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SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Presentation and discussion of the SFMTA's Fiscal Year 2017 year-end financial audit.

SUMMARY:

- KPMG has audited SFMTA's financial statements for the fiscal year ended June 30, 2017, and issued the report on October 27, 2017. The audited financial statements included a report on internal control over financial reporting, compliance, and other matters in accordance with Government Auditing Standards.
- The SFMTA audited financial statements are a component of the City's financial statement.
- There were no audit findings.
- The audit is available on the SFMTA website: https://www.sfmta.com/about-sfmta/investor-relations/investor-relations-overview

ENCLOSURES:
1. SFMTA's Fiscal Year 2017 Audited Financial Statements

APPROVALS:		**DATE**
DIRECTOR	[signature]	11/27/2017
SECRETARY	R. Boomer	11/27/2017

ASSIGNED SFMTAB CALENDAR DATE: December 5, 2017

PURPOSE

Presentation and discussion of the SFMTA's Fiscal Year 2017 year-end financial audit.

STRATEGIC PLAN GOALS AND TRANSIT FIRST POLICY PRINCIPLES

The financial audit supports all the goals of the Strategic Plan and the Transit First Policy Principles in ensuring resources are available and are managed effectively to meet these goals and principles:

Goal 1. Create a safer transportation experience for everyone.
Goal 2. Make transit, walking, bicycling, taxi, ridesharing & carsharing the preferred means of travel.
Goal 3. Improve the environment and quality of life in San Francisco.
Goal 4. Create a workplace that delivers outstanding service.

TRANSIT FIRST POLICY PRINCIPLES

1. To ensure quality of life and economic health in San Francisco, the primary objective of the transportation system must be the safe and efficient movement of people and goods.
8. New transportation investment should be allocated to meet the demand for public transit generated by new public and private commercial and residential developments.

DESCRIPTION

The SFMTA's annual financial audit is conducted 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 an outside auditor obtain reasonable assurance about whether the financial statements are free from material misstatement. It is the main financial document used by various parties including granting agencies, the financial community and other stakeholders to review SFMTA's financial management and financial condition.

The SFMTA financial audit is a component of the City's annual comprehensive annual financial report (CAFR). There are no findings.

STAKEHOLDER ENGAGEMENT

This document is shared widely with both internal and external parties and its preparation was coordinated with the City's external financial auditor and the City Controller.

ALTERNATIVES CONSIDERED

None.

FUNDING IMPACT

None.

ENVIRONMENTAL REVIEW

On November 2, 2017, the SFMTA, under authority delegated by the San Francisco Planning Department, determined that the Fiscal Year 2017 Financial Audit Report Presentation is not defined as a "project" under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b).

A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors and is incorporated herein.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

None.

RECOMMENDATION

The SFMTA Board of Directors receive a presentation and discussion of the SFMTA's Fiscal Year 2017 year-end financial audit.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Financial Statements
and Supplemental Schedules

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the San Francisco Municipal Transportation Agency (SFMTA), an enterprise fund of the City and County of San Francisco, California (the City), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements 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 0.71% and 0.78%, of SFMTA's total assets at June 30, 2017 and 2016, respectively, and total revenue constituting 5.06% and 5.28%, of SFMTA's total revenue for the years then ended respectively. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for SFMTA, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the City of San Francisco Portsmouth Plaza Parking Corporation, commissioned by the Department of Recreation and Parks, were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of SFMTA as of June 30, 2017 and 2016, 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, 2017 and 2016, the changes in its net position, or, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4–14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the SFMTA's basic financial statements. The accompanying supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017 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.

(signed) KPMG LLP

San Francisco, California
October 27, 2017

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, 2017. We encourage readers to consider the information presented here in conjunction with information contained in the financial statements. All amounts, unless otherwise noted, are expressed in thousands of dollars.

Financial Highlights

- The SFMTA's assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by $3,295,692 and $3,020,957 as of fiscal years ended June 30, 2017 and 2016, respectively.
- The SFMTA's total net position increased by $274,735 in 2017 and increased by $478,257 in 2016 over the prior fiscal year.
- Total net investment in capital assets were $3,223,499 and $2,938,712 at June 30, 2017 and 2016, respectively, an increase of 9.7% and an increase of 16.2% over the balance of $2,938,712 and $2,529,275 at June 30, 2016, and 2015, respectively.

Overview of the Financial Statements

This discussion and analysis section is intended to serve as an introduction to the SFMTA's financial statements. The SFMTA oversees transit (Muni), bike and pedestrian programs, taxis, parking and traffic control operations in the City. The SFMTA applies Governmental Accounting Standards Board (GASB) Statements. The SFMTA is an integral part of the City and County of San Francisco, California (the City) and these financial statements are included in the City's Comprehensive Annual Financial Report. More information regarding the SFMTA's organization and the basis of presentation are contained in notes 1 and 2(a) (found on page 20).

The statements of net position (found on pages 15 and 16) presents information on all of the SFMTA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net position is the residual of all other four elements presented in the statement of financial position. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the SFMTA. The information of the SFMTA's financial position is presented as of June 30, 2017 and 2016.

The statements of revenue, expenses, and changes in net position (found on page 17) present information showing how the SFMTA's net position changed during the fiscal years ended June 30, 2017 and 2016. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The statements of cash flows (found on pages 18 and 19) presents information about the cash receipts and payments of the SFMTA during the fiscal years ended June 30, 2017 and 2016. This statement shows the effects on the SFMTA's cash balances of cash flows from operating, noncapital financing, capital and related financing, and investing activities. When used with related disclosures and information in the other financial statements, the information in the statements of cash flows helps readers assess the SFMTA's ability to generate net cash flows, its ability to meet its obligations as they come due, and its needs for external financing.

(Continued)

(Dollars in thousands, unless otherwise noted)

There are no known facts, decisions, or conditions that are expected to have a significant effect on net position or results of revenues, expenses, and other changes in net position.

Notes to Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the financial statements. The notes to financial statements can be found on pages 20 through 56 of this report.

Other Information

The supplemental schedules found on pages 57 through 74 of this report are presented for the purpose of providing additional analysis and are not a required part of the financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the SFMTA, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $3,295,692 at the close of the most recent fiscal year.

Condensed Summary of Net Position

June 30, 2017 and 2016, and 2015

		2017	2016	2015
Assets:				
Total current assets	$	1,185,962	1,083,976	1,074,180
Total restricted assets		110,370	86,597	52,475
Capital assets, net		3,616,904	3,147,877	2,747,219
Total assets		4,913,236	4,318,450	3,873,874
Deferred outflows of resources		340,916	98,333	79,870
Liabilities:				
Total current liabilities		286,197	390,861	388,033
Total noncurrent liabilities		1,631,921	900,659	792,967
Total liabilities		1,918,118	1,291,520	1,181,000
Deferred inflows of resources		40,342	104,306	230,044
Net position:				
Net investment in capital assets		3,223,499	2,938,712	2,529,275
Restricted		109,268	85,643	51,429
Unrestricted		(37,075)	(3,398)	(38,004)
Total net position	$	3,295,692	3,020,957	2,542,700

(Continued)

Fiscal Year 2017

During fiscal year 2017, current assets increased by $102 million or 9.4%. This increase was in deposits and investments of $109 million offset by decrease in receivables of $4 million, inventories of $2.9 million, and $0.1 million in prepaid asset. The increase is mainly due to cash proceeds from new bond issuance.

The restricted assets increased by $23.8 million or 27.5%, attributable to more collections levied from Transit Impact Development fees (TIDF) of $21.9 million and an increase of $2.4 million in funds held by trustee offset by decrease of $0.5 million in receivable from development fees.

The capital assets increased by $469 million or 14.9%, mainly from construction in progress account of $292 million for the Central Subway Project, procurement of new revenue vehicles, and other projects. The remaining $177 million is from various infrastructure work and street improvement projects net of assets disposed and depreciation.

The SFMTA's net position increased by 9.1% compared to the prior year. The increase in net position is attributable to increases in operating and nonoperating revenues, capital contributions and transfers, offset by increase in operating expenses.

The largest portion of the $3,296 million SFMTA's net position as of June 30, 2017 reflects its $3,223 million net investment in capital assets of (specifically land, building structure and improvements, equipment, infrastructure, intangibles, and construction in progress). The value of these capital assets of $5,428 million is offset by accumulated depreciation of $1,811 million and related debt of $394 million. More information on capital assets can be found in note 5 on page 29. 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.

Net pension liability (NPL) increased by $526.5 million (167%) primarily due to the impact of changes in benefits, the updated citywide Supplemental COLA assumptions and amortization of deferred outflows/inflows. See additional information in note 9a.

Fiscal Year 2016

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

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

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

(Dollars in thousands, unless otherwise noted)

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

The largest portion of the $3,021 million SFMTA's net position as of June 30, 2016 reflects its $2,939 million net investment in capital assets (specifically land, building structure and improvements, equipment, infrastructure, intangibles, and construction in progress). The value of these assets of $4,921 million is offset by accumulated depreciation of $1,773 million and related debt of $209 million. More information can be found in note 5 on page 29. 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, 2017 and 2016, and 2015

		2017	2016	2015
Revenues:				
Total operating revenues	$	503,638	499,234	504,625
Total nonoperating revenues, net		264,441	206,529	166,761
Capital contributions:				
Federal		240,784	288,481	176,315
State and others		212,656	131,257	117,035
Total capital contributions		453,440	419,738	293,350
Net transfers		461,909	452,990	341,331
Total revenues and net transfers		1,683,428	1,578,491	1,306,067
Expenses:				
Total operating expenses		1,408,693	1,100,234	1,019,981
Change in net position		274,735	478,257	286,086
Net position at beginning of year		3,020,957	2,542,700	2,256,614
Total net position – ending	$	3,295,692	3,020,957	2,542,700

Fiscal Year 2017

Total revenue and net transfers for the year ended June 30, 2017 were $1,683 million, an increase of $105 million or 6.7%, compared to the prior fiscal year. This is due to increases in operating and nonoperating revenues, capital contributions and net transfers.

Operating revenue increased by $4,404 or 0.9% compared to prior year. This is due to increase in charges for services by $7,001 or 31.7%, permits revenue by $2,399 or 17.2%, parking fines and penalties by $5,025 or

5.5%, parking fees by $1,196 or 0.9%, and advertising revenue by $99 or 0.5%. These increases are offset by decrease of taxi revenues by $1,498 or 44.1%, $9,488 or 4.6% in passenger fares revenue, and slight decrease in rental income by $330 or 4.3%. The increase in charges for services is primarily due to increase in tow surcharge fees. Permits revenue increased due to increase in rates and number of permit issuance for residential parking. Increase in parking fines is mainly due to increased rates in fiscal year 2017. The decrease in taxi revenue is due to fewer sales of taxi medallions. Passenger fares decrease is mainly due to 3% decline in ridership.

The nonoperating revenue includes operating support received from other sources, primarily federal and state operating grants, development fees, and interest income. Nonoperating revenue increased by $57,912 or 28.0%, mostly from federal operating grants, development fees, gain on disposal of assets, and interest and investment income, which were offset by decrease in state operating grants and amortized portion of the lease leaseback benefits.

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 2017 compared to the prior year mostly related to Revenue Vehicles procurement, Central Subway, and other huge projects. This resulted in the increase in capital contribution by $33,702 or 8.0% when compared to fiscal year 2016.

Net transfers increased by $8,919 or 2.0% in fiscal year 2017 due to $33,672 increase in transfers from the City's General Fund for revenue baseline subsidy, in lieu of parking tax and Population-based allocation. This increase is offset by $24,753 decrease mostly due to reduction of capital project support from the City's General Obligation Bonds.

Total operating expenses for the year ended June 30, 2017 were $1,408,693, an increase of $308,459 or 28.0% compared to the prior year. The resulting net increase comprises trend changes from various expense categories. Personnel service costs increase of $311,367 or 46.0% is attributable mainly to COLA increase and increase in hiring during fiscal year 2017 as well as increases in pension costs. Depreciation expense increased by $12,880 or 9.6% with more assets capitalized. Increase in contractual services by $11,555 or 9.3% was attributable to new towing and storage contract and wet film and digital systems costs related to the red light program. Services from other City departments increased by $5,188 or 8.4% mainly from major increase in technology infrastructure, legal, street management, and utilities. The offsetting decreases are in the following categories: general and administrative and other operating expenses category. General and administrative costs net decrease is $24,335 or 57.0% mainly due to decrease in claim liability per actuarial study and lower judgment and claim cost compared to prior year. Materials and supplies decreased by $6,950 or 8.5%. Other operating expenses decreased by $1,246 or 5.8% with less noncapitalizable cost compared to prior year.

Fiscal Year 2016

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

Operating revenue decreased by $5,391 or 1.1% compared to prior year. The decrease is mainly due to lower passenger fares revenue by $7,954 or 3.7%, taxi revenues by $6,160 or 64.5%, and slight decrease in rental income by $788 or 9.2%. These decreases are offset by an increase of $6,062 or 4.8% in parking fees, advertising revenue by $1,328 or 6.5%, permits revenue by $1,223 or 9.6%, parking fines and penalties by $630 or 0.7%, and charges for services by $268 or 1.2%. The decrease in taxi revenue is due to fewer sales of taxi medallions and waiver of certain taxi fees in fiscal year 2016. Passenger fares decrease is attributable to the implementation of the Free Fares for low and moderate income youth, senior and disabled patrons.

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

Capital contributions consist principally of funds received or receivable from federal, state, and local grant agencies that provide funding for many of the SFMTA's capital projects. There was an increase in capital expenditures incurred and billable to the grantors in fiscal year 2016 compared to the prior year mostly related to Central Subway, Revenue Vehicles procurement and other huge projects. This resulted in the significant increase in capital contribution by $126,388 or 43.1% when compared to fiscal year 2015.

