond debt service requirements are as follows:

	<u>Principal</u>	<u>Bond interest</u>	<u>Total</u>
Year ending June 30:			
2016	\$ 7,340	9,306	16,646
2017	7,640	8,989	16,629
2018	7,615	8,617	16,232
2019	7,015	8,340	15,355
2020	7,355	8,019	15,374
2021–2025	31,250	35,525	66,775
2026–2030	39,205	27,203	66,408
2031–2035	37,540	16,917	54,457
2036–2040	27,040	9,481	36,521
2041–2044	21,175	2,439	23,614
	<u>\$ 193,175</u>	<u>134,836</u>	<u>328,011</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 years ended 2015 and 2014.

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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, 2015 and 2014, the bond reserve fund with the trustee totaled to \$15.0 million and

\$10.5 million, respectively.

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

Annual principal and interest payments for fiscal year 2015 and 2014 were 14.8% and 7.2%, respectively, of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2015 and 2014, applicable net revenues, and funds available for bond debt service are as follows:

	<u>2015</u>	<u>2014</u>
Bonds issued with revenue pledge	\$ 209,840	139,235
Principal and interest remaining due at the end of the year	328,011	209,454
Principal and interest paid during the year	14,640	9,582
Net revenue for the year	84,547	123,271
Fund available for revenue bond debt service	99,187	132,853

**(9) Employee Benefit Plans**

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

**Retirement Plan**

The SFMTA participates in the City’s retirement plan. The City administers a cost-sharing multiple- employer defined benefit pension Plan (the Plan). The Plan is administered by the San Francisco City and County Employees’ Retirement System (the Retirement System). For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Retirement System plans, and additions to/deductions from the fiduciary Plan’s net position have been determined on the same basis as they are reported by Cheiron, the consulting

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actuary, for Retirement System Plan. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Valuation Date (VD)	June 30, 2013 updated to June 30, 2014
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

The City is an employer of the plan with a proportionate share of 93.78% as of June 30, 2014. The SFMTA’s allocation percentage was determined based on the SFMTA’s employer contributions divided by the City’s total employer contributions for fiscal year 2013-14. The SFMTA’s net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows and pension expense to each department is based on the SFMTA’s allocated percentage. The SFMTA’s allocation of the City’s proportionate share was 14.35% as of the measurement date.

**Employees’ Retirement System**

Plan Description – The Plan provides basic service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and the Administrative Code are the authorities which establish and amend the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees’ Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

Benefits – The Retirement System provides service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and annual cost of living adjustments after retirement. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City and County.

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All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in the Consumer Price Index with increases capped at 2%.

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

### **Funding and Contribution Policy**

Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2014-15 varied from 7.5% to 13.0% as a percentage of gross covered salary. For fiscal year ended June 30, 2015, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2013 actuarial report, the required employer contribution rate for fiscal year 2013-14 was 22.26% to 26.76%.

Employer contributions and employee contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. The City’s proportionate share of employer contributions recognized by the Retirement System in fiscal year ended June 30, 2014 was \$499.8 million. The SFMTA’s allocation of employer contribution for fiscal year 2015 was \$91.3 million and \$80.3 million for 2014. The \$80.3 million consists of a \$71.7 million allocated share of employer contribution, and an \$8.6 million employee pick-up as the City complied with Internal Revenue Code 414.h.2, *Employer “Pickup” Contributions to Benefit Plans*. Refer to the City’s Comprehensive Annual Financial Report (CAFR) for the other required disclosures related to the City’s pension plan.

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

As of June 30, 2015 the City reported net pension liabilities for its proportionate share of the pension liability of the Plan of \$1.66 billion. The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating

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employers, actuarially determined. The SFMTA's allocation of the City's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2014 was \$238,296 and \$509,795, respectively.

For the year ended June 30, 2015, the City's recognized pension expense was \$95,710 including amortization of deferred outflow/inflow related pension items. The SFMTA's pension expense was

\$22,360 consisting of a \$13,735 allocated share of pension expense from the City including amortization of deferred outflows/deferred inflows of resources related items and an \$8,625 employee

pick-up as the City complied with Internal Revenue Code 414.h.2, *Employer "Pickup" Contributions to Benefit Plans*. At June 30, 2015, the City's reported deferred outflows of resources and deferred



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

**Schedule of deferred inflows and outflows**

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Changes of Assumptions	\$ —	7,894
Net difference between projected and actual earnings on pension plan investments	—	204,142
Change in proportionate share	—	1,474
Pension contributions made subsequent to the measurement date	88,450	—
Total	\$ 88,450	213,510

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

	<b>De fe rre d outflows (inflows) of resources</b>
<b>Year ended June 30:</b>	
2016	\$ (53,378)
2017	(53,378)
2018	(53,378)
2019	(53,376)

Actuarial Assumptions – A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2014 is provided below, including any assumptions that differ from those used in the July 1, 2013 actuarial valuation. Refer to the July 1, 2013 actuarial valuation

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report for a complete description of all other assumptions, which can be found on the Retirement System's website.

**Key Actuarial Assumptions**

Valuation date	June 30, 2013 updated to June 30, 2014
Measurement date	June 30, 2014
Actuarial cost method	Entry-age normal cost method
Expected rate of return	7.58%
Municipal bond yield	4.39% as June 30, 2013 4.31 as June 30, 2014 Bond Buyer 20-Bond GO Index, July 3, 2013 and July 2, 2014
Discount rate	7.52% as of June 30, 2013 7.58% as of June 30, 2014
Administrative expenses	0.45% of payroll
Basic COLA:	
Old miscellaneous and all new plans	2.00%
Old Police & Fire pre-7/1/75 retirements	3.00%
Old Police & Fire, Charters A8.595 and A7.596	4.00%
Old Police & Fire, Charters A8.559 and A8.585	5.00%

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

Discount Rate – The beginning and end of year measurements are based on different assumptions and contribution methods that result in different discount rates. The discount rate was 7.52% as of June 30, 2013 and 7.58% as of June 30, 2014.

The discount rate used to measure the total pension liability as of June 30, 2014 was 7.58%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2014 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation data plus an amortization payment on the unfunded actuarial liability. The amortization payment is based on 15-year closed amortization of Charter amendments as a level percentage of payment and closed 20-year amortization as a level percentage of payroll of experience gains and losses and assumption changes. Supplemental COLAs are amortized over a closed five-year period from the date they are granted. The unfunded

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actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

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While the contributions and measure of actuarial liability in the valuation do not anticipate any Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For a Supplemental COLA to be granted the market value of assets must exceed the actuarial liability at the beginning of the year and the actual investment earnings during the year must exceed the expected investment earnings on the actuarial value of assets. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. In most cases, the large majority of members receive a 1.50% Supplemental COLA.

Because the probability of a Supplemental COLA depends on the current funded level of the System, the City developed an assumption as of June 30, 2014 of the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLAs for members with a 2.00% basic COLAs for sample years.

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

<u>FYE</u>	<u>Assumption</u>
2015	0.000%
2020	0.364%
2025	0.375%
2030	0.375%
2035+	0.375%

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

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year-end 2083 when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.58% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 4.31% to the extent they are not available. Since the payments discounted at the municipal bond rate are relatively few and far in the future, the municipal bond rate does not affect the single equivalent rate when rounded to two decimal places. Consequently, the single equivalent rate used to determine the total pension liability as of June 30, 2014 is 7.58%.

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The long-term expected rate of return on pension plan investments was 7.58%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by

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adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

<b>Long-term expected real rates of return</b>		
<b>Asset class</b>	<b>Target allocation</b>	<b>Long-term expected real rate of return</b>
Global equity	47%	5.3%
Fixed income	25%	1.8%
Private equity	16%	8.8%
Real assets	12%	5.8%

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the SFMTA’s allocation of the employer’s proportionate share of the net pension liability for the Plan, calculated using the discount rate, as well as what the SFMTA’s allocation of the employer’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

<b>Employer</b>	<b>Proportionate share</b>	<b>1% decrease share of NPL @ 6.58%</b>	<b>Share of NPL @ 7.58%</b>	<b>1% increase share of NPL @ 8.58%</b>
SFMTA	14.3519%	\$ 590,276	\$ 238,296	\$ (57,270)

**(b) Deferred Compensation Plan**

The City offers its employees, including the SFMTA employees, a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all active employees to voluntarily invest a portion of their pretax regular earnings in a diverse selection of investment funds. Withdrawals from the deferred compensation plan, by employees or other beneficiaries, are allowed only upon termination, retirement, death, or for unforeseeable emergency.

The deferred compensation plan is managed by the Retirement System and is administered by a third-party administrator. The SFMTA has no administrative involvement and does not perform the investing function. SFMTA has no fiduciary accountability for the plan, and accordingly, the plan assets and related liabilities to the plan participants are not included in these financial statements.

