Transbay Joint Powers Authority

Annual Financial Report

Fiscal Year Ended June 30, 2019

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TRANSBAY JOINT POWERS AUTHORITY
SAN FRANCISCO, CALIFORNIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

PREPARED BY THE FINANCE DEPARTMENT

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TRANSBAY JOINT POWERS AUTHORITY

Mark Zabaneh • Executive Director

December 12, 2019

Board of Directors
Transbay Joint Powers Authority
San Francisco, California

I am pleased to present the Annual Financial Report of the Transbay Joint Powers Authority ("TJPA") for the year ended June 30, 2019, with the independent auditors' report. The TJPA is responsible for the accuracy of the data and for the completeness and fairness of its presentation. Our internal accounting controls provide reasonable assurance, rather than absolute assurance, that the financial statements are free of material misstatements. I believe that the reported data is accurate in all material respects and that its presentation fairly depicts the TJPA's financial position. I am confident that the included disclosures provide the reader with an understanding of the TJPA's financial affairs.

The records have been audited by Eide Bailly LLP and are presented in the Basic Financial Statements. This letter of transmittal is designed to complement the Management's Discussion and Analysis ("MD&A") section of the Annual Financial Report. The MD&A provides a narrative overview and analysis of the Basic Financial Statements and is presented after the independent auditors' report.

Governance

The TJPA has primary jurisdiction with respect to all matters concerning the financing, design, development, construction, and operation of the Transbay Program. The TJPA is a joint exercise of powers authority created by the City and County of San Francisco, the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, the California High Speed Rail Authority, and Caltrans (ex officio). The TJPA is managed by TJPA staff and is overseen by an eight-member Board of Directors.

Overview

The Transbay Program (Program) is a multi-billion dollar transportation infrastructure investment that replaces the former Transbay Terminal at First and Mission streets in San Francisco with a state-of-the-art regional transit station connecting eight Bay Area counties and the State of California through eleven bus and rail transit systems: AC Transit, BART, Caltrain, Golden Gate Transit, Greyhound, San Francisco Municipal Railway (Muni), SamTrans, WestCAT Lynx, Amtrak, Paratransit, and future high-speed rail from San Francisco to Los Angeles. The Program consists of three interconnected elements:

- Replacing the former Transbay Terminal at First and Mission streets
- Extending Caltrain and California High-Speed Rail underground from Caltrain's current terminus at 4th and King streets into the new downtown Salesforce Transit Center

- Creating a new neighborhood with homes, offices, parks, and shops surrounding the new transit center

The Program has two phases. Phase 1 includes the design and construction of the above-grade levels of the new transit center and its related components, including the core and shell of the below-grade train box, a bus ramp connecting the station to the San Francisco–Oakland Bay Bridge, a bus storage facility for off-peak bus layovers, a temporary terminal, and a utility relocation project to clear the area of utilities ahead of excavation.

Phase 2 is the Downtown Rail Extension, which will extend Caltrain commuter rail from its current terminus at Fourth and King streets into the transit center and accommodate future high-speed rail service between San Francisco and Los Angeles. It also includes the build-out of the transit center's below-grade train station, a new underground station at Fourth and Townsend streets, a pedestrian tunnel to the Embarcadero BART/Muni Metro station, and an intercity bus facility.

<u>Highlights</u>

In this Fiscal Year, we opened the Salesforce Transit Center on August 12, 2018. The $2.26 billion Transit Center replaces the seismically deficient Transbay Terminal with a modern regional transportation hub that connects transit systems throughout the Bay Area. It also includes pop-up retail, a public art program, shopping and dining; and a 5.4-acre rooftop public park that is programmed with year-round free activities. At one million square feet, the Transit Center stretches four blocks with four stories above ground, and two stories below ground to accommodate future regional and high-speed trains. The Transit Center eases traffic congestion, reduces pollution and makes transit more accessible and efficient for Bay Area commuters, especially in San Francisco's rapidly growing South of Market neighborhood.

However, on September 25, 2018, the building was closed for repairs to two structural steel girders and remained closed through June 30, 2019. Temporary shoring systems were installed until repairs were completed. Additional inspections and a building-wide review were completed, along with continued monitoring. The building-wide review revealed that there were no additional issues.

On July 1, 2019, the transit center was reopened to the public and transit operations at the bus plaza resumed on July 13. AC Transit resumed operations on the bus deck in mid-August.

<u>Acknowledgements</u>

I would like to express my appreciation to the Finance staff for their professionalism, dedication, and efficiency in the day to day operations and in the preparation of this report.