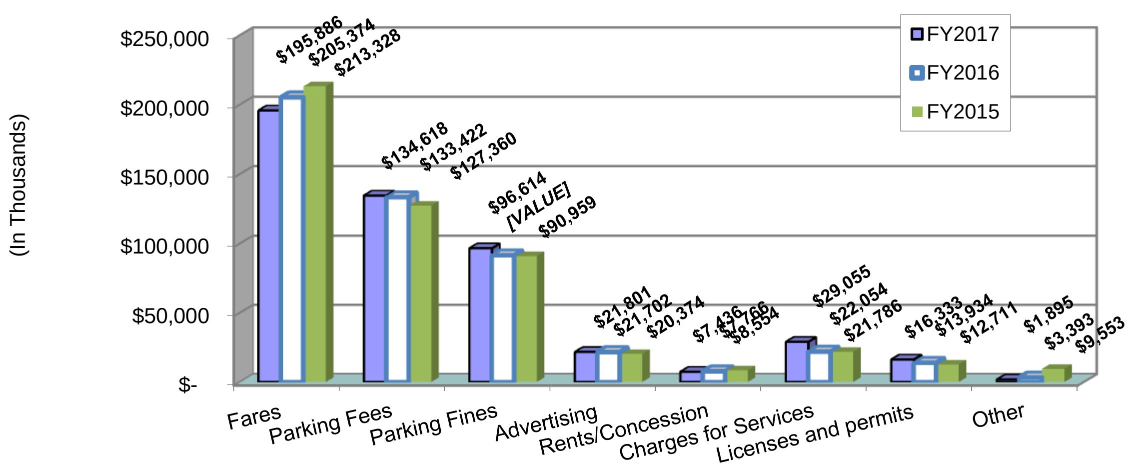
Net transfers increased by $111,659 or 32.7% in fiscal year 2016 due to the increase in the City's General Fund baseline subsidy and Population-based allocation as well as from proceeds received from the City's General Obligation Bond to support various transportation and road improvement projects.

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

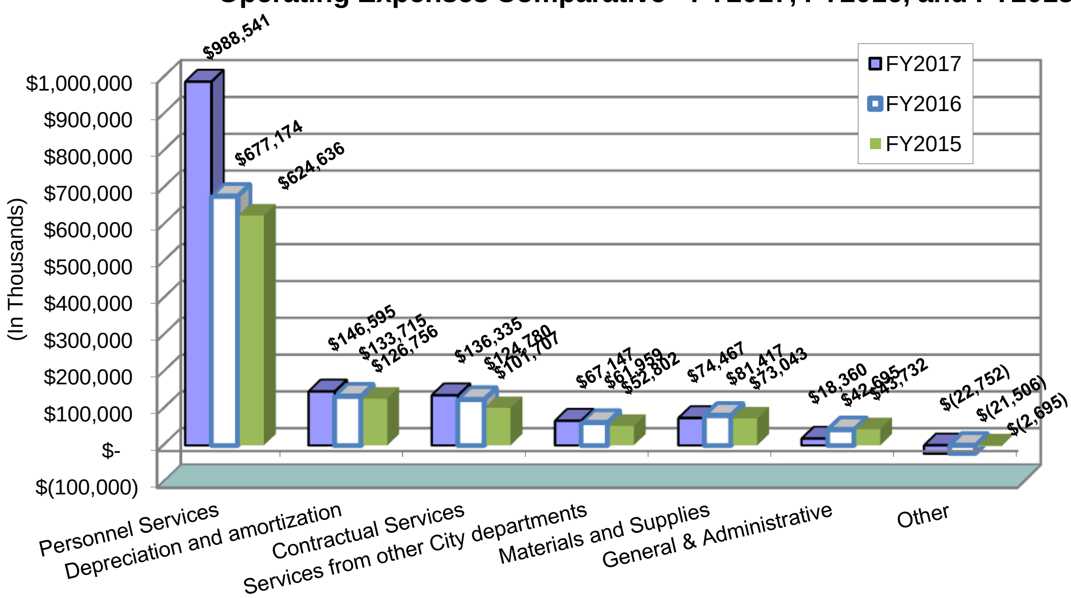
(Continued)

The charts below illustrate the SFMTA's operating revenue by source and expenses by category for fiscal years 2017, 2016, and 2015:

Operating Revenue Comparative - FY2017, FY2016, and FY2015



Operating Expenses Comparative - FY2017, FY2016, and FY2015



(Dollars in thousands, unless otherwise noted)

Capital Assets and Debt Administration

Capital Assets

The SFMTA's investment in capital assets amounts to $3,616,904 net of accumulated depreciation as of June 30, 2017. This investment includes land, building structures and improvements, equipment, infrastructure, intangibles, and construction in progress. The increase in capital assets is $469,027 or 14.9%, compared to the previous year. This increase is attributed to continued construction for both enhancement and state of good repair projects as well as acquisition of new revenue vehicles.

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

Summary of Capital Assets

		Balance, June 30, 2017	Balance, June 30, 2016	Balance, June 30, 2015
Capital assets not being depreciated:				
Land	$	63,687	41,030	41,030
Construction in progress		1,637,866	1,346,257	1,035,096
Total capital assets not being depreciated		1,701,553	1,387,287	1,076,126
Capital assets being depreciated:				
Building structures and improvements		759,841	711,596	697,731
Equipment		1,648,217	1,561,455	1,413,277
Infrastructure		1,318,438	1,260,196	1,241,509
Total capital assets being depreciated		3,726,496	3,533,247	3,352,517
Less accumulated depreciation for:				
Building structures and improvements		310,160	291,541	274,731
Equipment		886,858	903,392	865,348
Infrastructure		614,127	577,724	541,345
Total accumulated depreciation		1,811,145	1,772,657	1,681,424
Total capital assets being depreciated, net		1,915,351	1,760,590	1,671,093
Total capital assets, net	$	3,616,904	3,147,877	2,747,219

(Dollars in thousands, unless otherwise noted)

Construction in progress is made up of various transportation projects. The five projects that have the highest balances on June 30, 2017 are the Central Subway, Radio Replacement, Rail Replacement, Transit Effectiveness Program, and Central Control System Upgrades.

Central Subway Project will link the existing 5.4 mile Phase I T line, beginning at 4th and King Street, to BART, Muni Metro along Market Street, Union Square, and Chinatown to the north. Construction is in full swing in 2017; work to excavate the Chinatown Station platform is nearing completion, the invert slab at the Union Square Market Street Station is complete and scalloped sidewalls are currently being formed, the elevated platform at the Yerba Buena Moscone Station is nearing completion and track work has been installed from the entry portal through the Yerba Buena Moscone Station.

Significant capital asset additions during fiscal year 2017 included:

Infrastructure and Construction in progress – About $239.6 million costs incurred are mainly for the new Central Subway Project, transit lane, rail replacement, and other improvement projects.

Equipment – About $219.1 million incurred during the fiscal year are mainly for the procurement of new motor bus, radio replacement, procurement of light rail vehicles, and historic street car rehabilitation.

Land and Building – About $57.0 million was incurred in fiscal year 2017 for Islais Creek facility improvement, improvement of signals and street, escalator modernization, upgrade of garage facilities in various locations and other facility improvement.

Significant capital asset additions during fiscal year 2016 included:

Infrastructure and Construction in progress – A majority of the $212.7 million costs incurred are for the new Central Subway Project, Central Control, rail replacement, transit lane and street improvement projects.

Equipment – The cost of $283.1 million incurred during the fiscal year for the procurement of new light rail vehicles, trolley and motor buses to replace the old fleet, upgrade of communications system, traffic signals, radio replacement, and various information systems development.

Building – The total of $36.2 million was incurred in fiscal year 2016 for Islais Creek facility improvement, transit operator convenience stations, elevator and escalator modernization, and upgrade of garage facilities in various locations.

Debt Administration

At June 30, 2017 and 2016, the SFMTA's bond debt obligations outstanding totaled $388,934 and $205,756, respectively. The following table summarizes the balances in debt between fiscal years 2017 and 2016, and 2015:

		2017	2016	2015
Bonds payable	$	388,934	205,756	214,449

(Continued)

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

The SFMTA's total bond-related debt increased by $183,178 or 89.0% as of June 30, 2017. The increase represents issuance of new revenue bonds, offset with principal payments and amortization of issuance premium in fiscal year 2017. During the fiscal year, The SFMTA carried underlying debt ratings of AA/Stable from Standard & Poor's and Aa2 from Moody's as of June 30, 2017.

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

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

Leveraged Lease-Leaseback of Breda Vehicles

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

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

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

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

FY 2017 and FY 2018 Budget

The SFMTA Board of Directors approved SFMTA's FY2017 and FY2018 two-year budget in April 2016 which was endorsed by the Board of Supervisors in July 2016 in the amounts of $1.18 billion and $1.25 billion, respectively. The SFMTA's FY2018 Operating Budget was amended from $1.25 billion to $1.18 billion to reflect mainly the reduction of funding subsidies for capital projects totaling to $72 million. In the spring of 2017, all labor contracts were extended through FY 2019. The FY 2018 budget costs include the labor costs associated with the approved contracts.

The proposed San Francisco Municipal Transportation Agency (SFMTA) Fiscal Year (FY) 2017 – 2018. Capital Budget is the SFMTA's two-year financial plan and consolidated capital program. It represents the first two years of the SFMTA's Five-Year Capital Improvement Program (CIP). The proposed FY 2017–FY 2018 Capital Budget includes expenditure authority of $1,130 million in FY 2017 and $805 million in FY 2018. Projects funded through this two-year budget include infrastructure investments as well as various procurements and other one-time initiatives (plans, educational programs, etc.) to be implemented throughout the city.

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, 2017 and 2016

(In thousands)

		2017	2016
Assets:			
Current assets:			
Cash and investments with City Treasury	$	921,116	811,548
Cash and investments held outside City Treasury		9,460	10,096
Cash on hand		191	175
Receivables:			
Grants		131,365	149,799
Due from the San Francisco County Transportation Authority		31,517	16,973
Due from other City departments		225	—
Due from component unit		—	31
Charges for services (net of allowance for doubtful accounts of $16 in 2017 and $42 in 2016)		4,516	5,373
Interest and other		9,732	9,188
Total receivables		177,355	181,364
Inventories		77,120	80,013
Current prepaids and other assets		720	780
Total current assets		1,185,962	1,083,976
Restricted assets:			
Cash and investments with City Treasury		88,511	66,645
Cash and investments held outside City Treasury		20,532	18,091
Other receivables		1,327	1,861
Total restricted assets		110,370	86,597
Noncurrent assets:			
Capital assets, net		3,616,904	3,147,877
Total noncurrent assets		3,727,274	3,234,474
Total assets		4,913,236	4,318,450
Deferred outflows of resources:			
Related to pensions		340,916	98,333
Total deferred outflows of resources	$	340,916	98,333

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Net Position

June 30, 2017 and 2016

(In thousands)

		2017	2016
Liabilities:			
Current liabilities:			
Due to other funds	$	3,480	2,503
Accounts payable and accrued expenses		98,059	131,103
Accrued payroll		27,981	24,285
Accrued vacation and sick leave		22,689	21,759
Accrued workers' compensation		21,076	20,251
Accrued claims		28,475	37,762
Grants received in advance		53,450	122,045
Unearned revenue and other liabilities		14,179	19,531
Payable from restricted assets		1,102	954
Accrued interest payable		3,324	2,996
Bonds, loans, capital leases, and other payables		12,382	7,672
Total current liabilities		286,197	390,861
Noncurrent liabilities:			
Accrued vacation and sick leave, net of current portion		13,841	13,047
Accrued workers' compensation, net of current portion		100,297	97,389
Accrued claims, net of current portion		36,900	41,460
Other postemployment benefits obligation		262,317	235,992
Pensions obligation		841,164	314,611
Bonds, loans, capital leases, and other payables, net of current portion		377,402	198,160
Total noncurrent liabilities		1,631,921	900,659
Total liabilities		1,918,118	1,291,520
Deferred inflows of resources:			
Unamortized gain on leaseback transaction		4,015	4,349
Unamortized gain on refunding of debt		297	337
Related to pensions		36,030	99,620
Total deferred inflows of resources		40,342	104,306
Net position:			
Net investment in capital assets		3,223,499	2,938,712
Restricted:			
Debt service		18,401	17,999
Other purposes		90,867	67,644
Unrestricted		(37,075)	(3,398)
Total net position	$	3,295,692	3,020,957

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2017 and 2016

(In thousands)

		2017	2016
Operating revenues:			
Passenger fares	$	195,886	205,374
Parking and transportation		134,618	133,422
Fines, forfeitures, and penalties		96,614	91,589
Charges for services		29,055	22,054
Licenses, permits, and franchises		16,333	13,934
Advertising		21,801	21,702
Rents and concessions		7,436	7,766
Other		1,895	3,393
Total operating revenues		503,638	499,234
Operating expenses:			
Personnel services		988,541	677,174
Contractual services		136,335	124,780
Materials and supplies		74,467	81,417
Depreciation and amortization		146,595	133,715
Services from other City departments		67,147	61,959
General and administrative		18,360	42,695
Other operating expenses		(22,752)	(21,506)
Total operating expenses		1,408,693	1,100,234
Operating loss		(905,055)	(601,000)
Nonoperating revenues (expenses):			
Operating assistance:			
Federal		64,955	10,555
State and other grants		131,362	133,867
Interest and investment income		7,171	5,410
Interest expense		(7,257)	(6,186)
Other, net		68,210	62,883
Total nonoperating revenues, net		264,441	206,529
Loss before capital contributions and transfers		(640,614)	(394,471)
Capital contributions:			
Federal		240,784	288,481
State and others		212,656	131,257
Total capital contributions		453,440	419,738
Transfers in:			
City and County of San Francisco – General Fund		415,014	381,342
San Francisco County Transportation Authority		13,488	18,341
City and County of San Francisco – Other City departments		38,011	61,939
Total transfers in		466,513	461,622
Transfers out:			
City and County of San Francisco – Other City departments		(4,604)	(8,632)
Net transfers		461,909	452,990
Change in net position		274,735	478,257
Total net position, beginning of year		3,020,957	2,542,700
Total net position, end of year	$	3,295,692	3,020,957

See accompanying notes to financial statements.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Cash Flows

Years ended June 30, 2017 and 2016

(In thousands)

		2017	2016
Cash flows from operating activities:			
Cash received from passengers and service contracts	$	457,372	452,979
Cash received from fines, forfeitures, and penalties		96,563	91,740
Cash received from tenants for rent		7,617	7,805
Cash paid to employees for services		(734,057)	(697,634)
Cash paid to suppliers for goods and services		(334,336)	(336,058)
Cash paid for judgments and claims		(15,443)	(11,714)
Net cash used in operating activities		(522,284)	(492,882)
Cash flows from noncapital financing activities:			
Operating grants		191,789	141,495
Net transfers		461,675	452,990
Other noncapital increases		53,390	40,001
Net cash provided by noncapital financing activities		706,854	634,486
Cash flows from capital and related financing activities:			
Capital grants		383,813	325,791
Proceeds from sale of capital assets		243	653
Acquisition of capital assets		(634,908)	(501,012)
Other capital financing increases		15,600	16,881
Bond sale proceeds and loans received		192,930	97
Retirement of capital leases, bonds, and loans		(7,672)	(7,361)
Bond and loan issue cost paid		(1,936)	—
Interest paid on long-term debt		(6,339)	(7,700)
Net cash used in capital and related financing activities		(58,269)	(172,651)
Cash flows from investing activities:			
Interest income received		6,954	5,297
Net cash provided by investing activities		6,954	5,297
Net increase (decrease) in cash and cash equivalents		133,255	(25,750)
Cash and cash equivalents – beginning of year		906,555	932,305
Cash and cash equivalents – end of year	$	1,039,810	906,555

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Statements of Cash Flows

Years ended June 30, 2017 and 2016

(In thousands)

		2017	2016
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$	(905,055)	(601,000)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization		146,595	133,715
Provision for doubtful accounts		(26)	(114)
Writeoff of assets		—	(6,089)
Changes in operating assets and liabilities:			
Receivables		(53)	299
Inventories		2,893	(6,594)
Prepaid and others		60	(266)
Accounts payable and accrued expenses		(16,712)	(4,080)
Accrued payroll		3,418	4,506
Accrued vacation and sick leave		1,724	2,124
Accrued workers' compensation		3,733	14,656
Accrued claims		(13,847)	13,742
Other postemployment benefits obligation		26,325	15,695
Pension obligation		220,380	(56,038)
Due to other funds		976	(274)
Unearned revenues and other liabilities		7,305	(3,164)
Net cash used in operating activities	$	(522,284)	(492,882)
Reconciliation of cash and cash equivalents to the statement of net position:			
Cash and investments with City Treasury:			
Unrestricted	$	921,116	811,548
Restricted		88,511	66,645
Cash and investments held outside City Treasury:			
Unrestricted		9,460	10,096
Restricted		20,532	18,091
Total deposits and investments		1,039,619	906,380
Cash on hand		191	175
Total cash and investments, end of year	$	1,039,810	906,555

See accompanying notes to financial statements.