(c) ***Healthcare Benefits***

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Healthcare benefits of the SFMTA employees, retired employees, and surviving spouses are financed by beneficiaries and Note 6 through the City and County of San Francisco Health Service System (the Health Service System). The SFMTA's annual contribution, which amounted to approximately Statements June 30, 2015  
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\$89,689 and \$87,529 in fiscal years 2015 and 2014, respectively, is determined by a charter provision based on similar contributions made by the 10 most populous counties in California.

Included in these amounts are \$25,575 and \$27,066 for fiscal years 2015 and 2014, respectively, to provide postretirement benefits for retired employees on a pay-as-you-go basis. No additional City allocation was made for fiscal years 2015 and 2014 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 Statement No. 45, by the City's actuaries. The City's allocation of the OPEB-related cost to the SFMTA for the year ended June 30, 2015 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, 2015 and 2014 the amounts contributed to the plan and changes in the net OPEB obligations:

	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 46,893	44,080
Interest on net OPEB obligation	10,672	9,225
Adjustment to ARC	(8,898)	<u>(7,691)</u>
Annual OPEB cost	48,667	45,614
Contribution made	<u>(27,575)</u>	<u>(27,066)</u>
Increase in net OPEB obligation	21,092	18,548
Net OPEB obligation, beginning of fiscal year	<u>199,205</u>	<u>180,657</u>
Net OPEB obligation, end of fiscal year	\$ <u><u>220,297</u></u>	\$ <u><u>199,205</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



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Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102, or by calling 415-554-7500.

**(10) Peninsula Corridor Joint Powers Board**

The City is a participant in the Peninsula Corridor Joint Powers Board (PCJPB), along with the Santa Clara Valley Transportation Authority and the San Mateo County Transit District. The PCJPB is governed by a

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separate board composed of nine members, three from each participating agencies. The PCJPB was formed in October 1991 to plan, administer, and operate the Peninsula CalTrain rail service. The PCJPB began operating the Peninsula CalTrain rail service on July 1, 1992. Prior to that time, such rail service was operated by the California Department of Transportation. The agreement establishing the PCJPB expired in 2001, upon which it continues thereafter on a year-to-year basis, until a participant withdraws, which requires one- year notice. The SFMTA contributes to the net operating costs and administrative expenses of the PCJPB. The SFMTA contributed \$5.2 million and \$4.5 million for operating needs in fiscal year 2015 and 2014, respectively. The PCJPB’s annual financial statements are publicly available.

**(11) Risk Management**

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

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

**(a) General Liability**

The SFMTA is self-insured. Through coordination with the Controller and City Attorney’s Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately \$3 million. The annual budget for claims was \$13.9 million and \$15.9 million for fiscal year 2015 and 2014, respectively. In addition, as of June 30, 2015 and 2014, the reserve was \$17.7 million and

\$15.4 million, respectively. Claim liabilities are actuarially determined anticipated claims

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and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

**(b) Property**

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

Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are

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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 the City's third-party administrator. SFMTA continues to develop and implement programs to mitigate growth of costs such as the transitional work programs that bring injured workers back to work on modified duty. Other programs include injury prevention, back care, injury investigation, and medical treatment bills review.

**(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 revenue, 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 8, Long-Term Debt, Loans, and Other Payables.

## **(12) General Fund Contributions**

The amount of operating allocation provided to the SFMTA each year is limited to the amount set by the City Charter and budgeted by the City. Such allocation is recognized as revenue in the year received.

The General Fund support from the City reflected in the accompanying financial statements includes a total revenue baseline transfer of \$272.3 million and \$243.9 million in fiscal years 2015 and 2014, respectively, as required by the City Charter. In addition, SFMTA received \$69.8

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million and \$66.8 million allocation in fiscal years 2015 and 2014, respectively from in lieu of parking tax as required by the City Charter.

**(13) Federal, State, and Local Assistance**

The SFMTA receives capital grants from various federal, state, and local agencies to finance transit-related property and equipment purchases. As of June 30, 2015 and 2014, the SFMTA had approved capital grants with unused balances amounting to \$920.8 million and \$750.2 million, respectively. Capital grants receivable as of June 30, 2015 and 2014 totaled \$76.0 million and \$152.1 million, respectively.

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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, 2015 and 2014, the SFMTA had various operating grants receivable of \$27.5 million and \$28.2 million, respectively. In fiscal year 2015 and 2014, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of \$1.5 million and \$1.2 million, respectively, and other federal, state, and local grants of

\$12.4 million and \$7.5 million, respectively, to fund project expenses that are operating in nature.

The capital and operating grants identified above include funds received and due from the SFCTA. During the fiscal year 2015 and 2014, the SFCTA approved \$176.1 million and \$22.4 million, respectively, in new capital grants and the SFMTA received payments totaling \$24.0 million and \$29.3 million, respectively. As of June 30, 2015 and 2014, the SFMTA had \$1.5 million and \$3.4 million, respectively, in capital grants due from the SFCTA. Similarly, the SFMTA receives operating grants from SFCTA mostly for paratransit support. During the fiscal years 2015 and 2014, SFCTA approved \$10.7 million and \$7.8 million, respectively, in new operating grants, and SFMTA received payments totaling \$7.7 million and \$5.8 million, respectively. The SFMTA had \$2.5 million and \$2.9 million, respectively, in operating grants due from the SFCTA as of June 30, 2015 and 2014.

Proposition 1B is a ten-year \$20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) and the Transit Security & Safety Account that are funding solely for public transit projects. The SFMTA received cash totaling \$95.5 million and \$7.1 million, respectively, in fiscal year 2015 and 2014 for different projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2016 for funds awarded between fiscal years 2008 and 2010. The Budget Act of 2013 further extended the date to June 30, 2018. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal year 2015 and 2014,

\$89.1 million and \$74.9 million drawdowns, respectively, were made from the funds for various eligible projects costs.

### **(14) Commitments and Contingencies**

#### **(a) Grants and Subventions**

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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 2045. These agreements are accounted for as operating leases. Rent expense was \$16.1 million and

\$13.9 million for the year ended June 30, 2015 and 2014, respectively.

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

Year ending June 30:	
2016	\$ 11,778
2017	10,393
2018	10,658
2019	11,006
2020	11,001
2021–2025	57,719
2026–2030	65,824
2031–2035	64,687
2036–2040	59,097
2041–2045	<u>68,032</u>
	\$ <u><u>370,195</u></u>

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

Year ending June 30:	
2016	\$ 3,667
2017	3,036
2018	2,860
2019	2,519
2020	1,680
2021–2025	8,025
2026–2030	6,315
2031–2035	6,250
2036–2040	6,250
2041–2045	6,250
2046–2050	6,250
2051–2055	6,250
2056	<u>833</u>
	\$ <u><u>60,185</u></u>

(c) ***Other Commitments***

As of June 30, 2015 and 2014, the SFMTA has outstanding commitments of  
(Continued)



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approximately

\$465.9 million and \$283.6 million with third parties for various capital projects, respectively. Grant funding is available for the majority of this amount. The SFMTA also has outstanding commitments of approximately \$45.6 million and \$66 million with third parties for noncapital expenditures as of June 30, 2015 and 2014, respectively. Various local funding sources are used to finance these expenditures.

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In addition, the SFMTA is involved in various lawsuits, claims, and disputes, which have arisen in SFMTA's routine conduct of business. In the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of SFMTA.

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

##### *Tranches 1 and 2*

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

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, 2015.

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

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

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and 2014  
“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 transaction 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. Since January 17, 2013, when Moody’s downgraded AGM’s rating to A2, there has not been a change in the S&P rating, which is AA or the Moody’s rating, which is A2. Failure of Muni to replace AGM following a

# SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

## Notes to Financial

Statements June 30, 2015

and 2014

downgrade by either Moody's or S&P to below the applicable rating threshold within a specified period of time following demand by an equity investor could allow such equity 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, 2015 after giving effect to the market value of the securities in the escrow accounts would approximate \$58.9 million. The scheduled termination costs increase over the next several years. As of the date of our report, November 5, 2015, no investor has demanded Muni to replace AGM as the surety provider.

As a result of the cash transactions above, Muni recorded \$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, and the amounts paid to the escrows and the debt payment undertaker of \$352.7 million and \$67.5 million. These amounts were classified as deferred inflows of resources and will be amortized over the life of the sublease unless the purchase option is executed. The deferred inflows of resources amortized amounts were

\$1.0 million and \$0.2 million for the Tranche 1 Equipment and Tranche 2 Equipment in fiscal year 2015 and 2014, respectively.

No outstanding payments remain on the sublease through the end of the sublease term. Payments to be made on the purchase options, if exercised, would be \$441.4 million for the Tranche 1 Equipment and

\$154.2 million for the Tranche 2 Equipment. These payments are to be funded from the amounts in escrow and by the payment undertaker. If Muni does not exercise the purchase option, Muni would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond

the term of the sublease; or 2) arrange for another party to be the "service recipient," under a "service contract," and to perhaps guarantee the obligations of that party under the service contract if the replacement

service recipient does not meet specified credit or net worth criteria.