Respectfully submitted,

Erin Roseman
Chief Financial Officer

TRANSBAY JOINT POWERS AUTHORITY

GOVERNING BOARD

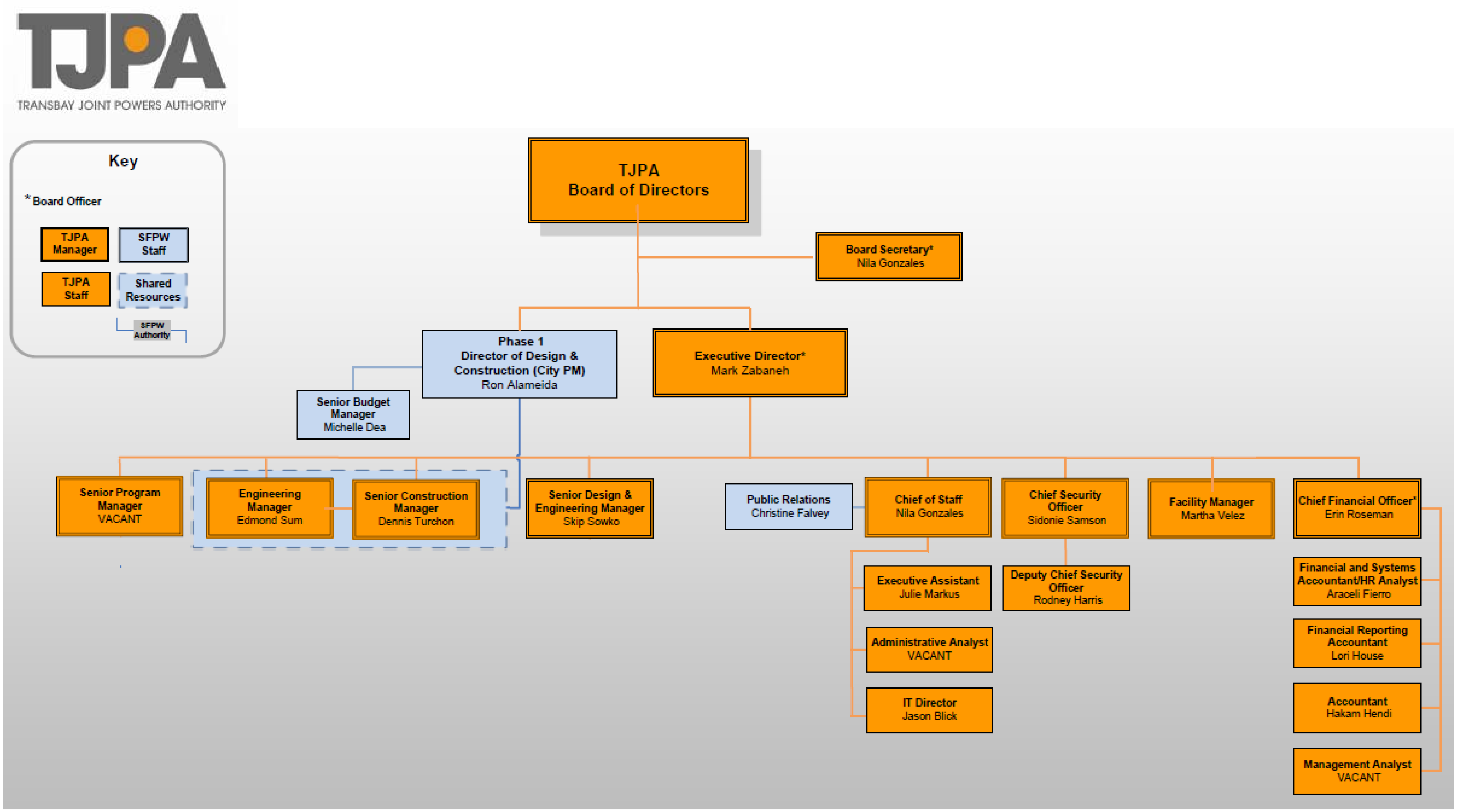
GOVERNING BOARD
Mohammed Nuru, Chair (Office of the San Francisco Mayor Representative)
Jeff Gee, Vice Chair (Peninsula Corridor Joint Powers Board Representative)
Cheryl Brinkman, Board Member (San Francisco Municipal Transportation Agency Representative)
Matt Haney, Board Member (San Francisco Board of Supervisors Representative)
Michael Hursh, Board Member (AC Transit Representative)
Boris Lipkin, Board Member (California High Speed Rail Authority Representative)
Nadia Sesay, Board Member (San Francisco Board of Supervisors Representative)
Tony Tavares, Ex officio Board Member (Caltrans Representative)