(1) Description of Reporting Entity

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

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

Muni is one of America's oldest public transit agencies, the largest in the Bay Area and seventh largest system in the United States. It currently has more than 226 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 20 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 nonprofit corporations provide operational oversight to four garages, namely Japan Center, Sutter-Stockton, Union Square and Portsmouth. Of these four garages, Portsmouth and Union Square garages are owned by the Recreation and Park Department but managed by the SFMTA. The activities of these nonprofit garages are accounted for in the parking garages account.

(2) Significant Accounting Policies

(a) Measurement Focus and Basis of Accounting

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

The SFMTA distinguishes operating revenue and expenses from nonoperating revenue and expenses. Operating revenue and expenses primarily result mainly from the public using the transportation surface system. The principal operating revenue is generated from passenger fares, meter parking, garage parking fees, fines, parking permits, and fees collected from advertisements on the SFMTA property. All other revenue such as operating assistance grants, interest income, and development fees are considered nonoperating revenue. Operating expenses of the SFMTA include costs associated with providing transportation services including employment and labor costs, materials, services, depreciation on capital assets, support services from other city departments, and other related expenses. All expenses not meeting this definition are reported as nonoperating expenses.

(b) Effects of New Pronouncements

(i) Governmental Accounting Standards Board (GASB) Statement No. 73

In June 2015, the GASB issued Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. GASB Statement No. 73 addresses accounting and financial reporting for pensions provided by governments that are not within the scope of GASB 68. The new standard is effective for periods beginning after June 15, 2016. The SFMTA adopted the provisions of this Statement, which did not have a significant impact on its financial statements.

(ii) Governmental Accounting Standards Board (GASB) Statement No. 75

In June 2015, the GASB issued Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefit Other Than Pension Plans. GASB Statement No. 75 revises and establishes new accounting and financial reporting requirements for governments that provides their employees with other postemployment benefits other than pensions (OPEB). The new standard is effective for periods beginning after June 15, 2017. The SFMTA will implement the provisions of Statement No. 75 in fiscal year 2018.

(iii) Governmental Accounting Standards Board (GASB) Statement No. 77

In August 2015, the GASB issued Statement No. 77 – Tax Abatement Disclosures. GASB Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The new standard is effective for periods beginning after December 15, 2015. The SFMTA adopted the provisions of this Statement, which did not have a significant impact on its financial statements.

(iv) Governmental Accounting Standards Board (GASB) Statement No. 78

In December 2015, the GASB issued Statement No. 78 – Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans. GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided by state or local governments through a cost sharing plan that meets the criteria of Statement No. 68 and is not a state or local governmental pension plan. The new standard is effective for periods beginning after December 15, 2015. The SFMTA adopted the provisions of this Statement, which did not have a significant impact on its financial statements.

(v) Governmental Accounting Standards Board (GASB) Statement No. 81

In March 2016, the GASB issued Statement No. 81 – Irrevocable Split Interest Agreements. GASB Statement No. 81 establishes accounting and financial reporting standards for irrevocable split interest agreement created through trusts in which a donor irrevocably transfers resources to an intermediary. The new standard is effective for periods beginning after December 15, 2016. The SFMTA will implement the provisions of Statement No. 81 in fiscal year 2018.

(vi) Governmental Accounting Standards Board (GASB) Statement No. 82

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

(vii) Governmental Accounting Standards Board (GASB) Statement No. 83

In November 2016, the GASB issued Statement No. 83 – Certain Asset Retirement Obligations. GASB Statement No. 83 establishes accounting and financial reporting standards for certain asset retirement obligations (AROs). The new standard is effective for periods beginning after June 15, 2018. The SFMTA will implement the provisions of Statement No. 83 in fiscal year 2019.

(viii) Governmental Accounting Standards Board (GASB) Statement No. 84

In January 2017, the GASB issued Statement No. 84 – Fiduciary Activities. GASB Statement No. 84 establishes criteria for state and local governments to identify fiduciary activities and how those activities should be reported. The new standard is effective for periods beginning after December 15, 2018. The SFMTA will implement the provisions of Statement No. 84 in fiscal year 2020.

(ix) Governmental Accounting Standards Board (GASB) Statement No. 85

In March 2017, the GASB issued Statement No. 85 – Omnibus 2017. GASB Statement No. 85 addresses practice issues identified during the implementation and application of certain GASB Statements. The new standard is effective for periods beginning after June 15, 2017. The SFMTA will implement the provisions of Statement No. 85 in fiscal year 2018.

(Continued)

(x) Governmental Accounting Standards Board (GASB) Statement No. 86

In May 2017, the GASB issued Statement No. 86 – Certain Debt Extinguishment Issues. GASB Statement No. 86 improves accounting and financial reporting for in-substance defeasance of debt using existing resources other than proceeds of refunding debt. The new standard is effective for periods beginning after June 15, 2017. The SFMTA will implement the provisions of Statement No. 86 in fiscal year 2018.

(xi) Governmental Accounting Standards Board (GASB) Statement No. 87

In June 2017, the GASB issued Statement No. 87 – Leases. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease liabilities that currently are not reported. The new standard is effective for periods beginning after December 15, 2019. The SFMTA will implement the provisions of Statement No. 87 in fiscal year 2021.

(c) Cash and Cash Equivalents and Investments

The SFMTA maintains its deposits and investments and a portion of its restricted deposits and investments as part of the City's pool of cash and investments pursuant to the City Charter's requirements. The SFMTA's portion of this pool is displayed on the statements of net position as "Cash and investments with City Treasury." Income earned or losses arising from pooled investments are allocated on a monthly basis to appropriate funds and entities based on their average daily cash balances.

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, the City reports certain investments at fair value in the statements of net position and recognizes the corresponding change in fair value of investments in the year in which the change occurred as a component of nonoperating revenue (expenses).

The SFMTA considers its pooled deposits and investments with the City Treasury to be demand deposits and, therefore, cash equivalents for the purposes of the statements of cash flows. The City also may hold nonpooled deposits and investments for the SFMTA. Nonpooled restricted deposits and highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

(d) Inventories

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

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

(e) Capital Assets

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

Building structures and improvements	4 to 60 years
Infrastructure	5 to 60 years
Equipment	3 to 30 years

(f) Construction in Progress

Construction in progress represents the design and construction costs of various uncompleted projects. As facilities are accepted by the SFMTA and become operative, they are transferred to building structures and improvements, infrastructure, and equipment accounts and depreciated in accordance with the SFMTA's depreciation policies. Costs of construction projects that are discontinued are recorded as expense in the year in which the decision is made to discontinue such projects.

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

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

(h) Accrued Vacation and Sick Leave

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

(i) Capital Grants and Contributions

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

(Continued)

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.

The SFMTA receives operating assistance from federal and various state and local sources. Transportation Development Act funds are received from the City to meet, in part, the SFMTA's operating requirements based on annual claims filed with and approved by the MTC. Sales tax represents an allocation by the MTC of the 1/2 cent transactions and use tax collected within San Francisco County for transit services.

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

(k) Development Fees

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

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

Developer exactions are specific developer contributions to transportation infrastructure as defined in negotiated development agreements. Development Agreements are contracts entered into by the City and a developer to expressly define a development project's rules, regulations, commitments, and policies for a specific period of time. These contributions can be in addition to or in lieu of community improvement impact fees.

The City imposes community improvement development impact fees on specific development projects in order to help address the impacts caused by new development on public services, infrastructure and facilities citywide and in certain neighborhoods. It is collected by the Planning Department and a portion of fees is directed to the SFMTA depending on the area from which it is collected. These fees are administered by the Interagency Plan Implementation Committee (IPIC) established by the Board of Supervisors and the SFMTA is a member. The IPIC makes recommendations for Area Plans with respect to capital project funding.

These fees of $50,759 and $36,885 are recorded as nonoperating revenue for the years ended June 30, 2017 and June 30, 2016, respectively, in the accompanying statements of revenues, expenses, and changes in net position.

(l) Pensions

As prescribed under Statement 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27 net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the SFERS plan and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value and liabilities are based on the results of actuarial calculations.

(m) 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.

(Dollars in thousands, unless otherwise noted)

(3) Net Position

Net position as of June 30, 2017 and 2016 consists of the following:

		2017	2016
Restricted assets:			
Cash and investments with City Treasury	$	88,511	66,645
Cash and investments outside City Treasury		20,532	18,091
Other receivables		1,327	1,861
Total restricted assets		110,370	86,597
Restricted liabilities of:			
Payable from restricted assets		1,102	954
Total restricted liabilities		1,102	954
Restricted assets, net	$	109,268	85,643
Net position:			
Restricted:			
Debt service	$	18,401	17,999
Other purposes		90,867	67,644
Total restricted net position		109,268	85,643
Unrestricted		(37,075)	(3,398)
Net investment in capital assets		3,223,499	2,938,712
Net position	$	3,295,692	3,020,957

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, 2017 and 2016, SFMTA reported $18.4 million and $18.0 million restricted assets related to debt reserves and debt service and $90.9 million and $67.6 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.

(Dollars in thousands, unless otherwise noted)

(4) Cash and Investments

Pursuant to the City Charter, the SFMTA maintains its cash and investments with the City Treasury and a portion of its restricted asset deposits as part of the City's pool of cash and investments. The City's investment pool is an unrated pool pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The Comprehensive Annual Financial Report of the City categorizes the level of common deposits and investment risks associated with the City's pooled cash and investments. As of June 30, 2017 and 2016, the SFMTA's unrestricted and restricted cash and investments with City Treasury totaled to $1,009,627 and $878,193, which represents 11.8% and 11.3% of the City's investment pool, respectively.

The unrestricted cash and investments outside the City Treasury are cash held by the three nonprofit garage corporations totaling to $4,335 and $3,533, taxi medallion collateral sale to $4,850 and $6,284, and revolving fund to $275 and $279 as of June 30, 2017 and 2016, respectively. The SFMTA had restricted cash and investments of $18,401 held by an independent trustee outside the City's investment pool and $2,131 held at a commercial bank in checking account that is covered by depository insurance as of June 30, 2017. The SFMTA had restricted cash and investments of $17,999 held by an independent trustee outside the City's investment pool and $92 held at a commercial bank in checking account that is covered by depository insurance as of June 30, 2016.

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

	Investment maturities (in months)			
	Under 1	**1 to less than 6**	**6 to less than 12**	**12–60**
2017	20.1 %	21.2 %	18.0 %	40.7 %
2016	18.4 %	23.2 %	20.3 %	38.1 %

The following table shows the restricted cash and investments outside of City Treasury as of June 30, 2017 and 2016.

	Restricted cash and investments outside City Treasury		
	Investment	**Maturities**	**Fair value**
2017	Money Market Funds	Less than 1 month	$ 18,401
2016	Money Market Funds	Less than 1 month	17,999

(Dollars in thousands, unless otherwise noted)

Fair Value Hierarchy – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities.

SFMTA's cash and investments outside of the City's pooled investments as of June 30, 2017 and 2016 consist of money market investments with maturities of one year or less and cash and cash equivalents. These are exempt from fair value treatment under GASB Statement No. 72.

(5) Capital Assets

Capital asset balances and their movements as of and for the year ended June 30, 2017 are as follows:

		Balance, July 1, 2016	Increases	Decreases	Balance, June 30, 2017
Capital assets not being depreciated:					
Land	$	41,030	22,657	—	63,687
Construction in progress		1,346,257	573,493	(281,884)	1,637,866
Total capital assets not being depreciated		1,387,287	596,150	(281,884)	1,701,553
Capital assets being depreciated:					
Building structures and improvements		711,596	48,262	(17)	759,841
Equipment		1,561,455	200,232	(113,470)	1,648,217
Infrastructure		1,260,196	58,978	(736)	1,318,438
Total capital assets being depreciated		3,533,247	307,472	(114,223)	3,726,496
Less accumulated depreciation for:					
Building structures and improvements		291,541	18,619	—	310,160
Equipment		903,392	91,556	(108,090)	886,858
Infrastructure		577,724	36,420	(17)	614,127
Total accumulated depreciation		1,772,657	146,595	(108,107)	1,811,145
Total capital assets being depreciated, net		1,760,590	160,877	(6,116)	1,915,351
Total capital assets, net	$	3,147,877	757,027	(288,000)	3,616,904

Certain buses, parking meters, and equipment were sold, disposed, and retired during 2017. The net gain on disposal or retirement is $0.2 million.

(Continued)

(Dollars in thousands, unless otherwise noted)

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

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

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

(Dollars in thousands, unless otherwise noted)

Construction in progress consists of the following projects as of June 30, 2017 and 2016:

		2017	2016
New Central Subway	$	1,085,314	946,088
Central Control System Upgrades		71,414	85,951
Security Projects		2,991	10,493
Historic Street Car Renovation		4,636	3,512
Radio Replacement		89,714	49,509
Facility Upgrades		28,911	24,460
Islais Creek-Woods Annex		49,146	21,765
Transit Effectiveness Program		85,645	39,364
Rail Replacement		86,630	58,834
Traffic Signal Upgrades		27,267	21,253
Motor Bus Hybrid Procurement		8,850	7,980
Traffic Sign Installation/Traffic Calming		1,868	3,824
Trolley Overhead Reconstruction		12,790	4,415
Light Rail Vehicle Procurement		40,438	16,753
Street Improvements		19,420	10,920
Trolley Bus Procurement		6,283	35,768
New Asset Management System		10,068	—
Others		6,481	5,368
	$	1,637,866	1,346,257

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were $98,059 and $131,103 at June 30, 2017 and 2016, respectively. This category consists of liabilities for goods and services either evidenced by vouchers approved for payment and accrued expenses for amount owed to private persons or organizations for goods and services as of June 30, and construction contracts retainage payable.