## (16) Subsequent Events

### (a) Issuance of General Obligation Bond

The City competitively sold \$67.0 million in principal amount of City and County of San Francisco General Obligation Bonds (Transportation and Road Improvement Bonds, 2014), Series 2015B (the "Bonds"). A two-thirds majority of voters of the City approved Proposition A in November 2014 ("Proposition A"), which authorized the issuance of not to

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Notes to Financial

Statements June 30, 2015

and 2014  
exceed \$500.0 million in general obligation bonds (GO bonds) to construct, redesign, and rebuild streets and sidewalks, and to make infrastructure repairs and improvements that increase Muni service reliability, ease traffic congestion, reduce vehicle travel times, enhance pedestrian and bicycle safety, and improve disable access. The Bonds are the first series under Proposition A. The issuance sale and closing of the first series of GO bonds was on July 14, 2015. The Board of Supervisors approved appropriating \$49.8 million from the bond proceeds to SFMTA various projects that were included in the SFMTA's FY2016 Capital Budget. The debt service related to Bonds is the responsibility of the City and not the SFMTA.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

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Statements June 30, 2015

and 2014

**(b) *Proposition B – San Francisco Transportation Funding for Population Growth***

In November 2014, voters of the City approved Proposition B, which amended the San Francisco Charter to require the City to increase the base contribution to the SFMTA by a percentage equal to the City's annual population increase, taking into account daytime and nighttime populations as determined by the City Controller's Office. Proposition B requires the SFMTA to use 75% of any population-based increases in the Base Amount to improve Muni's reliability, frequency of service, and capacity and to pay for transit state of good repair. The other 25% would be used for capital expenditures to improve street safety. The SFMTA's received \$25.9 million in fiscal year 2016 from the new General Fund allocation based on population growth.

**(c) *Transportation Sustainability Fee***

The Board of Supervisors has pending before it, legislation that would amend the City's Planning Code by establishing a new Section 411A, imposing a citywide transportation fee, the Transportation Sustainability Fee (TSF). The TSF, if approved, will replace the current Transit Impact Development Fee (TIDF), and will apply to additional types of development and cover a larger universe of transportation projects. The amended legislation will require sponsors of development projects to pay a fee that is reasonably related to the financial burden such projects impose on the City's transportation network. The legislation will be considered by the Board of Supervisors in early November 2015.

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Supplemental Schedule – Schedule of Net Position

June 30, 2015

(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	\$ 577,898	294,342	—	872,240
Deposits and investments held outside				
City Treasury	215	5,855	3,618	9,688
Cash on hand	226	—	—	226
Receivables:				
Grants	91,421	8,088	—	99,509
Due from the San Francisco County				
Transportation Authority	1,527	2,474	—	4,001
Due from component unit	—	13	—	13
Charges for services, net	3,249	3,147	191	6,587
Other, net	5,925	2,058	—	7,983
Total receivables	102,122	15,780	191	118,093
Inventories	73,419	—	—	73,419
Current prepaids and other assets	—	—	514	514
Total current assets	753,880	315,977	4,323	1,074,180
Restricted assets:				
Deposits and investments with City				
Treasury	31,852	—	—	31,852
Deposits and investments held outside City				
Treasury	9,811	8,488	—	18,299
Other receivables	2,324	—	—	2,324
Total restricted assets	43,987	8,488	—	52,475
Noncurrent assets:				
Capital assets, net	2,590,990	126,312	29,917	2,747,219
Total noncurrent assets	2,634,977	134,800	29,917	2,799,694
Total assets	\$ 3,388,857	450,777	34,240	3,873,874
Deferred Outflow of Resources:				
Related to pensions – GASB68	\$ 78,184	10,266	—	88,450
Total deferred outflows	\$ 78,184	10,266	—	88,450

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

Supplemental Schedule – Schedule of Net Position

June 30, 2015

(In thousands)

	<u>Muni</u>	<u>Sustainable Streets</u>	<u>Parking Garages</u>	<u>Total</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Due to other funds	\$ 3,627	—	—	3,627
Accounts payable and accrued expenses	79,397	19,018	2,010	100,425
Accrued payroll	16,922	2,374	79	19,375
Accrued vacation and sick leave	18,625	3,086	—	21,711
Accrued workers' compensation	15,024	2,167	—	17,191
Accrued claims	31,823	3,156	—	34,979
Grants received in advance	168,693	240	—	168,933
Unearned revenue and other liabilities	5,761	4,203	340	10,304
Payable from restricted assets	1,046	—	—	1,046
Accrued interest payable	1,674	1,428	—	3,102
Bonds, loans, capital leases, and other payables	2,556	4,784	—	7,340
<b>Total current liabilities</b>	<b>345,148</b>	<b>40,456</b>	<b>2,429</b>	<b>388,033</b>
<b>Noncurrent liabilities:</b>				
Accrued vacation and sick leave, net of current portion	9,431	1,540	—	10,971
Accrued workers' compensation, net of current portion	73,088	12,705	—	85,793
Pensions obligation	207,666	30,630	—	238,296
Accrued claims	25,203	5,298	—	30,501
Other postemployment benefits obligation	191,404	28,893	—	220,297
Bonds, loans, capital leases, and other payables	112,485	94,624	—	207,109
<b>Total noncurrent liabilities</b>	<b>619,277</b>	<b>173,690</b>	<b>—</b>	<b>792,967</b>
<b>Total liabilities</b>	<b>\$ 964,425</b>	<b>214,146</b>	<b>2,429</b>	<b>1,181,000</b>
<b>Deferred inflows of resources:</b>				
Unamortized gain on leaseback transaction	\$ 16,141	—	—	16,141
Unamortized gain on refunding of debt	—	393	—	393
Unamortized gain on pensions	186,066	27,444	—	213,510
<b>Total deferred inflows of resources</b>	<b>\$ 202,207</b>	<b>27,837</b>	<b>—</b>	<b>230,044</b>
<b>Net position:</b>				
Net investment in capital assets	\$ 2,474,275	25,083	29,917	2,529,275
<b>Restricted:</b>				
Debt service	9,811	8,488	—	18,299
Other purposes	33,130	—	—	33,130
<b>Unrestricted</b>	<b>(216,807)</b>	<b>185,489</b>	<b>1,894</b>	<b>(29,424)</b>
<b>Total net position</b>	<b>\$ 2,300,409</b>	<b>219,060</b>	<b>31,811</b>	<b>2,551,280</b>

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, 2015

(In thousands)

	<b>Muni</b>	<b>Sustainable Streets</b>	<b>Parking Garages</b>	<b>SFMTA Eliminations</b>	<b>Total</b>
<b>Operating revenues:</b>					
Passenger fares	\$ 213,328	—	—	—	213,328
Parking and transportation	—	101,717	25,643	—	127,360
Fines, forfeitures, and penalties	—	90,959	—	—	90,959
Charges for services	4,883	16,903	—	—	21,786
Licenses, permits, and franchises	—	12,711	—	—	12,711
Advertising	20,374	—	—	—	20,374
Rents and concessions	2,084	5,429	1,041	—	8,554
Other	—	9,497	56	—	9,553
<b>Total operating revenues</b>	<b>240,669</b>	<b>237,216</b>	<b>26,740</b>	<b>—</b>	<b>504,625</b>
<b>Operating expenses:</b>					
Personnel services	537,547	74,043	4,466	—	616,056
Contractual services	54,690	43,869	3,148	—	101,707
Materials and supplies	68,436	4,096	511	—	73,043
Depreciation and amortization	119,994	5,501	1,261	—	126,756
Services from other City departments	43,908	8,894	—	—	52,802
General and administrative	37,372	5,117	1,243	—	43,732
Other operating expenses	(13,442)	8,794	1,953	—	(2,695)
<b>Total operating expenses</b>	<b>848,505</b>	<b>150,314</b>	<b>12,582</b>	<b>—</b>	<b>1,011,401</b>
<b>Operating income (loss)</b>	<b>(607,836)</b>	<b>86,902</b>	<b>14,158</b>	<b>—</b>	<b>(506,776)</b>
<b>Nonoperating revenues (expenses and losses):</b>					
<b>Operating assistance:</b>					
Federal	7,763	6,124	—	—	13,887
State and other grants	130,848	5,815	—	—	136,663
Interest and investment income	3,706	2,047	3	—	5,756
Interest expense	(3,984)	(2,866)	—	—	(6,850)
Other, net	14,870	2,435	—	—	17,305
<b>Total nonoperating revenues, net</b>	<b>153,203</b>	<b>13,555</b>	<b>3</b>	<b>—</b>	<b>166,761</b>
<b>Income (loss) before capital contribution and transfers</b>	<b>(454,633)</b>	<b>100,457</b>	<b>14,161</b>	<b>—</b>	<b>(340,015)</b>
<b>Capital contributions:</b>					
Federal	173,593	2,722	—	—	176,315
State and others	112,068	4,967	—	—	117,035
<b>Total capital contributions</b>	<b>285,661</b>	<b>7,689</b>	<b>—</b>	<b>—</b>	<b>293,350</b>
<b>Transfers in:</b>					
City and County of San Francisco – General Fund	267,737	76,747	—	—	344,484
San Francisco County Transportation Authority	9,677	2,587	—	—	12,264
City and County of San Francisco – Other City departments	—	3,600	—	—	3,600
SFMTA operating transfers in	138,483	9,755	—	(148,238)	—
<b>Total transfers in</b>	<b>415,897</b>	<b>92,689</b>	<b>—</b>	<b>(148,238)</b>	<b>360,348</b>
<b>Transfers out:</b>					
City and County of San Francisco – Other City departments	—	(13,976)	(5,041)	—	(19,017)
SFMTA operating transfers out	—	(138,483)	(9,755)	148,238	—
<b>Net transfers</b>	<b>415,897</b>	<b>(59,770)</b>	<b>(14,796)</b>	<b>—</b>	<b>341,331</b>
<b>Change in net position</b>	<b>246,925</b>	<b>48,376</b>	<b>(635)</b>	<b>—</b>	<b>294,666</b>
Beginning of year, as previously reported	2,426,621	226,993	32,446	—	2,686,060
Restatement due to implementation of GASB Statement No. 68 (note 2)	(373,137)	(56,309)	—	—	(429,446)
<b>Net position, beginning of year as restated</b>	<b>2,053,484</b>	<b>170,684</b>	<b>32,446</b>	<b>—</b>	<b>2,256,614</b>
<b>Total net position – end of year</b>	<b>\$ 2,300,409</b>	<b>219,060</b>	<b>31,811</b>	<b>—</b>	<b>2,551,280</b>