AUTHORITY STAFF

Mark Zabaneh, *Executive Director*
Erin Roseman, *Chief Financial Officer*
Nila Gonzales, *Secretary*

Deborah Miller (Shute Mihaly & Weinberger LLP), *General Counsel*

ORGANIZATIONAL CHART



EideBailly

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Transbay Joint Powers Authority
San Francisco, California

Report on the Financial Statements
We have audited the accompanying financial statements of the Transbay Joint Powers Authority (TJPA), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TJPA as of June 30, 2019 and the changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the net OPEB liability and related ratios and schedule of OPEB contributions, as listed in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the TJPA's basic financial statements. The transmittal letter and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respect in relation to the financial statements taken as a whole.

The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019 on our consideration of the TJPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the TJPA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TJPA's internal control over financial reporting and compliance.

Eide Bailly LLP

Palo Alto, California
December 3, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management discussion and analysis ("MD&A") provides a narrative overview of the Transbay Joint Powers Authority's ("TJPA") financial activities for the year ended June 30, 2019, with comparative information for the year ended June 30, 2018. The MD&A section is required by the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 34 and should be read in conjunction with the TJPA's basic financial statements, which follow this section.

The TJPA's financial activities are reported based on a twelve-month fiscal year, which starts on July 1 of one calendar year and ends on June 30 of the next calendar year; the fiscal year is named by the calendar year in which the fiscal year ends. Therefore, the basic annual financial statements presented in this report are for Fiscal Year 2019.

Purpose of the TJPA

The TJPA is a local government agency formed in 2001 in accordance with California Government Code to design, build, develop, operate and maintain a new regional transit terminal (the "transit center") and associated facilities in downtown San Francisco (collectively, the "Transbay Program"), replacing the former Transbay Terminal. An extension of rail lines for Caltrain and future California High Speed Rail from the current Caltrain San Francisco terminus at Fourth and King Streets to the transit center, referred to as the Downtown Rail Extension ("DTX") is also part of the Transbay Program as a second phase ("Phase 2"). See Note 1 for additional information.

Financial Highlights

- We experienced an operating loss of $12,044,281 primarily due to the extended closure of the transit center related to the girder fissures discovered on September 25, 2018, which delayed planned revenues.
- At the close of the fiscal year, assets and deferred outflows of the TJPA exceeded its liabilities and deferred inflows by $2,058,996,807.
- The City and County of San Francisco ("City") sold the second tranche of Community Facilities District ("CFD") bonds during the fiscal year, a portion of which is remitted to the TJPA as CFD reimbursements to fund the transit center and other infrastructure in the Transit Center District. The issuance of more than $157 million resulted in $142.4 million in proceeds for the Transbay Program, of which $25 million was used to pay down the interim City Financing. As of June 30, 2019, $180 million has been drawn by the TJPA since inception.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the TJPA's basic financial statements. The annual financial report for the TJPA includes this management's discussion and analysis ("MD&A"), the basic financial statements and notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The TJPA is reported as an *enterprise fund*. Enterprise funds are a type of proprietary fund used to report information in a manner similar to a private-sector business. An enterprise fund is used to account for functions that are intended to recover all or a significant portion of their costs through user fees and charges. Under the Joint Powers Agreement creating the TJPA, dated April 4, 2001, the new transit center and related facilities are to be managed and operated as an enterprise operation.

The basic financial statements include the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Fund Net Position; and Statement of Cash Flows.

The *Statement of Net Position* presents information on all of the TJPA's assets, deferred outflows of resources, deferred inflows of resources, and liabilities, with the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the TJPA is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing how the TJPA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents the cash inflows and outflows from operating activities, capital and related financing activities, and investing activities, and the resulting cash position at fiscal year-end.

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* ("RSI") concerning the TJPA's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

Financial Statement Analysis

In accordance with GASB requirements, a comparative analysis of financial data is presented in the following condensed formats to compare amounts from the current fiscal year (2019) to amounts from the prior fiscal year (2018).