		2017	2016
Vouchers payable and accruals	$	72,534	108,052
Contracts retainage		25,525	23,051
Total accounts payable and accrued expenses	$	98,059	131,103

(7) Short-Term Debt

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

SFMTA has no commercial paper outstanding as of June 30, 2017 and 2016.

(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.

(a) Series 2017 Revenue Bonds

In June 2017, the SFMTA issued its Revenue Bonds, Series 2017 in the total amount of $177.8 million. The net proceeds of $192.1 million (consisting of $177.8 million of the Series 2017 bonds plus original issue premium of $14.3 million) were used to pay $1.1 million underwriter discount and $1.0 million in costs of issuance, and fund $190.0 million for various transit and parking capital projects for the SFMTA. The Series 2017 bonds bear interest at fixed rates between 3.0% to 5.0% and have a final maturity on March 1, 2047.

(b) Series 2014 Revenue Bonds

In November 2014, the SFMTA issued its Revenue Bonds, Series 2014 in the total amount of $70.6 million. The net proceeds 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.

(c) Series 2013 Revenue Bonds

In December 2013, the SFMTA issued its Revenue Bonds, Series 2013 in the total amount of $75.4 million. The net proceeds 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.

(Dollars in thousands, unless otherwise noted)

(d) Series 2012A Revenue Bonds

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

The net proceeds of $46.0 million (consisting of the $38.0 million par amount of the Series 2012A bonds, plus original issue premium of $5.1 million, plus $2.9 million accumulated in the debt service and reserve fund related to the refunded bonds) were used to pay $0.1 million underwriter's discount and $0.5 million in costs of issuance, make a $2.7 million deposit into Reserve Account, and deposit $42.7 million into irrevocable escrow funds with the Trustee to defease and refund $42.3 million in revenue bonds described below:

		Refunded	Rate	Price
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	$	42,250		

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.

(e) 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.

(Dollars in thousands, unless otherwise noted)

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

	Final maturity date	Remaining interest rate	Balance June 30, 2017	Balance June 30, 2016
Revenue Bonds Series 2012A	2032	4.0%–5.0%	$ 23,392	27,544
Revenue Bonds Series 2012B	2042	3.0%–5.0%	27,763	27,814
Revenue Bonds Series 2013	2033	3.0%–5.0%	70,341	73,485
Revenue Bonds Series 2014	2044	3.0%–5.0%	75,314	76,913
Revenue Bonds Series 2017	2047	3.0%–5.0%	192,124	—
Total long-term obligations			$ 388,934	205,756

The changes in long-term obligations for the SFMTA for year ended June 30, 2017 and 2016 are as follows:

	July 1, 2016	Additional obligations, interest accretion, and net increases	Current maturities, retirements, and net decreases	June 30, 2017	Amounts due within one year
Bonds payable:					
Revenue bonds	$ 185,835	177,830	(7,640)	356,025	12,350
Add/less unamortized amounts:					
For issuance premiums	19,921	14,294	(1,306)	32,909	—
Total bonds payable	205,756	192,124	(8,946)	388,934	12,350
Notes, loans and other payables*	76	806	(32)	850	32
Accrued vacation and sick leave	34,806	1,827	(103)	36,530	22,689
Accrued workers' compensation	117,640	26,712	(22,979)	121,373	21,076
Accrued claims	79,222	1,562	(15,409)	65,375	28,475
Other post employment benefits obligation	235,992	58,369	(32,044)	262,317	—
Unearned revenue and other liabilities	19,531	8,399	(13,751)	14,179	14,179
Net pension liability	314,611	600,229	(73,676)	841,164	—
Total long-term obligations	$ 1,007,634	890,028	(166,940)	1,730,722	98,801

* During the year, Portsmouth Plaza Parking Corporation entered into a loan agreement for the garage renovation project. The loan balance as of fiscal year 2017 is $850, representing the loans

(Dollars in thousands, unless otherwise noted)

from Portsmouth Plaza Parking Corporation of $806 and Uptown Parking Corporation of $44, respectively.

		July 1, 2015	Additional obligations, interest accretion, and net increases	Current maturities, retirements, and net decreases	June 30, 2016	Amounts due within one year
Bonds payable:						
Revenue bonds	$	193,175	—	(7,340)	185,835	7,640
Add/less unamortized amounts:						
For issuance premiums		21,274	—	(1,353)	19,921	—
Total bonds payable		214,449	—	(8,693)	205,756	7,640
Notes, loans and other payables*		—	97	(21)	76	32
Accrued vacation and sick leave		32,682	2,263	(139)	34,806	21,759
Accrued workers' compensation		102,984	38,465	(23,809)	117,640	20,251
Accrued claims		65,480	25,457	(11,715)	79,222	37,762
Other post employment benefits obligation		220,297	45,029	(29,334)	235,992	—
Unearned revenue and other liabilities		10,304	12,988	(3,761)	19,531	19,531
Net pension liability		238,296	156,185	(79,870)	314,611	—
Total long-term obligations	$	884,492	280,484	(157,342)	1,007,634	106,975

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

(Dollars in thousands, unless otherwise noted)

The bond debt service requirements are as follows:

		Principal	Bond interest	Total
Year ending June 30:				
2018	$	12,350	13,935	26,285
2019		10,055	15,356	25,411
2020		10,545	14,883	25,428
2021		9,150	14,367	23,517
2022		9,565	13,956	23,521
2023–2027		54,385	62,298	116,683
2028–2032		69,170	47,508	116,678
2033–2037		60,480	32,294	92,774
2038–2042		66,975	19,809	86,784
2043–2047		53,350	5,928	59,278
	$	356,025	240,334	596,359

The SFMTA's debt policy is that the aggregate annual debt service on long-term debt cannot exceed 5% of SFMTA's annual operating expenses. SFMTA met the requirement for the fiscal years ended 2017 and 2016.

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, 2017 and 2016, the bond reserve fund with the trustee totaled $14.5 million and $15.0 million, respectively.

The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable from all SFMTA operating revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2047.

(Continued)

(Dollars in thousands, unless otherwise noted)

Annual principal and interest payments for fiscal year 2017 and 2016 were 38.9% and 29.5%, 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 2017 and 2016, applicable net revenues, and funds available for bond debt service are as follows:

		2017	2016
Bonds issued with revenue pledge	$	387,670	209,840
Principal and interest remaining due at the end of the year		596,359	311,365
Principal and interest paid during the year		16,505	16,495
Net revenue for the year		25,952	39,405
Fund available for revenue bond debt service		42,457	55,900

(9) Employee Benefit Plans

(a) Pensions – City and County of San Francisco

(i) 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 SFERS plans, and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by Cheiron, the consulting actuary for the Plan. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

San Francisco Employees' Retirement System (SFERS) – Cost Sharing
Fiscal year 2017

Valuation Date (VD)	June 30, 2015 updated to June 30, 2016
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

Fiscal year 2016

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

The City is an employer of the plan with a proportionate share of 94.22% as of June 30, 2016, and 93.90% as of June 30, 2015 (measurement date). The SFMTA's allocation percentage was determined based on the SFMTA's employer contributions divided by the City's total employer contributions for fiscal years 2016 and 2015. 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 15.36% as of June 30, 2016, and 14.84% as of June 30, 2015 (measurement date).

(ii) 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. The four main categories of Plan members are:

- Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the sheriff's department, and miscellaneous safety employees hired on and after January 7, 2012.
- Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are included in the Notes to the Basic Financial Statements of the Retirement System.

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

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2%. The Plan provides for a Supplemental COLA in years when there are sufficient “excess” investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provision of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012, members who retired before November 6, 1996 will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the “full funding” requirement does not apply to members who retired on or after November 6, 1996 and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

(iii) Funding and Contribution Policy

Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2016-17 varied from 7.5% to 12.0% as a percentage of gross covered salary. Most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2015 actuarial report, the required employer contribution rate for fiscal year 2016-17 was 17.90% to 21.40%.

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, 2016 (measurement period) was $496,343. The SFMTA’s allocation of employer contributions for fiscal year 2015-16 was $73,676.

(Dollars in thousands, unless otherwise noted)

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

Fiscal Year 2017

As of June 30, 2017, the City reported net pension liabilities for its proportionate share of the pension liability of the Plan of $5.48 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 for June 30, 2017 is measured as of June 30, 2016 (measurement date), 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, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The SFMTA's allocation of the City's proportionate share of the net pension liability for each Plan as of June 30, 2017 and 2016 was $841,164 and $314,611 respectively. During the measurement year 2015-16, the increase in service costs, interest costs, change in benefits, change in assumptions, and difference between projected and actual investment earnings increased total pension liability. This was only partially offset by an increase in the discount rate, contributions, investment income, and actuarial experience gains, resulting in an overall increase in net pension liability.

For the year ended June 30, 2017, the City's recognized pension expense was $1,808,992 including amortization of deferred outflow/inflow related pension items. The SFMTA's allocation of pension expense including amortization of deferred outflow/inflow related pension items for the year ended June 30, 2017 was $300,106. Pension expense increased significantly, largely due to the impact of changes in benefits, namely the updated Supplemental COLA assumptions and amortization of deferred inflows/outflows. At June 30, 2017, the SFMTA's proportionate share of the City's reported deferred outflows of resources and deferred inflows of resources related to pensions were the following:

Schedule of Deferred Inflows and Outflows

		Deferred outflows of resources	Deferred inflows of resources
Pension contributions made subsequent to the measurement date	$	79,725	—
Differences between expected and actual experience		—	30,998
Changes in assumptions		144,703	4,243
Net difference between projected and actual earnings on pension plan investments		115,009	—
Changes in employer's proportion		1,479	789
Total	$	340,916	36,030

(Dollars in thousands, unless otherwise noted)

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:

		Deferred outflows (inflows) of resources
Year ended June 30:		
2018	$	33,137
2019		33,137
2020		90,523
2021		68,364
Thereafter		—
	$	225,161

Fiscal Year 2016

As of June 30, 2016, the City reported net pension liabilities for its proportionate share of the pension liability of the Plan of $2.16 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 for June 30, 2016 is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The SFMTA's allocation of the City's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2015 was $314,611 and $238,296, respectively. During the measurement year 2014-15, there were no changes to benefits. The increase in service costs, interest costs, and decrease in the discount rate increased total pension liability and were only partially offset by contributions, investment income, and actuarial experience gains, resulting in an overall increase in net pension liability.

(Dollars in thousands, unless otherwise noted)

For the year ended June 30, 2016, the City's recognized pension expense was $106,499 including amortization of deferred outflow/inflow related pension items. The SFMTA's pension expense for the year ended June 30, 2016 was $17,638, allocated share of pension expense from the City including amortization of deferred outflows/deferred inflows of resources related items. At June 30, 2016, the SFMTA's proportionate share of the City's reported deferred outflows of resources and deferred inflows of resources related to pensions were the following:

Schedule of Deferred Inflows and Outflows

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions made subsequent to the measurement date	$ 73,676	—
Differences between expected and actual experience	—	22,077
Changes in assumptions	24,179	5,929
Net difference between projected and actual earnings on pension plan investments	—	70,508
Changes in employer's proportion	478	1,106
Total	$ 98,333	99,620

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:

	Deferred outflows (inflows) of resources
Year ended June 30:	
2017	$ (32,103)
2018	(32,103)
2019	(32,103)
2020	21,346
Thereafter	—
	$ (74,963)

(Dollars in thousands, unless otherwise noted)

(v) Actuarial Assumptions

Fiscal Year 2017

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2016 (measurement period) is provided below, including any assumptions that differ from those used in the July 1, 2015 actuarial valuation. Refer to the July 1, 2015 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website http://mysfers.org.

Key actuarial assumptions:	
Valuation date	June 30, 2015 updated to June 30, 2016
Measurement date	June 30, 2016
Actuarial cost method	Entry-age normal cost method
Expected rate of return	7.50%
Municipal bond yield	3.85% as of June 30, 2015 2.85% as of June 30, 2016 Bond Buyer 20-Bond GO Index, July 2, 2015 and June 30, 2016
Inflation rate	3.25%
Projected salary increases	3.75% plus merit component based on employee classification and years of service
Discount rate	7.46% as of June 30, 2015 7.50% as of June 30, 2016
Administrative expenses	0.45% of payroll as of June 30, 2015 0.60% of payroll as of June 30, 2016

	2016	2015
Basic COLA:		
All miscellaneous and all new plans	2.00%	2.00%
Old Police & Fire pre-7/1/75 retirements	2.70%	3.00%
Old Police & Fire, Charters A8.595 and A8.596	3.30%	4.00%
Old Police & Fire, Charters A8.559 and A8.585	4.40%	5.00%

Mortality rates for active members and healthy annuitants were based upon adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

(Dollars in thousands, unless otherwise noted)

Fiscal Year 2016

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2015 is provided below, including any assumptions that differ from those used in the July 1, 2014 actuarial valuation. Refer to the July 1, 2014 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website http://mysfers.org.

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

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

(vi) Discount Rate

Fiscal Year 2017

The beginning and end of year measurements are based on different assumptions and contribution methods that result in different discount rates. The discount rate was 7.46% as of June 30, 2015 (measurement date) and 7.50% as of June 30, 2016 (measurement date).

The discount rate used to measure the Total Pension Liability as of the June 30, 2016 measurement date was 7.50%. 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, 2015 actuarial valuation. That policy includes contributions equal to the employer portion of the Entry Age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining Unfunded Actuarial Liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. For the July 1, 2016 valuation, the increase in the Unfunded Actuarial Liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.75% each year. The Unfunded Actuarial Liability is based on an Actuarial Value of Assets that smooths investment gains and losses over five years and a measurement of the Actuarial Liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of Actuarial Liability in the valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the Actuarial Value of Assets. For members who did not work after November 6, 1996 and before Proposition C passed, the Market Value of Assets must also exceed the actuarial liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

(Dollars in thousands, unless otherwise noted)

Because the probability of a Supplemental COLA depends on the current funded level of the System for certain members, Cheiron developed an assumption as of the June 30, 2016 measurement date for the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

	96 – Prop C	Before November 6, 1996 or After Prop C
2018	0.750 %	— %
2023	0.750	0.220
2028	0.750	0.322
2033	0.750	0.370
2038+	0.750	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 System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2093 when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.85% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2016 measurement date and 2015 are 7.50%, and 7.46%, respectively.