See accompanying independent auditors' report.

**TRANSIT**

Supplemental Schedule of Grants – Federal

Year ended June 30, 2015

(In thousands)

	<b>Authorized grants as of July 1, 2014</b>	<b>New grants approved/ spending commences</b>	<b>Payments received</b>	<b>Expired/ rescinded adjusted grants</b>	<b>Authorized grants as of June 30, 2015</b>	<b>Amounts not expended as of June 30, 2015</b>	<b>Grants receivable as of June 30, 2015</b>
Capital grants:							
FY 2007 Section 5309 New Starts	\$ 156,291	150,000	(175,848)	—	130,443	(97,211)	33,232
FY 2002 Section 5307 Urban Area Formula	2,295	—	(819)	—	1,476	(1,335)	141
FY 2005 Section 5307 Urban Area Formula	454	—	(454)	—	—	—	—
FY 2007 Section 5307 Urban Area Formula	6,185	—	(764)	—	5,421	(4,682)	739
FY 2008 Section 5307 Urban Area Formula	4,768	—	(800)	—	3,968	(3,397)	571
FY 2009 Section 5307 Urban Area Formula	11,092	—	(336)	—	10,756	(9,353)	1,403
FY 2010 Section 5307 Urban Area Formula	200	—	—	—	200	—	200
FY 2011 Section 5307 Urban Area Formula	4,459	—	(380)	—	4,079	(4,079)	—
FY 2013 Section 5307 Urban Area Formula	15,687	—	(5,089)	—	10,598	(9,700)	898
FY 2014 Section 5307 Formula Grants	—	12,498	(1,351)	—	11,147	(9,733)	1,414
FY 2008 and 2009 Section 5317 New Freedom	230	—	(226)	—	4	(4)	—
FY 2011 Section 5307 CMAQ	2,878	—	(2,670)	—	208	(208)	—
FY 2005 Section 5309 Fixed Guideway	4,118	—	(2,189)	—	1,929	(1,595)	334
FY 2006 Section 5309 Bus and Facilities	1,932	—	(517)	—	1,415	(737)	678
FY 2007 Section 5309 Fixed Guideway	4,847	—	(2,047)	—	2,800	(1,745)	1,055
FY 2008 Section 5309 Fixed Guideway	7,791	—	(5,200)	—	2,591	(2,590)	1
FY 2009 Section 5309 Fixed Guideway	36,150	—	(10,414)	—	25,736	(19,656)	6,080
FY 2010 Section 5309 Fixed Guideway	60,098	—	(1,188)	—	58,910	(56,503)	2,407
FY 2011 Section 5309 Bus and Facilities	38,215	26	(3,850)	—	34,391	(30,892)	3,499
FY 2011 Section 5309 Fixed Guideway	63,018	—	(4,846)	—	58,172	(55,429)	2,743
FY 2012 Section 5307 Urban Area Formula	6,169	—	(4,743)	—	1,426	(1,400)	26
FY 2012 Section 5309 Bus Livability	879	—	(879)	—	—	—	—
FY 2012 Section 5309 Fixed Guideway	69,346	—	(6,336)	—	63,010	(59,168)	3,842
FY 2013 Section 5307 CMAQ and Surface Transportation Program	26,403	4,630	(6,467)	—	24,566	(23,149)	1,417
FY 2013 Section 5309 Bus Livability	4,574	—	(1,443)	—	3,131	(3,068)	63
FY 2013 Section 5337 State of Good Repair	30,532	—	(2,475)	—	28,057	(27,572)	485
FY 2014 Section 5337 State of Good Repair	—	17,730	—	—	17,730	(17,730)	—
FY 2013 Section 5339 Bus and Facilities Formula	6,691	—	—	—	6,691	—	6,691
FY 2013 Section 5307 Surface Transportation Program	1,479	—	(428)	—	1,051	(1,029)	22
FY 2014 Section 79-TG-3 Tiger IV OST Surface Transportation Infrastructure	9,577	—	(556)	—	9,021	(8,786)	235
FY 2013 CA Regional Priority Development Area Planning Grant	492	—	—	—	492	(29)	463
<b>Total capital grants</b>	<b>\$ 576,850</b>	<b>184,884</b>	<b>(242,315)</b>	<b>—</b>	<b>519,419</b>	<b>(450,780)</b>	<b>68,639</b>
Operating grants:							
FY 2007 Section 5317 New Freedom	\$ 140	—	(106)	—	34	—	34
FY 2012 Section 5317 New Freedom	129	—	(77)	—	52	(49)	3
FY 2013 Section 5316 JARC Funds	289	—	(289)	—	—	—	—
FY 2010 Section 5307 Urban Area Formula	3,710	—	(811)	—	2,899	—	2,899
FY 2013 Section 5307 Urban Area Formula	912	—	(912)	—	—	—	—
FY 2013 Section 5307 CMAQ and Surface Transportation Program	1,600	—	—	—	1,600	(1,479)	121
FY 2012 and 2013 National Park Service Cooperative Agreement	232	—	(232)	—	—	—	—
FY 2014 section 5307 Formula Fund	—	14,615	(3,784)	(26)	10,805	(10,805)	—
FY 2015 FTA Section 5303 Planning	—	40	—	—	40	—	40
<b>Total operating grants</b>	<b>\$ 7,012</b>	<b>14,655</b>	<b>(6,211)</b>	<b>(26)</b>	<b>15,430</b>	<b>(12,333)</b>	<b>3,097</b>

See accompanying independent auditors' report.

**TRANSIT**

Supplemental Schedule of Grants – California Transportation Commission

Year ended June 30, 2015

(In thousands)

	<b>Authorized grants as of July 1, 2014</b>	<b>New grants approved/ spending commences</b>	<b>Payments received</b>	<b>Expired/ rescinded adjusted grants</b>	<b>Authorized grants as of June 30, 2015</b>	<b>Amounts not expended as of June 30, 2015</b>	<b>Grants receivable as of June 30, 2015</b>
Capital grants:							
FY 2008 Prop 1B: 3rd Street Light Rail	\$ 2,407	—	—	—	2,407	(2,407)	—
FY 2008 Prop 1B: Overhead Rehab 5 Fulton/Hayes Bus Lines	25	—	(25)	—	—	—	—
FY 2008 Prop 1B: Farebox Rehab	27	—	—	—	27	(27)	—
FY 2008 Prop 1B: Metro East Light Rail Vehicle Facility	759	—	(152)	—	607	(607)	—
FY 2008 Prop 1B: Operator Restrooms	1,193	—	(403)	—	790	(790)	—
FY 2008 Prop 1B: Transit Security	45	—	—	—	45	(45)	—
FY 2009 Prop 1B: New Central Subway	5,286	—	(1,816)	—	3,470	(3,470)	—
FY 2009 Prop 1B: Central Control and Communications (C3)	234	—	(234)	—	—	—	—
FY 2009 Prop 1B: Central Control and Communications (C3)	105	—	(105)	—	—	—	—
FY 2009 Prop 1B: High Speed Connectivity	18	—	—	—	18	(18)	—
FY 2009 Prop 1B: Transit Security Infrastructure	316	—	(180)	—	136	(136)	—
FY 2009 Prop 1B: LRV Rehabilitation	3,923	—	(3,888)	—	35	(35)	—
FY 2010 Prop 1B: Transit Security	3,088	—	(1,958)	—	1,130	(1,130)	—
FY 2012 Prop 1B: Transit Security	7,071	—	(2,621)	—	4,450	(4,450)	—
FY 2010 Prop 1B: Balboa Park Eastside Connection	861	—	(181)	—	680	(680)	—
FY 2010 Prop 1B: Motor Coach Component Rehab	64	—	(64)	—	—	—	—
FY 2013 Prop 1B: Central Subway	117,206	—	(71,019)	—	46,187	(46,187)	—
FY 2011 Prop 1B: Transit Security	3,488	—	(3,122)	—	366	(366)	—
FY 2013 Prop 1B: Transit Security	—	7,071	—	—	7,071	(7,071)	—
FY 2013 Prop 1B: Mission Mobility Maximization	5,057	—	(502)	—	4,555	(4,555)	—
FY 2013 Prop 1B: 8X Mobility Maximization	4,661	—	(1,381)	—	3,280	(3,280)	—
FY 2013 Prop 1B: Mission Bay Loop	1,183	—	(136)	—	1,047	(1,047)	—
FY 2014 Prop 1B: LRV Procurement	—	6,580	—	—	6,580	(6,580)	—
FY 2014 Prop 1B: Central Subway	—	81,880	—	—	81,880	(81,880)	—
Total capital grants	<u>\$ 157,017</u>	<u>95,531</u>	<u>(87,787)</u>	<u>—</u>	<u>164,761</u>	<u>(164,761)</u>	<u>—</u>
Operating grant:							
FY 2015 Low Carbon Transit Operations Grant	\$ —	2,592	—	—	2,592	(2,592)	—
Total operating grant	<u>\$ —</u>	<u>2,592</u>	<u>—</u>	<u>—</u>	<u>2,592</u>	<u>(2,592)</u>	<u>—</u>