CONDENSED STATEMENTS OF NET POSITION

	2019	2018	Dollar Change	Percent Change
Assets:				
Current and other assets	$ 39,806,853	$ 31,384,488	$ 8,422,365	27%
Restricted assets	40,497,075	38,522,343	1,974,732	5%
Capital assets	2,324,072,355	2,232,131,779	91,940,576	4%
Total assets	2,404,376,283	2,302,038,610	102,337,673	4%
Deferred outflows of resources:				
OPEB related	47,768	30,028	17,740	59%
Pension related	499,520	802,339	(302,819)	-38%
Total deferred outflows of resources	547,288	832,367	(285,079)	-34%
Liabilities:				
Current and other liabilities	63,307,787	76,169,986	(12,862,199)	-17%
TIFIA loan payable	186,128,592	156,606,090	29,522,502	19%
Intergovernmental liability to the City for:				
Interim City financing	78,000,000	103,000,000	(25,000,000)	-24%
Re-conveyance of State transferred land	18,414,675	18,414,675	-	0%
Total liabilities	345,851,054	354,190,751	(8,339,697)	-2%
Deferred inflows of resources:				
Pension related	75,710	74,247	1,463	2%
Total deferred inflows of resources	75,710	74,247	1,463	2%
Net position:				
Net investment in capital assets	2,006,396,770	1,893,787,267	112,609,503	6%
Restricted				
O&M Reserve for transit center	-	8,950,286	(8,950,286)	-100%
Construction of transit center	9,422,848	15,926,608	(6,503,760)	-41%
Debt service	16,779,491	14,012,765	2,766,726	20%
Unrestricted	26,397,698	15,929,053	10,468,645	66%
Total net position	$ 2,058,996,807	$ 1,948,605,979	$ 110,390,828	6%

Total net position at June 30, 2019 includes net investment in capital assets, which is comprised of construction in progress of $2,119,438,106, land scheduled to be permanently and temporarily retained by the TJPA of $186,082,200, and permanent easements of $137,374. The construction in progress includes construction, construction management, program management, and administrative costs necessary to support the development of the transit center and DTX, as well as information technology costs for website development and labor compliance software.

$16,779,491 of current year net position includes net tax increment funds restricted for debt service, being used to pay the ongoing interest costs of the interim City financing that closed in Fiscal Year 2017 and otherwise reserved for future debt service on a Federal Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan.

In addition, $9,422,848 is land sales proceeds restricted for construction of the transit center under a cooperative agreement with the State of California ("State"). Total current year net position also includes $26,397,697 in unrestricted net position which is derived primarily from the TJPA's non-operating revenues. Of this amount, $11,330,374 is earmarked for the operations and maintenance of Program facilities, including the transit center or the future DTX. The remaining $15,067,323 is to be used for acquisition of capital assets.

The $8,422,365 net increase in current and other assets resulted primarily from a $12,614,795 increase in State of California pooled cash, partially offset by a $6,984,407 decrease in grantor receivables outstanding at fiscal year-end. The $1,974,732 increase in restricted assets resulted primarily from an increase in Tax Increment trust balances, partially offset by lower investment balances as land sales proceeds continue to be spent. The changes in deferred outflows of resources and deferred inflows of resources are due to accounting treatment of pension amounts, and the purchase of a derivative instrument to protect against rising interest rates under the interim City financing.

The net decrease of $12,862,199 in current and other liabilities resulted primarily from a $7,398,639 decrease in retainage payable, a $10,902,956 decrease in accounts payable, and a $335,618 decrease in intergovernmental payables. In addition, liabilities increased $4,522,502 due to the final draws on the TIFIA loan, including capitalized interest, partially offset with the $25,000,000 paydown on the interim City financing.

CONDENSED STATEMENTS OF CHANGES IN NET POSITION

	2019	2018	Dollar Change	Percent Change
Operating income				
Operating revenues	$ 5,109,101	$ 3,349,162	$ 1,759,939	53%
Operating expenses	(17,153,382)	(8,206,581)	(8,946,801)	109%
Operating income (loss)	(12,044,281)	(4,857,419)	(7,186,862)	148%
Nonoperating revenues (expenses)				
Operating grant				
Revenue	8,026,046	7,838,235	187,811	2%
Expenses	-	-	-	n/a
Net operating grant	8,026,046	7,838,235	187,811	2%
Investment income	1,707,917	742,343	965,574	130%
Miscellaneous revenues	29	881	(852)	-97%
Net tax increment revenue	12,457,838	13,331,888	(874,050)	-7%
CFD impact fee revenue	-	866,000	(866,000)	-100%
Gain on conveyance of air rights	42,000	1,406,685	(1,364,685)	-97%
Total nonoperating revenues	22,233,830	24,186,032	(1,952,202)	-8%
Income before capital contributions	10,189,549	19,328,613	(9,139,064)	-47%
Capital contributions				
Federal government capital grants	1,885,660	4,952,293	(3,066,633)	-62%
State government capital grants	-	6,445	(6,445)	-100%
Local government capital grants	2,723,205	13,603,080	(10,879,875)	-80%
CFD reimbursements	91,534,393	88,108,212	3,426,181	4%
Other capital contributions	4,058,021	2,054,992	2,003,029	97%
Total capital contributions	100,201,279	108,725,022	(8,523,743)	-8%
Change in net position	110,390,828	128,053,635	(17,662,807)	-14%
Net position- beginning	1,948,605,979	1,820,552,344	128,053,635	7%
Net position- ending	$ 2,058,996,807	$ 1,948,605,979	$ 110,390,828	6%