(Dollars in thousands, unless otherwise noted)

The long-term expected rate of return on pension plan investments was 7.50%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset class	Target allocation	Long-term expected real rate of return
Global equity	40 %	5.1 %
Fixed income	20	1.1
Private equity	18	6.3
Real assets	17	4.3
Hedge Funds/Absolute Returns	5	3.3
	100 %	

Fiscal Year 2016

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

The discount rate used to measure the Total Pension Liability as of June 30, 2015 was 7.46%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2014 actuarial valuation. That policy includes contributions equal to the employer portion of the Entry Age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability. The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. All amortization schedules are established as a level percentage of payroll so payments increase 3.75% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses

(Continued)

(Dollars in thousands, unless otherwise noted)

over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

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

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

Assumed Supplemental COLA for members with a 2.00% Basic COLA

	Assumption
2016	— %
2021	0.345
2026	0.375
2031	0.375
2036+	0.375

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

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

The long-term expected rate of return on pension plan investments was 7.50%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

(Dollars in thousands, unless otherwise noted)

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

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.

Fiscal Year 2017

Employer	1% decrease share of NPL @ 6.50%	Share of NPL @ 7.50%	1% increase share of NPL @ 8.50%
SFMTA	$ 1,332,984	841,164	434,371

Fiscal Year 2016

Employer	1% decrease share of NPL 6.46%	Share of NPL 7.46%	1% increase share of NPL 8.46%
SFMTA	$ 695,714	314,611	(5,002)

(Dollars in thousands, unless otherwise noted)

(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

Healthcare benefits of the SFMTA employees, retired employees, and surviving spouses are financed by beneficiaries and by the City through the City and County of San Francisco Health Service System (the Health Service System). The SFMTA's annual contribution, which amounted to approximately $108,200 and $101,300 in fiscal years 2017 and 2016, respectively, is determined by a charter provision based on similar contributions made by the 10 most populous counties in California.

The City has determined a citywide annual required contribution, interest on net Other Post – Employment Benefits (OPEB) obligation, Annual Required Contribution (ARC) adjustment, and OPEB cost based upon an actuarial valuation performed in accordance with GASB Statement No. 45, by the City's actuaries. The City's allocation of the OPEB-related cost to the SFMTA for the year ended June 30, 2017 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, 2017 and 2016 the amounts contributed to the plan and changes in the net OPEB obligations:

		2017	2016
Annual required contribution	$	50,238	42,506
Interest on net OPEB obligation		13,652	13,496
Adjustment to ARC		(5,521)	(10,973)
Annual OPEB cost		58,369	45,029
Contribution made		(32,044)	(29,334)
Increase in net OPEB obligation		26,325	15,695
Net OPEB obligation, beginning of fiscal year		235,992	220,297
Net OPEB obligation, end of fiscal year	$	262,317	235,992

(Dollars in thousands, unless otherwise noted)

Refer to the City's CAFR for the other required disclosures related to the City's OPEB plan. The City issues a publicly available financial report at citywide level with complete note disclosures and required supplementary information related to the City's postretirement healthcare obligations. The report may be obtained by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102, or by calling 415-554-7500.

(10) Peninsula Corridor Joint Powers Board

The City is a participant in the Peninsula Corridor Joint Powers Board (PCJPB), along with the Santa Clara Valley Transportation Authority and the San Mateo County Transit District. The PCJPB is governed by a separate board composed of nine members, three from each participating agencies. The PCJPB was formed in October 1991 to plan, administer, and operate the Peninsula CalTrain rail service. The PCJPB began operating the Peninsula CalTrain rail service on July 1, 1992. Prior to that time, such rail service was operated 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 $5.6 million and $5.2 million for operating needs in fiscal years 2017 and 2016, 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.

Risks	Coverage
a. General/Transit Liability	Self-Insured
b. Property	Self-Insured and Purchase Insurance
c. Workers' Compensation	Self-Insured
d. Employee (Transit Operators)	Purchase Insurance
e. Directors and Officers	Purchase Insurance

(a) General/Transit Liability

The SFMTA is self-insured. Through coordination with the Controller and City Attorney's Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately $3 million. The annual budget for claims was $11.9 million and $11.9 million for fiscal year 2017 and 2016, respectively. In addition, as of June 30, 2017 and 2016, the reserve was $22.4 million and

$20.1 million, respectively. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

(b) Property

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

Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. For SFMTA contractors, SFMTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and SFMTA's property.

(c) Workers' Compensation

The workers' compensation payments are addressed through pay-as-you-go funding as part of the budgetary process. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering open claims' future exposure based on current costs, and estimation for injuries that may have occurred but not yet reported. The workers' compensation claims and payouts are handled by the City's third-party administrator. SFMTA continues to develop and implement programs to mitigate growth of costs such as the transitional work programs that bring injured workers back to work on modified duty. Other programs include injury prevention, back care, injury investigation, and medical treatment bills review.

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

(d) Employee Benefits (Transit Operators) Insurance

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

(e) Directors and Officers Insurance

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

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

(12) General Fund Contributions

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

The General Fund support from the City reflected in the accompanying financial statements includes a total revenue baseline transfer of $312.6 million and $284.7 million in fiscal years 2017 and 2016, respectively, as required by the City Charter. In addition, SFMTA received $68.4 million and $68.9 million allocation in fiscal years 2017 and 2016, respectively, from in lieu of parking tax as required by the City Charter.

Proposition B, approved by the voters in November 2014, provides additional City General Funds to address transportation needs tied to the City's population growth. In fiscal years 2017 and 2016, SFMTA received $31.0 million and $27.7 million, respectively, from this source.

In fiscal year 2017, SFMTA also received additional City General Fund allocation of $3.0 million to fund various capital projects such as the planning and design on Warriors Arena transportation improvements.

(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, 2017 and 2016, the SFMTA had approved capital grants with unused balances amounting to $821.2 million and $906.4 million, respectively. Capital grants receivable as of June 30, 2017 and 2016 totaled $129.9 million and $136.1 million, respectively.

The SFMTA also receives operating assistance from various federal, state, and local sources including Transit Development Act funds, diesel fuel, and sales tax allocations. As of June 30, 2017 and 2016, the SFMTA had various operating grants receivable of $32.8 million and $30.7 million, respectively. In fiscal year 2017 and 2016, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of $1.7 million and $1.6 million, respectively, and other federal, state, and local grants of $59.5 million and $8.5 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 2017 and 2016, the SFCTA approved $73.4 million and $124.4 million, respectively, in new capital grants and the SFMTA received payments totaling $79.8 million and $50.6 million, respectively. As of June 30, 2017 and 2016, the SFMTA had $30.0 million and $12.6 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 2017 and 2016, SFCTA approved $9.8 million and $1.5 million, respectively, in new operating grants, and SFMTA received payments totaling $16.3 million and $6.5 million, respectively. The SFMTA had $1.5 million and $4.3 million, respectively, in operating grants due from the SFCTA as of June 30, 2017 and 2016.

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 $14.1 million and $12.6 million, respectively, in fiscal year 2017 and 2016 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, 2017 for funds awarded between fiscal years 2008 and 2010. The Budget Act of 2013 extended the date to June 30, 2018. Subsequently, the Budget Act of 2014 re-appropriated the remaining balances of fiscal years 2009, 2010 and 2011 to be further extended to June 30, 2019, and the remaining balance of fiscal year 2015 to be further extended to June 30, 2020. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal years 2017 and 2016, $76.6 million and $69.7 million drawdowns, respectively, were made from the funds for various eligible projects costs.

(Dollars in thousands, unless otherwise noted)

(14) Commitments and Contingencies

(a) Grants and Subventions

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

(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 2047. These agreements are accounted for as operating leases. Rent expense was $19.1 million and $17.1 million for the years ended June 30, 2017 and 2016, respectively.

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

Year ending June 30:		
2018	$	14,281
2019		14,318
2020		14,242
2021		14,449
2022		13,190
2023–2027		66,531
2028–2032		77,468
2033–2037		73,428
2038–2042		85,395
2043–2047		104,600
	$	477,902

(Dollars in thousands, unless otherwise noted)

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

Year ending June 30:		
2018	$	5,968
2019		5,864
2020		4,946
2021		3,658
2022		2,297
2023–2027		8,357
2028–2032		6,250
2033–2037		6,250
2038–2042		6,250
2043–2047		6,250
2048–2052		6,250
2053-2057		4,583
	$	66,923

(c) Other Commitments

As of June 30, 2017 and 2016, the SFMTA has outstanding commitments of approximately $579.8 million and $567.2 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 $74.8 million and $53.1 million with third parties for noncapital expenditures as of June 30, 2017 and 2016, respectively. Various local funding sources are used to finance these expenditures.

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

(15) Leveraged Lease-Leaseback of Breda Vehicles

Tranches 1 and 2

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

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

As a result of the cash transactions above, Muni recorded $35.5 million and $4.4 million in fiscal year 2002 and 2003 respectively, representing the difference between (a) the amounts received of $388.2 million and $72.6 million, and (b) the amounts of $352.7 million and $67.5 million paid to the escrows, the debt payment undertaker and for certain transaction expenses. These amounts have been classified as deferred inflows of resources in fiscal year 2017 and will be amortized over the life of each sublease unless the purchase option is executed or sublease is otherwise terminated before its expiration date.

As of June 30, 2017, one leveraged lease transaction with respect to 29 items of Tranche 1 Equipment having an initial transaction value of $98.7 million remains outstanding. All other lease transactions were terminated in prior fiscal years.

The deferred inflows of resources amortized amount was $0.3 million for the Tranche 1 Equipment in fiscal year 2017.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Supplemental Schedule – Schedule of Net Position

June 30, 2017

(In thousands)

		Transit	Sustainable Streets	Parking Garages	Total
Assets:					
Current assets:					
Deposits and investments with City Treasury	$	599,099	322,017	—	921,116
Deposits and investments held outside City Treasury		215	4,910	4,335	9,460
Cash on hand		146	45	—	191
Receivables:					
Grants		125,523	5,842	—	131,365
Due from the San Francisco County Transportation Authority		27,626	3,891	—	31,517
Due from other City departments		—	225	—	225
Charges for services, net		2,077	2,296	143	4,516
Other, net		7,567	2,165	—	9,732
Total receivables		162,793	14,419	143	177,355
Inventories		77,120	—	—	77,120
Current prepaids and other assets		450	138	132	720
Total current assets		839,823	341,529	4,610	1,185,962
Restricted assets:					
Deposits and investments with City Treasury		88,511	—	—	88,511
Deposits and investments held outside City Treasury		10,180	8,221	2,131	20,532
Other receivables		1,327	—	—	1,327
Total restricted assets		100,018	8,221	2,131	110,370
Noncurrent assets:					
Capital assets, net		3,323,619	265,185	28,100	3,616,904
Total noncurrent assets		3,423,637	273,406	30,231	3,727,274
Total assets		4,263,460	614,935	34,841	4,913,236
Deferred outflows of resources:					
Related to pensions		297,151	43,765	—	340,916
Total deferred outflows of resources	$	297,151	43,765	—	340,916

(Continued)

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Supplemental Schedule – Schedule of Net Position

June 30, 2017

(In thousands)

		Transit	Sustainable Streets	Parking Garages	Total
Liabilities:					
Current liabilities:					
Due to other funds	$	3,079	401	—	3,480
Accounts payable and accrued expenses		83,917	11,540	2,602	98,059
Accrued payroll		23,991	3,899	91	27,981
Accrued vacation and sick leave		19,629	3,060	—	22,689
Accrued workers' compensation		18,225	2,851	—	21,076
Accrued claims		19,489	8,986	—	28,475
Grants received in advance		53,364	86	—	53,450
Unearned revenue and other liabilities		5,223	8,639	317	14,179
Payable from restricted assets		1,102	—	—	1,102
Accrued interest payable		2,051	1,273	—	3,324
Bonds, loans, capital leases, and other payables		7,517	4,833	32	12,382
Total current liabilities		237,587	45,568	3,042	286,197
Noncurrent liabilities:					
Accrued vacation and sick leave, net of current portion		11,969	1,829	43	13,841
Accrued workers' compensation, net of current portion		84,826	15,471	—	100,297
Accrued claims, net of current portion		24,088	12,812	—	36,900
Other postemployment benefits obligation		227,360	34,957	—	262,317
Pensions obligation		733,180	107,984	—	841,164
Bonds, loans, capital leases, and other payables, net of current portion		293,366	83,218	818	377,402
Total noncurrent liabilities		1,374,789	256,271	861	1,631,921
Total liabilities		1,612,376	301,839	3,903	1,918,118
Deferred inflows of resources:					
Unamortized gain on leaseback transaction		4,015	—	—	4,015
Unamortized gain on refunding of debt		—	297	—	297
Related to pensions		31,404	4,626	—	36,030
Total deferred inflows of resources		35,419	4,923	—	40,342
Net position:					
Net investment in capital assets		3,020,685	175,564	27,250	3,223,499
Restricted:					
Debt service		10,180	8,221	—	18,401
Other purposes		88,736	—	2,131	90,867
Unrestricted		(206,785)	168,153	1,557	(37,075)
Total net position	$	2,912,816	351,938	30,938	3,295,692

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, 2017

(In thousands)

	Transit	Sustainable Streets	Parking Garages	SFMTA Eliminations	Total
Operating revenues:					
Passenger fares	$ 195,886	—	—	—	195,886
Parking and transportation	—	110,621	23,997	—	134,618
Fines, forfeitures, and penalties	—	96,614	—	—	96,614
Charges for services	1,476	27,579	—	—	29,055
Licenses, permits, and franchises	—	16,333	—	—	16,333
Advertising	21,801	—	—	—	21,801
Rents and concessions	2,526	3,473	1,437	—	7,436
Other	—	1,833	62	—	1,895
Total operating revenues	221,689	256,453	25,496	—	503,638
Operating expenses:					
Personnel services	867,644	116,179	4,718	—	988,541
Contractual services	72,259	60,577	3,499	—	136,335
Materials and supplies	69,185	4,777	505	—	74,467
Depreciation and amortization	132,673	12,668	1,254	—	146,595
Services from other City departments	58,479	8,668	—	—	67,147
General and administrative	9,520	7,401	1,439	—	18,360
Other operating expenses	(14,487)	(11,204)	2,939	—	(22,752)
Total operating expenses	1,195,273	199,066	14,354	—	1,408,693
Operating income (loss)	(973,584)	57,387	11,142	—	(905,055)
Nonoperating revenues (expenses):					
Operating assistance:					
Federal	58,518	6,437	—	—	64,955
State and other grants	130,844	518	—	—	131,362
Interest and investment income	3,610	3,558	3	—	7,171
Interest expense	(4,342)	(2,570)	(345)	—	(7,257)
Other, net	55,175	13,035	—	—	68,210
Total nonoperating revenues, net	243,805	20,978	(342)	—	264,441
Income (loss) before capital contributions and transfers	(729,779)	78,365	10,800	—	(640,614)
Capital contributions:					
Federal	237,458	3,326	—	—	240,784
State and others	189,089	23,567	—	—	212,656
Total capital contributions	426,547	26,893	—	—	453,440
Transfers in:					
City and County of San Francisco – General Fund	321,570	93,444	—	—	415,014
San Francisco County Transportation Authority	9,736	3,752	—	—	13,488
City and County of San Francisco – Other City departments	—	38,011	—	—	38,011
SFMTA operating transfers in	215,011	7,490	—	(222,501)	—
Total transfers in	546,317	142,697	—	(222,501)	466,513
Transfers out:					
City and County of San Francisco – Other City departments	(23)	(973)	(3,608)	—	(4,604)
SFMTA operating transfers out	—	(215,011)	(7,490)	222,501	—
Net transfers	546,294	(73,287)	(11,098)	—	461,909
Change in net position	243,062	31,971	(298)	—	274,735
Total net position, beginning of year	2,669,754	319,967	31,236	—	3,020,957
Total net position, end of year	$ 2,912,816	351,938	30,938	—	3,295,692

See accompanying independent auditors' report.