See accompanying independent auditors' report.

**TRANSIT**

Supplemental Schedule of Grants – Metropolitan Transportation Commission

Year ended June 30, 2015

(In thousands)

	<b>Authorized grants as of July 1, 2014</b>	<b>New grants approved/ spending commences</b>	<b>Payments received</b>	<b>Expired/ rescinded adjusted grants</b>	<b>Authorized grants as of June 30, 2015</b>	<b>Amounts not expended as of June 30, 2015</b>	<b>Grants receivable as of June 30, 2015</b>
Capital grants:							
Bridge toll:							
Match to Capital Grants	\$ 11,769	331	(2,137)	(284)	9,679	(8,019)	1,660
Total capital grants – Bridge tolls	\$ 11,769	331	(2,137)	(284)	9,679	(8,019)	1,660
State Transit Assistance:							
Third Street Light Rail	\$ 306	—	—	—	306	(306)	—
Balboa Park Station Eastside Connection	185	—	(185)	—	—	—	—
Total capital grants – State Transit Assistance	\$ 491	—	(185)	—	306	(306)	—
Operating grants:							
AB1107 Sales Tax	\$ 3,721	38,811	(39,085)	—	3,447	—	3,447
State Transit Assistance	11,244	41,435	(43,362)	—	9,317	—	9,317
Transportation Development Act	—	44,995	(40,813)	—	4,182	—	4,182
Translink Project – Wayside Fare Collection	14	—	—	—	14	(14)	—
Lifeline Cycle 2 – Shopping Shuttle	—	250	(215)	(19)	16	(16)	—
Lifeline Bus Restoration Service	4	—	(4)	—	—	—	—
State Transit Assistance – BART Strike	1,154	—	(1,154)	—	—	—	—
RM2:							
Owl Service	—	188	(188)	—	—	—	—
T-Third Light Rail	—	2,500	(2,500)	—	—	—	—
Lifeline Cycle 3:							
Treasure Island Improvement Service	800	—	(800)	—	—	—	—
Bus Restoration Service	321	637	(958)	—	—	—	—
Route 29 Reliability Improvement	800	—	(800)	—	—	—	—
Free Muni for Low Income Youth Program	30	370	(400)	—	—	—	—
Total operating grants	\$ 18,088	129,186	(130,279)	(19)	16,976	(30)	16,946

See accompanying independent auditors' report.

**TRANSIT**

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2015

(In thousands)

	<u>Authorized grants as of July 1, 2014</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, 2015</u>	<u>Amounts not expended as of June 30, 2015</u>	<u>Grants receivable as of June 30, 2015</u>
Capital grants:							
Third Street Light Rail Projects	\$ 4,169	—	—	—	4,169	(4,169)	—
Cable Car Infrastructure	813	—	—	—	813	(813)	—
Central Subway	9,194	—	(4,203)	—	4,991	(3,922)	1,069
Escalator Replacement Study	3,806	—	(134)	—	3,672	(3,671)	1
Financial Capacity Study	240	—	—	(240)	—	—	—
Islais Creek Woods	3,673	—	(409)	—	3,264	(3,264)	—
Muni Rail Replacement Project	1,649	—	—	—	1,649	(1,649)	—
Overhead Rehab Program	619	—	(133)	(486)	—	—	—
PCC Streetcars 10-Year Overhaul	1,495	—	(667)	—	828	(828)	—
Rail Replacement and Mission Bay Loop	1,571	—	—	—	1,571	(1,571)	—
Woods Lifts – Heavy Maintenance Shop	959	—	—	(959)	—	—	—
Central Train Control and Communication (3C)	28,205	—	(9,498)	—	18,707	(18,560)	147
Van Ness Bus Rapid Transit Environmental Review	5	—	—	—	5	(5)	—
Radio Communications System	59,175	—	—	—	59,175	(59,175)	—
Bus Rapid Transit (Geary/Van Ness)	2,588	2,467	(492)	(272)	4,291	(4,291)	—
Wayside Fare Collection	2,573	—	—	—	2,573	(2,573)	—
Balboa Park Intermodal Improvements	—	1,774	—	—	1,774	(1,774)	—
Balboa Park Station Eastside Connection	271	—	(108)	—	163	(163)	—
Motor Coach NABI Replacement	5,878	—	(1,682)	—	4,196	(4,193)	3
Green Center Rail Replacement	6,300	—	(2,210)	—	4,090	(4,089)	1
Market and Haight Transit and Pedestrian Improvements	770	—	(497)	—	273	(273)	—
Motor Coach Replacement	6,270	—	(571)	—	5,699	(5,667)	32
Central Subway Phase 3 Initial Study	100	—	(94)	—	6	(6)	—
Muni Forward Bike and Pedestrian Integration	200	78	(147)	—	131	(1)	130
Bayshore Multimodal Station Location	—	14	—	—	14	(7)	7
Glen Park Bus Terminal	—	330	(245)	—	85	(62)	23
60 Foot Trolley Coach Replacement	—	20,832	(443)	—	20,389	(20,389)	—
Phelan Plaza Development	—	933	—	—	933	(869)	64
Paratransit 35 Vans Ness	—	700	(578)	—	122	(122)	—
Muni Forward	—	12,900	(1,549)	(78)	11,273	(11,240)	33
New Light Rail Vehicles	—	131,153	—	—	131,153	(131,153)	—
Geneva – Harvey Bus Rapid Transit Study	—	200	(91)	—	109	(108)	1
Muni Metro East (MME) Phase II	—	2,599	(109)	—	2,490	(2,475)	15
Fall Protection System	—	2,161	(147)	—	2,014	(2,014)	—
Total capital grants	\$ 140,523	176,141	(24,007)	(2,035)	290,622	(289,096)	1,526

**TRANSIT**

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2015

(In thousands)

	<b>Authorized grants as of July 1, 2014</b>	<b>New grants approved/ spending commences</b>	<b>Payments received</b>	<b>Expired/ rescinded adjusted grants</b>	<b>Authorized grants as of June 30, 2015</b>	<b>Amounts not expended as of June 30, 2015</b>	<b>Grants receivable as of June 30, 2015</b>
Operating grants:							
Transit Corridor Investment Study	\$ 313	—	(17)	(7)	289	(289)	—
N-Judah Customer First	603	—	(209)	—	394	(393)	1
Total operating grants	\$ 916	—	(226)	(7)	683	(682)	1

See accompanying independent auditors' report.

**TRANSIT**

Supplemental Schedule of Grants – Others

Year ended June 30, 2015

(In thousands)

	<u>Authorized grants as of July 1, 2014</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, 2015</u>	<u>Amounts not expended as of June 30, 2015</u>	<u>Grants receivable as of June 30, 2015</u>
Capital grants:							
Homeland Security:							
FY 2008 CA Emergency Management Agency – Transit Security	\$ 1	—	—	—	1	(1)	—
FY 2011 Federal Homeland Security – TSA K9 Project	302	1,325	(312)	(141)	1,174	(1,137)	37
FY 2009 Transit Security Grant Program	1,270	—	(1,270)	—	—	—	—
FY 2010 Transit Security Grant Program	2,775	—	(2,568)	(207)	—	—	—
FY 2013 Transit Security Grant Program	3,000	—	(1,430)	—	1,570	(691)	879
Total capital grants	\$ 7,348	1,325	(5,580)	(348)	2,745	(1,829)	916
Operating in nature grants:							
CA Video Surveillance Project	\$ 3	—	(3)	—	—	—	—
FY 2011 Transit Security Grant Program – SFPD	363	—	(359)	(4)	—	—	—
BAAQMD–TFCA 82X Shuttle Service	122	122	(122)	—	122	(27)	95
FY 2014 Transit Security Grant Program	—	2,812	(2)	—	2,810	(2,739)	71
Total operating grants	\$ 488	2,934	(486)	(4)	2,932	(2,766)	166

See accompanying independent auditors' report.