TRANSIT

Supplemental Schedule of Grants – Federal

Year ended June 30, 2017

(In thousands)

	Authorized grants as of July 1, 2016	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2017	Amounts not expended as of June 30, 2017	Grants receivable as of June 30, 2017
Capital grants:							
FY 2002 Section 5307 Urban Area Formula	$ 1,271	—	(1,271)	—	—	—	—
FY 2007 Section 5307 Urban Area Formula	3,068	—	(3,068)	—	—	—	—
FY 2008 Section 5307 Urban Area Formula	2,457	—	(1,768)	—	689	—	689
FY 2009 Section 5307 Urban Area Formula	9,312	—	(2,817)	—	6,495	(2,857)	3,638
FY 2011 Section 5307 Urban Area Formula	4,079	—	(3,460)	—	619	(619)	—
FY 2012 Section 5307 Urban Area Formula	112	—	(112)	—	—	—	—
FY 2013 Section 5307 Urban Area Formula	5,388	—	(5,388)	—	—	—	—
FY 2014 Section 5307 Urban Area Formula	6,548	—	(1,104)	—	5,444	(5,444)	—
FY 2016 Section 5307 Urban Area Formula	4,133	4,991	(1)	—	9,123	(8,608)	515
FY 2011 Section 5307 CMAQ	208	—	(208)	—	—	—	—
FY 2013 Section 5307 CMAQ & Surface Transportation Program	37,824	—	(27,066)	—	10,758	(6,938)	3,820
FY 2013 Section 5307 Surface Transportation Program	456	—	(584)	128	—	—	—
FY 2014 Section 5307 Formula Fund	18,892	—	(15,096)	3,810	7,606	(1,120)	6,486
FY 2015 Section 5307 Formula Fund	19,859	—	(19,360)	—	499	(499)	—
FY 2006 Section 5309 Bus & Facilities	154	—	(154)	—	—	—	—
FY 2013 Section 5309 Bus Livability	3,018	—	(639)	—	2,379	(2,374)	5
FY 2005 Section 5309 Fixed Guideway	1,595	—	(1,595)	—	—	—	—
FY 2007 Section 5309 Fixed Guideway	1,427	—	(1,427)	—	—	—	—
FY 2008 Section 5309 Fixed Guideway	2,590	—	(2,590)	—	—	—	—
FY 2009 Section 5309 Fixed Guideway	13,929	—	(10,967)	—	2,962	(305)	2,657
FY 2010 Section 5309 Fixed Guideway	35,095	—	(5,479)	—	29,616	(25,003)	4,613
FY 2011 Section 5309 Fixed Guideway	30,023	—	(12,040)	—	17,983	(13,164)	4,819
FY 2011 Section 5309 Bus & Facilities	28,371	—	(5,031)	—	23,340	(9,402)	13,938
FY 2012 Section 5309 Fixed Guideway	50,790	—	(20,362)	—	30,428	(25,040)	5,388
FY 2007 Section 5309 New Starts	191,376	150,000	(95,285)	—	246,091	(231,617)	14,474
FY 2016 Section 5309 New Starts	—	59,604	—	—	59,604	(55,179)	4,425
FY 2013 Section 5337 State of Good Repair	26,101	—	(7,360)	—	18,741	(18,524)	217
FY 2014 Section 5337 State of Good Repair	17,730	—	(295)	—	17,435	(16,692)	743
FY 2015 Section 5337 State of Good Repair	24,758	—	(3,796)	—	20,962	(19,085)	1,877
FY 2013 Section 5339 Bus & Facilities Formula	6,691	—	—	—	6,691	—	6,691
FY 2014 Section 5339 Bus & Facilities Formula	—	6,909	—	—	6,909	—	6,909
FY 2015 Section 5339 Bus & Facilities Formula	—	6,875	—	—	6,875	—	6,875
FY 2014 Section 79-TG-3 Tiger IV OST Surface Transportation Infrastructure	8,506	—	(975)	—	7,531	(2,315)	5,216
FY 2013 CA Regional Priority Development Area Planning Grant	449	—	(355)	—	94	—	94
FY 2016 Section 5304 Sustainable Communities	300	—	—	(300)	—	—	—
Total capital grants	$ 556,510	228,379	(249,653)	3,638	538,874	(444,785)	94,089
Operating grants:							
FY 2012 Section 5317 New Freedom	$ 47	—	(32)	—	15	(9)	6
FY 2013 Section 5307 CMAQ & Surface Transportation Program	1,343	—	(125)	—	1,218	(170)	1,048
FY 2015 Section 5307 Formula Fund	699	—	(699)	—	—	—	—
FY 2016 Section 5307 Urban Formula	—	70,494	(35,254)	—	35,240	(16,629)	18,611
FY 2016 Section 6002(A) Fixing America's Surface	100	—	(100)	—	—	—	—
FY 2017 Section 5303 Planning	—	43	—	—	43	(7)	36
Total operating grants	$ 2,189	70,537	(36,210)	—	36,516	(16,815)	19,701

See accompanying independent auditors' report.

TRANSIT

Supplemental Schedule of Grants – California Transportation Commission

Year ended June 30, 2017

(In thousands)

	Authorized grants as of July 1, 2016	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2017	Amounts not expended as of June 30, 2017	Grants receivable as of June 30, 2017
Capital grants:							
FY 2008 Prop 1B: 3rd St. Light Rail	$ 2,290	—	(89)	—	2,201	(2,201)	—
FY 2008 Prop 1B: Metro East Light Rail Vehicle Facility	607	—	(607)	—	—	—	—
FY 2008 Prop 1B: Operator Restrooms	790	—	1	—	791	(791)	—
FY 2009 Prop 1B: New Central Subway	2,367	—	(495)	—	1,872	(1,872)	—
FY 2009 Prop 1B: High Speed Connectivity	18	—	(18)	—	—	—	—
FY 2010 Prop 1B: Balboa Park Eastside Connection	595	—	(52)	13	556	(556)	—
FY 2013 Prop 1B: Central Subway	1	—	—	(1)	—	—	—
FY 2013 Prop 1B: Mission Mobility Maximization	3,660	—	(422)	—	3,238	(3,238)	—
FY 2013 Prop 1B: 8X Mobility Maximization	2,817	—	(216)	—	2,601	(2,601)	—
FY 2013 Prop 1B: Mission Bay Loop	898	—	(657)	—	241	(241)	—
FY 2014 Prop 1B: LRV Procurement	6,580	—	(964)	—	5,616	(5,616)	—
FY 2014 Prop 1B: Central Subway	69,041	—	(48,288)	—	20,753	(20,753)	—
FY 2016 Prop 1B: Van Ness Bus Rapid Transit	5,550	—	(4,974)	—	576	(576)	—
Total Prop 1B	95,214	—	(56,781)	12	38,445	(38,445)	—
FY 2010 Prop 1B: Transit Security	478	—	(196)	—	282	(282)	—
FY 2012 Prop 1B: Transit Security	193	—	(121)	—	72	(72)	—
FY 2013 Prop 1B: Transit Security	7,028	—	(7,028)	—	—	—	—
FY 2014 Prop 1B: Transit Security	6,950	—	(6,950)	—	—	—	—
FY 2015 Prop 1B: Transit Security	—	6,105	(1,658)	—	4,447	(4,447)	—
FY 2016 Prop 1B: Transit Security	—	7,071	(2,860)	—	4,211	(4,211)	—
Total Transit Security	14,649	13,176	(18,813)	—	9,012	(9,012)	—
FY 2016 Community Engagement for an Equitable Muni	—	300	(6)	—	294	(265)	29
Total capital grants	$ 109,863	13,476	(75,600)	12	47,751	(47,722)	29
Operating grants:							
FY 2015 Low Carbon Transit Operations Grant	$ 719	—	(719)	—	—	—	—
FY 2016 Low Carbon Transit Operations Grant	8,157	—	(8,157)	—	—	—	—
FY 2017 Low Carbon Transit Operations Grant	—	11,000	—	—	11,000	(11,000)	—
Total operating grants	$ 8,876	11,000	(8,876)	—	11,000	(11,000)	—

See accompanying independent auditors' report.

TRANSIT

Supplemental Schedule of Grants – Metropolitan Transportation Commission

Year ended June 30, 2017

(In thousands)

	Authorized grants as of July 1, 2016	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2017	Amounts not expended as of June 30, 2017	Grants receivable as of June 30, 2017
Capital grants:							
Bridge Toll:							
Match to Capital Grants	$ 5,846	27,502	(21,231)	686	12,803	(10,139)	2,664
Regional Measure 2:							
Match to Capital Grants	1,875	—	(1,307)	(530)	38	—	38
State Transit Assistance:							
Third Street Light Rail	1	—	—	—	1	(1)	—
Total capital grants	$ 7,722	27,502	(22,538)	156	12,842	(10,140)	2,702
Operating grants:							
AB1107 Sales Tax	$ —	41,215	(41,215)	—	—	—	—
State Transit Assistance	21,972	27,730	(41,598)	—	8,104	—	8,104
Transportation Development Act	—	45,526	(45,526)	—	—	—	—
Translink Project – Wayside Fare Collection	14	—	—	(14)	—	—	—
Lifeline Cycle 2 – Shopping Shuttle	24	545	(420)	(149)	—	—	—
RM2:							
Owl Service	—	188	(188)	—	—	—	—
T-Third Light Rail	—	2,500	(2,500)	—	—	—	—
Lifeline Cycle 4:							
Expanded Late Night Transit	2,811	2,811	(2,697)	(2,811)	114	(114)	—
Total operating grants	$ 24,821	120,515	(134,144)	(2,974)	8,218	(114)	8,104

See accompanying independent auditors' report.

TRANSIT

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2017

(In thousands)

	Authorized grants as of July 1, 2016	New grants approved/ spending commences	Payments received	Expired/ rescinded/ adjustment grants	Authorized grants as of June 30, 2017	Amounts not expended as June 30, 2017	Grants receivable as June 30, 2017
Capital grants:							
3rd Street Light Rail Projects	$ 4,169	—	—	—	4,169	(4,169)	—
Central Subway	540	—	(540)	—	—	—	—
Escalator Replacement Study	3,556	—	(845)	—	2,711	(1,961)	750
Islais Creek Woods	3,264	—	—	—	3,264	(3,264)	—
Rail Replacement/ Mntce Equip/Mission Bay	1,571	—	—	(560)	1,011	(1,011)	—
Radio Communications System & CAD	55,050	—	(5,118)	—	49,932	(39,632)	10,300
Muni Rail Replacement Project	1,649	—	—	(1,649)	—	—	—
Wayside Fare Collection	2,572	—	—	(2,572)	—	—	—
Central Train Control & Communication	14,614	—	(924)	(4,155)	9,535	(8,646)	889
Bus Rapid Transit (Geary & Van Ness)	9,700	27,258	(4,199)	(378)	32,381	(32,017)	364
Balboa Park Intermodal Improvements	1,774	—	(451)	—	1,323	(1,179)	144
Balboa Park Station Eastside Connection	151	—	(12)	—	139	(130)	9
Motor Coach NABI Replacement	3,446	—	(253)	—	3,193	(3,193)	—
Green Center Rail Replacement	2,315	—	(1,750)	—	565	—	565
Market & Haight Transit &Ped Improvements	231	—	(3)	—	228	(224)	4
50 Motor Coach Replacement	4,034	—	(491)	—	3,543	(3,495)	48
Central Subway Phase 3 Initial Study	6	540	—	—	546	(500)	46
Bayshore Multimodal Station Location	1	—	—	—	1	—	1
Glen Park Bus Terminal	5	—	—	—	5	—	5
60 Foot Trolley Coach Replacement	8,021	5,000	(2,075)	—	10,946	(10,495)	451
Phelan Plaza Development	850	—	(719)	—	131	(122)	9
Muni Forward	7,706	—	(4,051)	—	3,655	(2,893)	762
New Light Rail Vehicles	131,153	—	(1,763)	—	129,390	(128,061)	1,329
Geneva-Harvey Bus Rapid Transit Study	27	4,338	(58)	—	4,307	(4,231)	76
Muni Metro East (MME) Phase II	2,136	1,500	(1,446)	(500)	1,690	(1,550)	140
Fall Protection System	1,978	11,950	(606)	(124)	13,198	(13,025)	173
Replace M-Line Curve Tracks	142	2,398	(88)	—	2,452	(2,448)	4
Procurement of 30, 40 & 60 Ft Hybrid Buses	81,817	—	(47,316)	—	34,501	(23,970)	10,531
Kearny Corridor Multimodal Project	100	—	—	—	100	(100)	—
Ensuring Transit Srv Equity Thru Comm. En	39	—	(3)	—	36	(34)	2
Fire Life Safety Upgrade	400	—	(159)	—	241	(182)	59
1570 Burket Facility Renovation	4,400	—	(1,515)	—	2,885	(2,204)	681
33 Stanyan Pole Replacement & Ovhd Recon	—	1,366	(389)	—	977	(976)	1
Rail Grinding Project	—	1,036	—	—	1,036	(1,036)	—
Cable Car Drive Reduction Gearbox Rehab	—	1,280	—	—	1,280	(1,280)	—
ATCS Tunnel Wiring Replacement	—	635	—	—	635	(635)	—
Elevator Safety & Reliability Project	—	287	—	—	287	(287)	—
Paratransit Van Replacement Project	—	718	(1)	—	717	(716)	1
Twin Peaks Tunnel Rail Replacement-Rev	—	4,149	—	—	4,149	(4,107)	42
Total capital grants	$ 347,417	62,455	(74,775)	(9,938)	325,159	(297,773)	27,386

See accompanying independent auditors' report.