**SUSTAINABLE STREETS**  
Supplemental Schedule of Grants – Federal  
Year ended June 30, 2015  
(In thousands)

	Authorized grants as of July 1, 2014	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2015	Amounts not expended as of June 30, 2015	Grants receivable as of June 30, 2015
<b>Capital grants:</b>							
FY 2009 CMAQ – SF Park	\$ 2,549	—	(884)	—	1,665	(973)	692
FY 2012 Section 4314 Transportation Community and System Preservation	178	—	(170)	—	8	(8)	—
FY 2012 Highway Safety Improvement – Bayshore Paul Signals	269	—	(221)	—	48	(37)	11
FY 2013 Section 5307 Surface Transportation	514	—	(7)	—	507	(39)	468
FY 2012 Safe Routes to School – Chinatown	499	—	(255)	—	244	(115)	129
FY 2010 Highway Safety Improvement–Sunset New Signals	453	—	(348)	—	105	(105)	—
FY 2012 CMAQ – Outer Sunset	549	—	—	—	549	(112)	437
FY 2012 Surface Transportation – Church and Duboce	202	—	(86)	—	116	(110)	6
FY 2013 Highway Safety Improprament – Continental Crosswalks	316	—	(4)	—	312	(85)	227
FY 2013 Highway Safety Improprament – Masonic Signals Project	739	—	—	—	739	(113)	626
FY 2013 Safe Routes to School – Jefferson SRTS Project	467	—	(164)	—	303	(85)	218
FY 2013 Highway Safety Improvement – Rail Signals	889	—	(172)	—	717	(630)	87
FY 2013 Surface Transportation – Mansell Corridor Complete Streets	211	1,552	(33)	—	1,730	(1,553)	177
FY 2014 Highway Safety Improvement Program – Polk Street Signals	253	1,294	(9)	—	1,538	(1,468)	70
FY 2016 and 2017 Highway Safety Improvement Program – South Van Ness Pedestrian Signals Projects	262	—	(8)	—	254	(183)	71
FY 2015 State Transportation Improvement – Twin Peaks Connectivity	—	168	—	—	168	(161)	7
FY 2013 State Transportation Improvement – Crosswalks	—	250	(5)	—	245	(211)	34
<b>Total capital grants</b>	<b>\$ 8,350</b>	<b>3,264</b>	<b>(2,366)</b>	<b>—</b>	<b>9,248</b>	<b>(5,988)</b>	<b>3,260</b>
<b>Operating in nature:</b>							
TEA Pedestrian Safety Education	\$ 20	—	—	—	20	—	20
Inner Sunset Traffic Calming and Transit Enhancement	69	—	—	—	69	(69)	—
Inner Sunset Traffic Calming and Transit Enhancement	73	—	—	—	73	(73)	—
Tenderloin Pedestrian Improvements	279	—	—	—	279	(279)	—
Golden Gate Park Pedestrian Improvements	63	—	—	—	63	(3)	60
Var Bike Network Improvements	8	—	—	—	8	(8)	—
Chinatown Safe Routes to School	32	—	(7)	—	25	(25)	—
Van Ness Corridor Improvement	2,320	—	(1,754)	—	566	(649)	(83)
Fulton Curb Ramps	142	—	(71)	—	71	(63)	8
Bayshore and Paul Signal Upgrade Design	2	—	—	—	2	(2)	—
Parking Guidance Project	1,048	—	(301)	—	747	(224)	523
Jefferson Safe Routes to School – Planning	1	—	—	(1)	—	—	—
Sunset Boulevard New Traffic Signal Design	26	—	—	—	26	(10)	16
Alamo School Safe Routes to School	34	558	(16)	—	576	(550)	26
SFGO Van Ness Corridor Management – TSP/BRT	5,772	14,000	(2,524)	—	17,248	(16,483)	765
Sunset Blvd Ped Safety Education Program	17	—	—	—	17	(17)	—
SF Bicycle Parking Program	29	—	(2)	—	27	(21)	6
Pedestrian Safety Program	4	—	—	—	4	(4)	—
Masonic Avenue Signal Upgrade	98	—	(32)	—	66	(35)	31
FY 2007 Safe Routes to School	29	—	—	—	29	(29)	—
FY 2004 Safe Routes to School	12	—	—	(12)	—	—	—
FY 2012 Safe Routes to School – Tenderloin	95	724	(62)	—	757	(727)	30
FY 2012 Safe Transportation Improvement – Ped Countdown	132	—	(20)	—	112	—	112
FY 2013 Safe Routes to School – Denman	99	—	(32)	—	67	(42)	25
FY 2012 State Transportation Improvement – Church and Duboce	18	—	—	—	18	(1)	17
VPPL-6328(054) Link Price Elec	566	933	(195)	—	1,304	(1,235)	69
FY 2010 and 2011 State Transportation Improvement Program – SF Pedestrian Safety and Encouragement	843	—	(448)	—	395	(118)	277
FY 2013 CA Regional Priority Development Area Planning – Various Projects	2,308	—	(127)	—	2,181	(1,195)	986
<b>Total operating in nature</b>	<b>\$ 14,139</b>	<b>16,215</b>	<b>(5,591)</b>	<b>(13)</b>	<b>24,750</b>	<b>(21,862)</b>	<b>2,888</b>
<b>ARRA:</b>							
Inner Sunset Traffic Calming – Construction Phase	\$ 79	—	—	(79)	—	—	—
<b>Total ARRA</b>	<b>\$ 79</b>	<b>—</b>	<b>—</b>	<b>(79)</b>	<b>—</b>	<b>—</b>	<b>—</b>

See accompanying independent auditors' report.



**SUSTAINABLE STREETS**

Supplemental Schedule of Grants – California Transportation Commission

Year ended June 30, 2015

(In thousands)

	<b>Authorized grants as of July 1, 2014</b>	<b>New grants approved/ spending commences</b>	<b>Payments received</b>	<b>Expired/ rescinded adjusted grants</b>	<b>Authorized grants as of June 30, 2015</b>	<b>Amounts not expended as of June 30, 2015</b>	<b>Grants receivable as of June 30, 2015</b>
Operating in nature grants:							
Randolph/Farralones/Orizaba Transit Access							
Pedestrian Safety	\$ 404	—	(279)	—	125	(125)	—
Inner Sunset Traffic Calming and Transit Enhancement	9	—	—	(9)	—	—	—
Addison and Dighy Traffic Circle	63	—	—	—	63	(63)	—
Van Ness Corridor Improvement	3,159	—	(1,216)	—	1,943	(429)	1,514
Prop IB – Persia Triangle Improvements	694	—	(165)	—	529	(529)	—
Prop IB – Hunter’s View Transit Connection	13	—	—	—	13	(13)	—
Class II and III Bikeways	260	—	—	—	260	(171)	89
West Portal Improvements to School Access	654	—	(492)	—	162	(93)	69
Eastern Neighborhoods	4	—	—	(4)	—	—	—
Western Approach to SFO Bay Bridge	53	—	(45)	—	8	(8)	—
Jean Parker Safe Routes to School	415	—	(2)	—	413	(370)	43
<b>Total operating in nature grants</b>	<b>\$ 5,728</b>	<b>—</b>	<b>(2,199)</b>	<b>(13)</b>	<b>3,516</b>	<b>(1,801)</b>	<b>1,715</b>

See accompanying independent auditors’ report.

**SUSTAINABLE STREETS**

Supplemental Schedule of Grants – Metropolitan Transportation Commission

Year ended June 30, 2015

(In thousands)

	<u>Authorized grants as of July 1, 2014</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, 2015</u>	<u>Amounts not expended as of June 30, 2015</u>	<u>Grants receivable as of June 30, 2015</u>
Operating in nature grants:							
TDA:							
FY 2011 Bicycle Safety Education and Outreach	\$ 3	—	—	(3)	—	—	—
FY 2012 Bicycle Safety Education and Outreach	1	—	—	(1)	—	—	—
FY 2012 Bicycle Facility Project	129	—	(121)	(8)	—	—	—
Market and Octavia Bicycle Markings	24	—	(18)	—	6	—	6
Bicycle Safety Education	12	—	(9)	—	3	—	3
Bicycle Facility	7	—	(4)	—	3	(1)	2
Short-term Bike Parking	18	—	(18)	—	—	—	—
Bike Share Pilot	93	—	(93)	—	—	—	—
Green Lanes Project	16	—	(6)	—	10	(10)	—
Signal Equipment Sloat Boulevard Bike Lane	3	—	(3)	—	—	—	—
Bicycle Share System	276	—	(155)	—	121	(32)	89
FY 2014 Bicycle Projects, Safety and Outreach	60	—	—	(60)	—	—	—
Folsom-Essex Bicycle Improvements	—	48	(20)	—	28	(2)	26
Howard 6/10 Buffered Bicycle Lane	24	12	(36)	—	—	—	—
Raised Cycletrack Demonstration	53	—	(20)	—	33	(12)	21
Long-term Bike Parking	—	200	—	—	200	(200)	—
FY2015 Bicycle Projects, Safety and Outreach	—	132	—	—	132	(132)	—
Second Street VZIP Improvements	—	60	(1)	—	59	(39)	20
Polk Street Southbound Bicycle Lane	—	29	—	—	29	(29)	—
King Street Bike Lanes	—	18	—	—	18	(18)	—
Howard Street Buffered Bicycle Lane	—	203	(108)	—	95	(79)	16
Bridge Tolls (RM2):							
Mission/Geneva Pedestrian Improvements – Design	14	—	—	(14)	—	—	—
Mission/Geneva Pedestrian Improvements – Construction	93	—	—	—	93	(93)	—
Balboa Park Station Connection Phase II – Signals and Signs	62	—	(7)	—	55	(46)	9
Sidewalk Improvement – Construction	16	—	—	(16)	—	—	—
Bicycle Transit System Integration	158	—	(132)	—	26	(26)	—
Polk Street Bicycle Gap Closure	584	—	(555)	—	29	—	29
Total operating in nature grants	\$ 1,646	702	(1,306)	(102)	940	(719)	221

See accompanying independent auditors' report.

**SUSTAINABLE STREETS**

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2015

(In thousands)

	<b>Authorized grants as of July 1, 2014</b>	<b>New grants approved/ spending commences</b>	<b>Payments received</b>	<b>Expired/ rescinded adjusted grants</b>	<b>Authorized grants as of June 30, 2015</b>	<b>Amounts not expended as of June 30, 2015</b>	<b>Grants receivable as of June 30, 2015</b>
Operating in nature grants:							
Bicycle Program Projects	\$ 1,452	1,838	(413)	(214)	2,663	(2,502)	161
Pedestrian Safety Program Projects	1,581	1,967	(750)	(51)	2,747	(2,301)	446
Traffic Calming Program Projects	2,405	87	(878)	—	1,614	(1,259)	355
Traffic Signal/Traffic Sign Projects	10,544	2,190	(5,264)	—	7,470	(6,294)	1,176
Transit Study and Street Improvement Projects	310	3,523	(102)	(28)	3,703	(3,668)	35
Taxi Vehicle Alternative Fuel Program	161	200	(69)	(90)	202	(130)	72
Transportation Demand/Parking Management	—	100	—	—	100	(100)	—
Total operating in nature grants	\$ 16,453	9,905	(7,476)	(383)	18,499	(16,254)	2,245
Pass-through grants operating in nature:							
Bicycle Program Projects	\$ 298	181	(10)	(234)	235	(155)	80
Traffic Calming Projects	—	136	(5)	—	131	(113)	18
Bicycle Program Projects	8	—	(8)	—	—	—	—
Transportation Demand/Parking Management	—	500	(2)	—	498	(367)	131
Total pass-through grants operating in nature	\$ 306	817	(25)	(234)	864	(635)	229

See accompanying independent auditors' report.

**SUSTAINABLE STREETS**

Supplemental Schedule of Grants – Others

Year ended June 30, 2015

(In thousands)

	<u>Authorized grants as of July 1, 2014</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, 2015</u>	<u>Amounts not expended as of June 30, 2015</u>	<u>Grants receivable as of June 30, 2015</u>
Operating in nature grants:							
BAAQMD – Transportation Fund for Clean Air:							
Design/Plan/Implement Citywide Bicycle Racks	\$ 84	—	(84)	—	—	—	—
Install Bike Lane – Lake Merced/Skyline	44	—	—	(44)	—	—	—
OCII – 6th Street Pedestrian Safety Improvements	—	<u>526</u>	<u>—</u>	<u>—</u>	<u>526</u>	<u>(525)</u>	<u>1</u>
Total operating in nature grants	\$ 128	<u><u>526</u></u>	<u><u>(84)</u></u>	<u><u>(44)</u></u>	<u><u>526</u></u>	<u><u>(525)</u></u>	<u><u>1</u></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, 2015

(In thousands)

<u>Project Title</u>	<u>Allocation</u>	<u>Beginning Balance July 1, 2014</u>	<u>Additions</u>	<u>Reassigned Allocation</u>	<u>Interest Earned</u>	<u>Reassigned Interest Earnings</u>	<u>Expenditures</u>	<u>Ending Balance June 30, 2015</u>
<b>First Allocation Fiscal Year 2007–2008</b>								
Third Street Light Rail	\$ 3,700	2,449	—	—	16	—	—	2,465
LRV ATCS Antenna Replacement	—	201	—	—	—	—	(201)	—
Subtotal PTSB01	3,700	2,650	—	—	16	—	(201)	2,465
Auto Passenger Count	1,200	1	—	—	—	—	—	1
New Central Subway	1,300	—	—	—	—	—	—	—
Subtotal PTSB02	2,500	1	—	—	—	—	—	1
Trolley Overhead Reconstruction	2,267	34	—	—	—	(34)	—	—
Mid-Life Rehabilitation of Neoplan Buses	733	25	—	—	—	—	(25)	—
Capital Program Controls System Procurement	—	81	—	—	—	—	(81)	—
New Propulsion Rehabilitation Campaign	—	—	—	—	—	34	(28)	6
Subtotal PTSB03	3,000	140	—	—	—	—	(134)	6
Farebox Rehabilitation	19,590	45	—	—	—	(42)	—	3
Neoplan Life Cycle Rehabilitation	223	—	—	—	—	—	—	—
Vehicle Video Surveillance Replacement	80	—	—	—	—	—	—	—
14 Mission Customer First	80	—	—	—	—	—	—	—
Transportation Capital Infrastructure Account	27	27	—	—	—	—	—	27
New Propulsion Rehabilitation Campaign	—	—	—	—	—	42	(4)	38
Subtotal PTSB04	20,000	72	—	—	—	—	(4)	68
Historic Streetcar Shed	6,092	108	—	—	—	(108)	—	—
New Central Subway	1,200	—	—	—	—	—	—	—
Capital Program Controls System Procurement	—	5	—	—	—	—	(5)	—
14 Mission Customer First	208	—	—	—	—	—	—	—
LRV ATCS Antenna Replacement	—	21	—	—	—	—	(21)	—
New Propulsion Rehabilitation Campaign	—	—	—	—	—	108	—	108
Subtotal PTSB05	7,500	134	—	—	—	—	(26)	108
<b>Total First Allocation Fiscal Year 2007–2008</b>	36,700	2,997	—	—	16	—	(365)	2,648
<b>Second Allocation Fiscal Year 2007–2008</b>								
Metro East L\$	—	27	—	—	5	(27)	—	5
Third Street Light Rail	8,052	—	—	—	—	—	—	—
Subway CCTV Surveillance System	700	—	—	—	—	—	—	—
Vehicle Video Surveillance Replacement	607	607	—	—	—	—	—	607
Capital Program Controls System Procurement	—	35	—	—	—	—	(29)	6
14 Mission Customer First	341	152	—	—	—	—	(152)	—
LRV ATCS Antenna Replacement	—	368	—	—	—	—	(147)	221
New Propulsion Rehabilitation Campaign	—	—	—	—	—	27	—	27
Subtotal PTSB06	9,700	1,189	—	—	5	—	(328)	866
Operator Restrooms	2,165	417	—	—	8	—	(403)	22
Wood Lifts Heavy Maintenance Shop	10	—	—	—	—	—	—	—
Cable Car Safety & Reliability Improvement	—	—	—	422	—	—	—	422
Transportation Capital Infrastructure Account	790	790	—	(422)	—	—	—	368
Subtotal PTSB07	2,965	1,207	—	—	8	—	(403)	812
Wayside Fare Collection	1,000	45	—	—	—	(10)	—	35
New Propulsion Rehabilitation Campaign	—	—	—	—	—	10	—	10
Subtotal PTSB08	1,000	45	—	—	—	—	—	45
<b>Total Second Allocation Fiscal Year 2007–2008</b>	13,665	2,441	—	—	13	—	(731)	1,723

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

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

Year ended June 30, 2015

(In thousands)