(Continued)

TRANSIT

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2017

(In thousands)

	Authorized grants as of July 1, 2016	New grants approved/ spending commences	Payments received	Expired/ rescinded/ Adjustment grants	Authorized grants as of June 30, 2017	Amounts not expended as June 30, 2017	Grants receivable as June 30, 2017
Operating grants:							
Paratransit	$ —	9,697	(9,472)	—	225	—	225
Transit Corridor Investment Study	478	—	(419)	—	59	(54)	5
N-Judah Customer First	240	—	(25)	—	215	(215)	—
66 Quintara Reconfiguration Study	—	100	—	—	100	(90)	10
Total operating grants	$ 718	9,797	(9,916)	—	599	(359)	240

See accompanying independent auditors' report.

TRANSIT

Supplemental Schedule of Grants – Others

Year ended June 30, 2017

(In thousands)

	Authorized grants as of July 1, 2016	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2017	Amounts not expended as of June 30, 2017	Grants receivable as of June 30, 2017
Capital grants:							
Homeland Security:							
FY 2008 CA Emergency Management Agency – Transit Security	$ 1	—	—	(1)	—	—	—
FY 2011 Federal Homeland Security – TSA K9 Project	955	—	(273)	(2)	680	(593)	87
Total capital grants	$ 956	—	(273)	(3)	680	(593)	87
Operating grants:							
BAAQMD – TFCA 82X Shuttle Service	$ 70	—	(70)	—	—	—	—
FY 2014 Transit Security Grant Program	1,037	—	(1,033)	(4)	—	—	—
FY 2015 Transit Security Grant Program	4,663	—	(2,120)	—	2,543	(1,729)	814
FY 2016 Transit Security Grant Program	—	172	—	—	172	(172)	—
Total operating grants	$ 5,770	172	(3,223)	(4)	2,715	(1,901)	814

See accompanying independent auditors' report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – Federal

Year ended June 30, 2017

(In thousands)

		Authorized grants as of July 1, 2016	New grants approved/ spending commences	Payments received	Expired/ rescinded adjusted grants	Authorized grants as of June 30, 2017	Amounts not expended as of June 30, 2017	Grants receivable as of June 30, 2017
Capital grants:								
FY 2009 CMAQ – SF Park	$	1,246	—	(848)	—	398	(398)	—
FY 2012 Safe Routes to School – Chinatown		156	—	(138)	—	18	(18)	—
FY 2013 Safe Routes to School – Jefferson SRTS Project		47	—	—	(47)	—	—	—
FY 2010 Highway Safety Improvement – Sunset New Signals		105	—	—	(105)	—	—	—
FY 2012 CMAQ – Outer Sunset		132	—	—	(132)	—	—	—
FY 2012 Highway Safety Improvement – Bayshore Paul Signals		16	—	—	(16)	—	—	—
FY 2013 Highway Safety Improvement – Continental Crosswalks		162	—	(146)	—	16	(16)	—
FY 2013 Highway Safety Improvement – Masonic Signals Project		134	—	(76)	—	58	(58)	—
FY 2014 Highway Safety Improvement – Polk Street Signals		1,445	—	(77)	—	1,368	(548)	820
FY 2013 Highway Safety Improvement – Rail Signals		717	—	(155)	—	562	(562)	—
FY 2012 Surface Transportation – Church & Duboce		116	—	—	(116)	—	—	—
FY 2013 Section 5307 Surface Transportation		9	—	(5)	—	4	—	4
FY 2016 Surface Transportation – Eddy and Ellis Traffic Calming Projects		—	1,060	(57)	—	1,003	(354)	649
FY 2013 Surface Transportation – Mansell Corridor Complete Streets		1,625	—	(1,253)	—	372	(4)	368
FY 2013 State Transportation Improvement – Crosswalks		177	—	(9)	—	168	(14)	154
FY 2015 State Transportation Improvement – Twin Peaks Connectivity		144	—	(27)	—	117	(71)	46
FY 2016 & 2017 Federal Highway Safety Improvement – South Van Ness Pedestrian Signals Projects		1,494	—	(95)	—	1,399	(949)	450
FY 2018 Highway Safety Improvement – NOMA SOMA Signal Timing Project		—	520	—	—	520	(388)	132
Total capital grants	$	7,725	1,580	(2,886)	(416)	6,003	(3,380)	2,623
Operating grants:								
TEA Pedestrian Safety Education	$	20	—	—	—	20	—	20
Inner Sunset Traffic Calming & Transit Enhancement		69	—	—	(69)	—	—	—
Inner Sunset Traffic Calming & Transit Enhancement		73	—	—	(73)	—	—	—
Tenderloin Pedestrian Improvements		279	—	—	—	279	(279)	—
Golden Gate Park Pedestrian Improvements		63	—	—	—	63	(3)	60
Various Bike Network Improvements		8	—	—	(8)	—	—	—
Chinatown Safe Routes to School		25	—	—	—	25	(25)	—
Van Ness Corridor Improvement		477	—	(22)	—	455	(348)	107
Bayshore and Paul Signal Upgrade Design		2	—	—	(2)	—	—	—
Parking Guidance Project		225	—	(225)	—	—	—	—
Sunset Boulevard New Traffic Signals Design		26	—	—	(26)	—	—	—
Alamo School Safe Routes to School		125	—	(7)	—	118	(4)	114
SFGO Van Ness Corridor Management – TSP/BRT		15,376	—	(3,854)	—	11,522	(11,348)	174
Sunset Boulevard Pedestrian Safety Education Program		17	—	—	(17)	—	—	—
SF Bicycle Parking Program		12	—	—	—	12	(12)	—
Pedestrian Safety Program		4	—	—	—	4	(2)	2
Masonic Avenue Signal Upgrade		45	—	—	—	45	(45)	—
FY 2007 Safe Routes to School		29	—	—	—	29	(29)	—
FY 2012 Safe Routes to School – Tenderloin		736	—	(376)	—	360	(81)	279
FY 2013 Safe Routes to School – Denman		802	—	(68)	—	734	(180)	554
FY 2010 & 2011 State Transportation Improvement Program – SF Pedestrian Safety & Encouragement		164	—	(158)	—	6	(6)	—
FY 2012 State Transportation Improvement – Church & Duboce		18	—	—	6	24	(7)	17
FY 2013 Linked Price Electric Bike Sharing		1,274	—	(44)	—	1,230	(1,218)	12
FY 2013 Regional Priority Development Area -Various Projects		1,988	—	(1,348)	—	640	(99)	541
FY 2015 State Active Transportation Program – SF Safer Street Campaign		2,000	—	(658)	—	1,342	(910)	432
FY 2017 California Office of Traffic Safety – Vision Zero Three Year Motorcycle Education Campaign Pilot		—	188	(19)	—	169	(152)	17
Total operating grants	$	23,857	188	(6,779)	(189)	17,077	(14,748)	2,329

See accompanying independent auditors' report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – California Transportation Commission

Year Ended June 30, 2017

(In thousands)

	Authorized grants as of July 1, 2016	New grants approved/ spending commences	Payments received	Expired/ rescinded/ Adjustment grants	Authorized grants as of June 30, 2017	Amounts not expended as June 30, 2017	Grants receivable as June 30, 2017
Capital grants:							
Prop IB – Persia Triangle Improvements	$ 225	—	(84)	—	141	(141)	—
Prop IB – Hunter's View Transit Connection	13	—	—	(13)	—	—	—
Prop 1B: 8X Mobility Maximization	203	—	(64)	—	139	(139)	—
FY 2015 Prop 1B: Transit Security	—	966	(47)	—	919	(919)	—
Citywide Bicycle Wayfinding	—	792	—	—	792	(779)	13
Total capital grants	$ 441	1,758	(195)	(13)	1,991	(1,978)	13
Operating grants:							
Randolph/Farralones/Orizaba Transit Access Pedestrian Safety	$ 3	—	—	—	3	(3)	—
Addison & Dighy Traffic Circle	63	—	—	—	63	(63)	—
Van Ness Corridor Improvement	1	—	(1)	—	—	—	—
Class II & III Bikeways	260	—	—	—	260	(36)	224
West Portal Improvements School Access	162	—	—	—	162	(162)	—
Jean Parker Safe Routes to School	366	—	(5)	—	361	(289)	72
Taylor Street Safety Project	—	300	—	—	300	(244)	56
HSIP SSARP Bicycle Safety	—	250	—	—	250	(186)	64
District 11 Neighborhood Greenway Planning Project	—	300	—	—	300	(290)	10
Total operating grants	$ 855	850	(6)	—	1,699	(1,273)	426

See accompanying independent auditors' report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – Metropolitan Transportation Commission

Year ended June 30, 2017

(In thousands)

	Authorized grants as of July 1, 2016	New grants approved/ spending commences	Payments received	Expired/ rescinded/ Adjustment grants	Authorized grants as of June 30, 2017	Amounts not expended as of June 30, 2017	Grants receivable as of June 30, 2017
Capital grants:							
TDA:							
TDA FY2017 Allocation	$ —	487	—	—	487	(450)	37
TDA FY2016 Allocation	511	—	(193)	—	318	(8)	310
TDA FY2015 Allocation	—	—	(111)	111	—	—	—
CBTP:							
Western Addition CBTP	60	—	(48)	—	12	(2)	10
Total capital grants	$ 571	487	(352)	111	817	(460)	357
Operating grants:							
TDA:							
Green Lanes Project	$ 9	—	(9)	—	—	—	—
Bike Share System	16	—	(16)	—	—	—	—
Folsom-Essex Bicycle Improvements – FY2014	2	—	(2)	—	—	—	—
Raised Cycletrack Demonstration	2	—	(2)	—	—	—	—
Long Term Bike Parking	200	—	(26)	—	174	(81)	93
2nd Street VZIP Improvements	38	—	(34)	(4)	—	—	—
King Street Bike Lanes	18	—	(16)	(2)	—	—	—
Howard Street Buffered Bicycle Lane -FY2015	95	—	(20)	(75)	—	—	—
Fell & Oak Bikeway Improvements	98	—	(98)	—	—	—	—
Folsom-Essex Bicycle Improvements – FY2015	26	—	(22)	(4)	—	—	—
Polk Street Southbound Bicycle Lane	29	—	(3)	(26)	—	—	—
Electronic Bicycle Lockers	8	—	(8)	—	—	—	—
Bridge Tolls (RM2):							
Balboa Park Station Connection, Ph II-Signals/	—	—	—	—	—	—	—
Livable Sts/Wayfinding Signs	46	—	—	(46)	—	—	—
Bicycle Transit System Integ	26	—	—	—	26	(26)	—
Total operating grants	$ 613	—	(256)	(157)	200	(107)	93

See accompanying independent auditors' report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – San Francisco County Transportation Authority

Year ended June 30, 2017

(In thousands)

	Authorized grants as of July 1, 2016	New grants approved/ spending commences	Payments received	Expired/ rescinded/ Adjustment grants	Authorized grants as of June 30, 2017	Amounts not expended as June 30, 2017	Grants receivable as June 30, 2017
Capital grants:							
Bicycle Program Projects	$ 742	188	(433)	(13)	484	(341)	143
Pedestrian Safety Program Projects	1,727	794	(501)	(5)	2,015	(1,692)	323
Traffic Calming Program Projects	104	4,606	(280)	—	4,430	(4,221)	209
Traffic Signal/Traffic Sign Projects	7,848	4,040	(3,379)	—	8,509	(6,775)	1,734
Transit Study & Street Improvement Projects	306	694	(122)	(10)	868	(777)	91
Transportation Demand/Parking Management	60	—	—	—	60	(60)	—
Total capital grants	$ 10,787	10,322	(4,715)	(28)	16,366	(13,866)	2,500
Pass-thru capital grants:							
Bicycle Program Projects	$ 460	336	(298)	(162)	336	(226)	110
Taxi Vehicle Alternative Fuel Program	—	250	(5)	—	245	(245)	—
Total pass-thru capital grants	$ 460	586	(303)	(162)	581	(471)	110
Operating grants:							
Bicycle Program Projects	$ 1,079	—	(834)	(81)	164	(95)	69
Pedestrian Safety Program Projects	2,208	—	(1,013)	(373)	822	(763)	59
Taxi Vehicle Alternative Fuel Program	95	—	(91)	—	4	(4)	—
Traffic Calming Program Projects	1,251	—	(78)	(1,159)	14	(14)	—
Traffic Signal/Traffic Sign Projects	5,370	—	(1,600)	(1,407)	2,363	(1,805)	558
Transit Study & Street Improvement Projects	3,313	—	(2,511)	(95)	707	(121)	586
Transportation Demand/Parking Management	100	—	(31)	—	69	(69)	—
Total operating grants	$ 13,416	—	(6,158)	(3,115)	4,143	(2,871)	1,272
Pass-thru operating grants:							
Bicycle Program Projects	$ 72	—	—	—	72	(72)	—
Traffic Calming Projects	22	—	(8)	—	14	(14)	—
Transportation Demand/Parking Management	196	—	(166)	—	30	(30)	—
Transportation Outreach Program	244	—	(51)	—	193	(185)	8
Total pass-thru operating grants	$ 534	—	(225)	—	309	(301)	8

See accompanying independent auditors' report.