<u>Project Title</u>	<u>Allocation</u>	<u>Beginning Balance July 1, 2014</u>	<u>Additions</u>	<u>Reassigned Allocation</u>	<u>Interest Earned</u>	<u>Reassigned Interest Earnings</u>	<u>Expenditures</u>	<u>Ending Balance June 30, 2015</u>
<b>First Allocation Fiscal Year 2008–2009</b>								
New Central Subway	\$ 20,000	—	—	—	34	—	—	34
Wayside/Central Train Control System	3,345	1,873	—	—	—	—	(39)	1,834
Mid-Life Rehabilitation of Neoplan Buses	1,424	214	—	—	—	—	(135)	79
Subway CCTV Surveillance System	1,169	1,160	—	—	—	—	(1,081)	79
Vehicle Video Surveillance Replacement	1,144	957	—	—	—	—	(275)	682
14 Mission Customer First	1,531	1,030	—	(745)	—	—	(285)	—
Fall Protection Scaffolding	825	52	—	—	—	—	—	52
8X Customer First	562	—	—	—	—	—	—	—
Safer Market Street	—	—	—	745	—	—	—	745
Subtotal PTSB11	30,000	5,286	—	—	34	—	(1,815)	3,505
Central Control and Communications Program	400	252	—	—	1	—	(234)	19
Subtotal PTSB12	400	252	—	—	1	—	(234)	19
Central Control and Communications Program	1,300	163	—	—	1	—	(106)	58
Subtotal PTSB13	1,300	163	—	—	1	—	(106)	58
Persia Triangle Improvements	127	120	—	—	1	—	—	121
Subtotal PKSB01	127	120	—	—	1	—	—	121
Randolph/Farallones/Orizaba	85	13	—	—	—	—	(6)	7
Subtotal PKSB01	85	13	—	—	—	—	(6)	7
<b>Total First Allocation Fiscal Year 2008–2009</b>	31,912	5,834	—	—	37	—	(2,161)	3,710
<b>Third Allocation Fiscal Year 2007–2008 and Second Allocation 2008–2009</b>								
LRV Safety Mods and Overhaul Project	3,638	98	—	—	1	(85)	—	14
CPCS Expansion and Enhancements	—	—	—	—	—	85	(85)	—
Subtotal PTSB14	3,638	98	—	—	1	—	(85)	14
New Central Subway	352	—	—	—	—	—	—	—
Subtotal PTSB14	352	—	—	—	—	—	—	—
Central Control Communications Program	817	41	—	—	1	—	—	42
Subtotal PTSB15	817	41	—	—	1	—	—	42
<b>Total Third Allocation Fiscal Year 2007–2008 and Second Allocation 2008–2009</b>	4,807	139	—	—	2	—	(85)	56
<b>Third Allocation Fiscal Year 2008–2009</b>								
LRV Safety Mods and Overhaul Project	5,262	4,007	—	—	26	—	(3,888)	145
Capital Program Controls Syst Procurement	—	61	—	—	—	—	—	61
Subtotal PTSB18	5,262	4,068	—	—	26	—	(3,888)	206
LRV Collision Repairs	3,831	44	—	—	—	—	—	44
Subtotal PTSB19	3,831	44	—	—	—	—	—	44
New Central Subway	719	—	—	—	—	—	—	—
Subtotal PTSB20	719	—	—	—	—	—	—	—
<b>Total Third Allocation Fiscal Year 2008–2009</b>	9,812	4,112	—	—	26	—	(3,888)	250

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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

Year ended June 30, 2015

(In thousands)

Project Title	Allocation	Beginning	Additions	Reassigned	Interest	Reassigned	Expenditures	Ending
		Balance		Allocation		Interest		Balance
		July 1, 2014			Earned	Earnings		June 30, 2015
<b>First Allocation Fiscal Year 2009–2010</b>								
New Central Subway	\$ 20,216	15	—	—	6	(3)	—	18
LRV Collision Repairs	770	—	—	—	—	—	—	—
Mid-life Rehabilitation of Neoplan Buses	700	—	—	—	—	—	—	—
Balboa Park Station Eastside Connection	864	—	—	—	—	—	—	—
Capital Program Controls System Procurement	—	103	—	—	—	—	—	103
LRV ATCS Antenna Replacement	—	72	—	—	—	—	—	72
Hunters View Revitalize Transit Stop Connection	510	13	—	—	—	—	—	13
Mid-Life Rehabilitation of Neoplan Buses	—	64	—	—	—	—	(64)	—
Balboa Park Station Eastside Connection	—	861	—	—	—	—	(181)	680
New Propulsion Rehabilitation Campaign	—	—	—	—	—	3	—	3
Subtotal PTSB22	23,060	1,128	—	—	6	—	(245)	889
<b>Total First Allocation Fiscal Year 2009–2010</b>	23,060	1,128	—	—	6	—	(245)	889
<b>Second Allocation Fiscal Year 2009–2010</b>								
New Central Subway	16,045	3	—	—	—	—	—	3
Capital Program Controls System Procurement	—	54	—	—	—	—	—	54
LRV ATCS Antenna Replacement	—	208	—	—	—	—	—	208
Subtotal PTSB23	16,045	265	—	—	—	—	—	265
Randolph/Farallones/Orizaba	395	402	—	—	2	—	(273)	131
Subtotal PKSB03	395	402	—	—	2	—	(273)	131
<b>Total Second Allocation Fiscal Year 2009–2010</b>	16,440	667	—	—	2	—	(273)	396
<b>Third Allocation Fiscal Year 2009–2010</b>								
Persia Triangle Improvements	676	624	—	—	23	(63)	(174)	410
New Central Subway	48,400	—	—	—	—	—	—	—
Central Subway Goodwill	—	55	—	—	—	—	—	55
Capital Program Controls System Procurement	—	14	—	—	—	—	—	14
LRV ATCS Antenna Replacement	—	512	—	—	—	—	—	512
UCSF Platform Extension and Crossover Track	—	—	—	—	—	63	—	63
Subtotal PTSB24	49,076	1,205	—	—	23	—	(174)	1,054
<b>Total Third Allocation Fiscal Year 2009–2010</b>	49,076	1,205	—	—	23	—	(174)	1,054
<b>First Allocation Fiscal Year 2010–2011</b>								
New Central Subway	117,681	117,582	—	—	652	(754)	(71,019)	46,461
LRV 2/3 ATCS Antenna Replacement	—	818	—	—	—	—	(138)	680
New Propulsion Rehab Campaign	—	—	—	—	—	377	—	377
UCSF Platform Ext and Crossover Track	—	—	—	—	—	377	—	377
Subtotal PTSB26	117,681	118,400	—	—	652	—	(71,157)	47,895
<b>Total First Allocation Fiscal Year 2010–2011</b>	117,681	118,400	—	—	652	—	(71,157)	47,895

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY**

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

Year ended June 30, 2015

(In thousands)

Project Title	Allocation	Beginning	Additions	Reassigned	Interest	Reassigned	Expenditures	Ending
		Balance		Allocation		Interest		Balance
		July 1, 2014			Earned	Earnings		June 30, 2015
<b>Second Allocation Fiscal Year 2010–2011</b>								
14 Mission Customer First	\$ 836	870	—	—	33	—	(25)	878
Muni Forward-West Portal/St Francis Circle	—	—	—	1,743	—	—	(43)	1,700
Cable Car Safety and Reliability Improvement	—	—	—	978	—	—	(363)	615
Muni Forward-Lower Haight Street (71)	—	—	—	1,500	—	—	(72)	1,428
Transportation Capital Infrastructure	4,221	4,221	—	(4,221)	—	—	—	—
Subtotal PTSB27	5,057	5,091	—	—	33	—	(503)	4,621
8X Customer First	2,163	2,088	—	(400)	30	—	(149)	1,569
Operator Restrooms	—	—	—	186	—	—	(181)	5
Subway CCTV Surveillance System	1,060	726	—	—	—	—	(726)	—
Balboa Park Station Area and Plaza Improvement	1,060	880	—	400	—	—	(325)	955
Transportation Capital Infrastructure	1,002	1,002	—	(186)	—	—	—	816
Subtotal PTSB28	5,285	4,696	—	—	30	—	(1,381)	3,345
Mission Bay Transit Loop	1,382	1,191	—	—	8	—	(136)	1,063
Subtotal PTSB28	1,382	1,191	—	—	8	—	(136)	1,063
<b>Total Second Fiscal Year 2010–2011 Allocation</b>	11,724	10,978	—	—	71	—	(2,020)	9,029
<b>First Allocation Fiscal Year 2013–2014</b>								
Procurement of New Light Rail Vehicles	6,580	—	6,580	—	16	—	—	6,596
New Central Subway	81,880	—	81,880	—	203	—	—	82,083
<b>Total First Fiscal Year 2013–2014 Allocation</b>	88,460	—	88,460	—	219	—	—	88,679
<b>Grand Total</b>	\$ 403,337	147,901	88,460	—	1,067	—	(81,099)	156,329

See accompanying independent auditors' report.





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## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Honorable Mayor, Board of Supervisors,

and San Francisco Municipal Transportation Agency Board of Directors City and County of San Francisco, California:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the San Francisco Municipal Transportation Agency (SFMTA), an enterprise fund, of the City and County of San Francisco, California (the City) as of and for the year then ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2015. Our report includes a reference to other auditors who audited the financial statements of certain entities to the SFMTA financial statements. Our report also includes an emphasis of matter paragraph related to the SFMTA's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The July 1, 2014 beginning net position was restated for the retrospective application of this new accounting guidance. The financial statements of the City of San Francisco Portsmouth Plaza Parking Corporation were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SFMTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SFMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of SFMTA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether SFMTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SFMTA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SFMTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

San Francisco, California  
November 5, 2015