SUSTAINABLE STREETS

Supplemental Schedule of Grants – Others

Year Ended June 30, 2017

(In thousands)

	Authorized grants as of July 1, 2016	New grants approved/ spending commences	Payments received	Expired/ rescinded/ Adjustment grants	Authorized grants as of June 30, 2017	Amounts not expended as June 30, 2017	Grants receivable as June 30, 2017
Capital grants:							
Electronic Bicycle Lockers	$ 40	—	(40)	—	—	—	—
Total capital grants	$ 40	—	(40)	—	—	—	—
Operating grants:							
6th Street Pedestrian Safety Improvements	$ 526	—	(9)	—	517	(517)	—
Total operating grants	$ 526	—	(9)	—	517	(517)	—

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, 2017

(In thousands)

Project title		Allocation	Beginning balance July 1, 2016	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2017
First Allocation Fiscal Year 2007–2008:									
Third Street Light Rail Interest	$	—	73	—	—	20	—	—	93
Third Street/Metro East-CP/Other Direct		1,500	207	—	(117)	—	—	199	289
LRV4 VCC Support		2,200	2,083	—	—	—	—	(287)	1,796
Elevator Safety & Reliability Project		—	—	—	117	—	—	—	117
Subtotal PTSS01		3,700	2,363	—	—	20	—	(88)	2,295
Auto Passenger Count		1,200	1					(1)	—
New Central Subway		1,300	—					1	1
Subtotal PTSS02		2,500	1	—	—	—	—	—	1
Trolley Overhead Reconstruction		2,267	1	—	—	—	—	—	1
Mid-Life Rehabilitation of Neoplan Buses		733	—	—	—	—	—	—	—
Subtotal PTSS03		3,000	1	—	—	—	—	—	1
STA Prop 1B; FY0708; Farebox Rehab		—	5	—	—	—	—	—	5
Operator-Restroom		27	—	—	—	—	—	—	—
Farebox Rehabilitation		19,590	—	—	—	—	—	—	—
Neoplan Life Cycle Rehabilitation		223	—	—	—	—	—	—	—
Vehicle Video Surveillance Replacement		80	—	—	—	—	—	—	—
14 Mission Customer First		80	—	—	—	—	—	—	—
Subtotal PTSS04		20,000	5	—	—	—	—	—	5
STA Prop 1B, FY0708, Geneva		—	3	—	—	—	—	—	3
Historic Streetcar Shed		6,092	—	—	—	—	—	—	—
New Central Subway		1,200	—	—	—	—	—	—	—
14 Mission Customer First		208	—	—	—	—	—	—	—
Subtotal PTSS05		7,500	3	—	—	—	—	—	3
Total First Allocation Fiscal Year 2007–2008		36,700	2,373	—	—	20	—	(88)	2,305
Second Allocation Fiscal Year 2007–2008:									
STA Prop 1B; FY0708; Metro East LRV		—	13	—	—	5	—	—	18
New Third Street Light Rail		8,052	—	—	—	—	—	—	—
FY10 TSGP Subway CCTV Surveillance System		700	—	—	122	—	—	(122)	—
Vehicle Video Surveillance Replacement		607	607	—	(122)	—	—	(485)	—
Capital Program Controls System Procurement		—	6	—	—	—	—	—	6
14 Mission Customer First		341	—	—	—	—	—	—	—
LRV ATCS Antenna Replacement		—	56	—	—	—	(55)	(1)	—
Green Center Rail Replacement		—	—	—	—	—	55	—	55
Subtotal PTSS06		9,700	682	—	—	5	—	(608)	79
STA Prop 1B; FY0708; Operator Restrooms		—	27	—	—	7	—	—	34
Operator-Restroom		2,165	—	—	(1)	—	—	1	—
Woods Lifts Heavy Maintenance Shop		10	—	—	—	—	—	—	—
Cable Car Safety & Reliability Improvement		422	422	—	—	—	—	—	422
Transportation Capital Infrastructure		368	368	—	1	—	—	—	369
Subtotal PTSS07		2,965	817	—	—	7	—	1	825
STA Prop 1B; FY0708; Wysd Fare Collct Eq		—	35	—	—	—	—	—	35
Wayside Fare Collection		1,000	—	—	—	—	—	—	—
Subtotal PTSS08		1,000	35	—	—	—	—	—	35
Total Second Allocation Fiscal Year 2007–2008		13,665	1,534	—	—	12	—	(607)	939

(Continued)

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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

Year ended June 30, 2017

(In thousands)

Project title		Allocation	Beginning balance July 1, 2016	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings		Expenditures	Ending balance June 30, 2017
First Allocation Fiscal Year 2008–2009:										
STA Prop 1B; FY0910; Central Subway	$	—	57	—	—	20	—		(6)	71
Operator-Restroom		19	3	—	—	—	—		(3)	—
New Central Subway		20,000	—	—	1	—	—		(1)	—
Wayside/Central Train Control System		3,345	1,484	—	—	—	—		(62)	1,422
Mid-Life Rehabilitation of Neoplan Buses		1,405	—	—	(1)	—	—		1	—
Subway CCTV Surveillance System		1,169	79	—	—	—	—		(79)	—
Vehicle Video Surveillance Replacement		1,144	664	—	(455)	—	—		(146)	63
14 Mission Customer First		882	96	—	—	—	—		—	96
Fall Protection Scaffolding		775	2	—	(2)	—	—		—	—
8X Customer First		562	—	—	—	—	—		—	—
Safer Market Street		649	8	—	—	—	—		(8)	—
Flynn Lift		50	30	—	(30)	—	—		—	—
L Taraval Early Implementation Project		—	—	—	455	—	—		(196)	259
Potrero Facility Vehicle Lifts		—	—	—	32	—	—		—	32
Subtotal PTSB11		30,000	2,423	—	—	20	—		(500)	1,943
STA Prop 1B, FY0910, Interim Line Mgt		—	19	—	—	—	—		—	19
Central Control and Communications Program		400	—	—	—	—	—		—	—
Subtotal PTSB12		400	19	—	—	—	—		—	19
STA Prop 1B, FY0910, Lt Rl Op Cont Ctr		—	58							58
Central Control and Communications Program		1,300	—							—
Subtotal PTSB13		1,300	58	—	—	—	—		—	58
STA Prop 1B, FY0809, Persia Triangle		—	8	—	—	—	—		—	8
Persia Triangle Improvements		127	114	—	—	—	—		(65)	49
Subtotal PKSB01		127	122	—	—	—	—		(65)	57
STA Prop 1B, FY0809, Randolph/Farallones		—	3	—	—	—	—		(3)	—
Randolph/Farallones/Orizaba		85	4	—	—	—	—		—	4
Subtotal PKSB01		85	7	—	—	—	—		(3)	4
Total First Allocation Fiscal Year 2008–2009		31,912	2,629	—	—	20	—		(568)	2,081
Third Allocation Fiscal Year 2007–2008 and Second Allocation 2008–2009:										
STA Prop 1B, FY0910, LRV Rehab Program		—	14	—	—	—	—		—	14
LRV Safety Mods and Overhaul Project		3,638	—	—	—	—	—		—	—
Subtotal PTSB14		3,638	14	—	—	—	—		—	14
STA Prop 1B, FY0910, Central Subway		—	1	—	—	—	—	#	(1)	—
New Central Subway		352	—	—	—	—	—		—	—
Subtotal PTSB15		352	1	—	—	—	—		(1)	—
STA Prop 1B, FY0910, High Speed Connectivity		—	25	—	—	—	—		—	25
Central Control & Comm (C3) Program		817	17	—	—	—	—		(17)	—
Sub-total PTSB16		817	42	—	—	—	—		(17)	25
Total Third Allocation Fiscal Year 2007–2008 and Second Allocation 2008–2009		4,807	57	—	—	—	—		(18)	39

(Continued)

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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

Year ended June 30, 2017

(In thousands)

Project title	Allocation	Beginning balance July 1, 2016	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2017
Third Allocation Fiscal Year 2008–2009:								
STA Prop 1B, FY0809, LRV Rehabilitation	$ —	114	—	—	2	—	—	116
LRV Safety Mods and Overhaul Project	5,262	—	—	—	—	—	—	—
Capital Program Controls Syst Procurement	—	60	—	—	—	—	—	60
Subtotal PTSB18	5,262	174	—	—	2	—	—	176
STA Prop 1B, FY0809, LRV Restoration Prgm	—	44	—	—	—	—	—	44
LRV Collision Repairs	3,831	—	—	—	—	—	—	—
Subtotal PTSB19	3,831	44	—	—	—	—	—	44
STA Prop1B, FY0809, Central Subway	—	1	—	—	—	—	(1)	—
New Central Subway	719	—	—	—	—	—	—	—
Subtotal PTSB20	719	1	—	—	—	—	(1)	—
Total Third Allocation Fiscal Year 2008–2009	9,812	219	—	—	2	—	(1)	220
First Allocation Fiscal Year 2009–2010:								
STA Prop 1B; FY2009-2010 PTMISEA Funds	—	18	—	13	7	—	(25)	13
Hunters View Revitalize Transit Stop Connection	510	13	—	(13)	—	—	—	—
New Central Subway	20,216	—	—	—	—	—	—	—
LRV Collision Repairs	770	—	—	—	—	—	—	—
Mid-Life Rehabilitation of Neoplan Buses	700	—	—	—	—	—	—	—
Balboa Park Station Eastside Connection	864	595	—	—	—	—	(38)	557
Green Center Rail Replacement	—	—	—	—	—	51	—	51
Capital Program Controls System Procurement	—	101	—	—	—	—	—	101
LRV ATCS Antenna Replacement	—	52	—	—	—	(51)	(1)	—
Safer Market Street	—	8	—	—	—	—	(5)	3
Subtotal PTSB22	23,060	787	—	—	7	—	(69)	725
Total First Allocation Fiscal Year 2009–2010	23,060	787	—	—	7	—	(69)	725
Second Allocation Fiscal Year 2009–2010:								
STA Prop 1B; FY2009-2010 PTMISEA Funds	—	7	—	—	3	—	—	10
New Central Subway	16,045	—	—	—	—	—	—	—
Green Center Rail Replacement	—	—	—	—	—	147	—	147
Capital Program Controls System Procurement	—	53	—	—	—	—	—	53
LRV ATCS Antenna Replacement	—	151	—	—	—	(147)	(4)	—
Subtotal PTSB23	16,045	211	—	—	3	—	(4)	210
STA Prop 1B; FY0910; Randolf/Farallones	—	10	—	—	—	—	(10)	—
Randolph/Farallones/Orizaba	395	—	—	—	—	—	—	—
Subtotal PKSB03	395	10	—	—	—	—	(10)	—
Total Second Allocation Fiscal Year 2009–2010	16,440	221	—	—	3	—	(14)	210
Third Allocation Fiscal Year 2009–2010:								
STA Prop1B; Central Subway & Persia	—	15	—	—	3	63	—	81
Persia Triangle Improvements	676	91	—	—	—	—	—	91
New Central Subway	48,400	—	—	—	—	—	—	—
Central Subway Goodwill	—	55	—	—	—	—	—	55
Capital Program Controls System Procurement	—	14	—	—	—	—	—	14
Green Center Rail Replacement	—	—	—	—	—	106	—	106
LRV ATCS Antenna Replacement	—	107	—	—	—	(106)	(1)	—
UCSF Platform Extension and Crossover Track	—	63	—	—	—	(63)	—	—
Subtotal PTSB24	49,076	345	—	—	3	—	(1)	347
Total Third Allocation Fiscal Year 2009–2010	49,076	345	—	—	3	—	(1)	347

(Continued)

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

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

Year ended June 30, 2017

(In thousands)

Project title		Allocation	Beginning balance July 1, 2016	Additions	Reassigned allocation	Interest earned	Reassigned interest earnings	Expenditures	Ending balance June 30, 2017
First Allocation Fiscal Year 2010–2011:									
STA Prop1B; FY12-13 PTMISEA Frds Central	$	—	405	—	—	8	(257)	—	156
Traffic Signal Battery Backup System		—	—	—	—	—	300	(30)	270
New Central Subway		117,681	—	—	—	—	—	—	—
FY10 TSGP Subway CCTV Surveillance System		—	95	—	—	—	—	(57)	38
Mission Bay Transit Loop		—	—	—	—	—	334	(97)	237
UCSF Platform Extension and Crossover Track		—	377	—	—	—	(377)	—	—
Subtotal PTSS26		117,681	877	—	—	8	—	(184)	701
Total First Allocation Fiscal Year 2010–2011		117,681	877	—	—	8	—	(184)	701
Second Allocation Fiscal Year 2010–2011:									
STA Prop1B; FY13 PTMISEA Mission Mobility		—	93	—	—	31	—	—	124
14 Mission Customer First		836	525	—	—	—	—	(33)	492
Muni Forward – West Portal/St Francis Circle		1,743	1,347	—	—	—	—	(164)	1,183
Cable Car Safety & Reliability Improvement		978	387	—	—	—	—	(124)	263
Muni Forward – Lower Height Street (71)		1,500	1,400	—	—	—	—	(100)	1,300
Subtotal PTSS27		5,057	3,752	—	—	31	—	(421)	3,362
STA Prop1B; FY13 PTMISEA 8X Mobility Max		—	85	—	—	25	—	—	110
Potrero Hill Ped Safety & Transit Impv		216	203	—	—	—	—	(64)	139
Operator-Restroom		186	—	—	—	—	—	—	—
FY10 TSGP Subway CCTV Surveillance System		1,060	—	—	—	—	—	—	—
Balboa Park Station Area & Plaza Improvement		1,460	753	—	—	—	—	(148)	605
8X Customer First		1,763	1,464	—	—	—	—	(67)	1,397
Transportation Capital Infrastructure		600	600	—	—	—	—	—	600
Subtotal PTSS28		5,285	3,105	—	—	25	—	(279)	2,851
STA Prop1B; FY13 PTMISEA Mission Bay Loop		—	23	—	—	7	—	—	30
Mission Bay Transit Loop		1,382	897	—	—	—	—	(656)	241
Subtotal PTSS29		1,382	920	—	—	7	—	(656)	271
Total Second Allocation Fiscal Year 2010–2011		11,724	7,777	—	—	63	—	(1,356)	6,484
First Allocation Fiscal Year 2013–2014:									
STA Prop1B; FY14 LRV Procurement		—	54	—	—	57	—	—	111
Van Ness Bus Rapid Transit		639	639	—	—	—	—	—	639
Mission Bay Transit Loop		—	—	—	984	—	—	(912)	72
Muni Forward		—	—	—	500	—	—	—	500
Elevator Safety & Reliability Project		2,200	2,200	—	—	—	—	—	2,200
Muni Metro Subway Station Enhancement		—	—	—	287	—	—	(53)	234
Transportation Capital Infrastructure		3,741	3,741	—	(1,771)	—	—	—	1,970
Sub-total PTSS31		6,580	6,634	—	—	57	—	(965)	5,726
STA Prop1B; FY14 Central Subway		—	678	—	—	522	(413)	(476)	311
New Central Subway		81,880	69,041	—	—	—	—	(48,287)	20,754
FY10 TSGP Subway CCTV Surveillance System		—	—	—	—	—	198	(118)	80
Potrero Facility Vehicle Lifts		—	—	—	—	—	215	—	215
Sub-total PTSS33		81,880	69,719	—	—	522	—	(48,881)	21,360
Total First Allocation Fiscal Year 2013–2014		88,460	76,353	—	—	579	—	(49,846)	27,086
First Allocation Fiscal Year 2015–2016:									
STA Prop1B; FY16 PTMISEA Van Ness Brt		—	14	—	—	45	—	—	59
Van Ness Bus Rapid Transit		5,550	5,550	—	—	—	—	(4,975)	575
Sub-total PTSS36		5,550	5,564	—	—	45	—	(4,975)	634
Total First Allocation Fiscal Year 2015–2016		5,550	5,564	—	—	45	—	(4,975)	634
Grand total	$	408,887	98,736	—	—	762	—	(57,727)	41,771

See accompanying independent auditors' report.

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), which comprise the statement of net position as of and for the year then ended June 30, 2017 and the statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated October 27, 2017. Our report referenced that 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.

(signed) KPMG LLP

San Francisco, California
October 27, 2017