Operating revenues

The source of Fiscal Year 2019 operating revenues of $5,109,101 was comprised primarily of naming rights revenue, combined with cellular antennae licensing agreement revenue for the transit center, lease and rental revenues, reimbursements from others and Community Benefits District revenue. The increase in operating revenues of $1,759,939 is due mainly to the naming rights revenue. $17,153,382 in operating expenses were incurred in preparing the transit center for full operations and funded from operating revenues.

Nonoperating revenues

The TJPA funds facility management and related operating expenses from a Metropolitan Transportation Commission ("MTC") Regional Measure 2 ("RM-2") operating grant. Total Fiscal Year 2019 operating grant revenues were $8,026,046.

The Fiscal Year 2019 increase in investment income of $965,574 is attributable mainly to higher investment balances as Net Tax Increment funds are accumulated for debt service. The decrease in miscellaneous revenues is attributable to the inherent variability of revenues earned in this category. CFD reimbursements increased $3,426,181 as compared to the prior year following the City's sale of the second tranche of CFD bonds in the current year. Gain on conveyance of air rights decreased $1,364,685 in the current year as a parcel was sold in the prior year, as compared to an easement sale in the current year.

Capital contributions

For the year ended June 30, 2019, the TJPA received $100,201,279 in capital contributions. The increase in capital contributions from the prior fiscal year is directly attributable to CFD reimbursements. Capital contributions were expended on the Transbay Program.

Budgetary Highlights

Quarterly budget-to-actual reports are presented to the TJPA Board of Directors ("TJPA Board") by the TJPA Chief Financial Officer. During the fiscal year, four amendments each to the Capital Budget and Operating Budget were approved. The amendments transferred amounts amongst line items but did not increase total appropriations.

Capital Asset and Debt Administration

Capital assets

The TJPA's investment in capital assets as of June 30, 2019 amounts to $2,324,072,355. This investment in capital assets includes land, easements, and construction in progress. Major capital asset events during the fiscal year included the following:

- The transit center opened on August 12, 2018, however on September 25, 2018, fissures were discovered in two steel beams over Fremont Street. Out of an abundance of caution, the transit center was temporarily closed for further evaluation and repair. The rooftop park re-opened on July 1, 2019, with bus service following in July and August 2019.
- Transit center construction work continued throughout the year, with 5,663,429 craft hours completed through June 2019. The majority of work under all trade packages was completed or nearly complete.
- Construction of the bus storage facility underneath Interstate 80 was completed.

See Note 4 for additional information on the TJPA's capital assets.

Long-term debt

At the end of the current fiscal year, the TJPA had total debt outstanding of $264,128,592. Of this amount, $186,128,592 was TIFIA loan debt. The remainder of the TJPA's debt represents amounts drawn on an interim financing provided by the City. Total debt increased by $4,522,502 during the fiscal year, the balance available under TIFIA was drawn, partially offset by a $25,000,000 payment on the interim City financing. See Note 5 for more detailed information on the TJPA's long-term debt.

Next Year's Budgets

The TJPA Board approved the Fiscal Year 2020 budgets on June 13, 2019.

The Operating budget totals $37.3 million in revenues and expenses. Approximately a quarter of the revenues will be provided by RM-2 and RM-3 operating funds. The remainder will be covered through transit center revenues, and contributions from the Primary Tenants of the transit center, AC Transit and SFMTA. Expenses include a facility management contract, operating support for Alameda-Contra Costa Transit District ("AC Transit"), and other expenses directly related to the transit center such as security, operations, and maintenance at the transit center totaling $24.7 million. Also included is $6.5 million in debt service and $3.1 million in salaries, fringe benefits and administration.

The TJPA's Fiscal Year 2020 $100.1 million Capital budget anticipates that most of the revenues will be provided by the following sources: proceeds from CFD reimbursements, unspent proceeds from the TJPA debt (prior bank loan and TIFIA loan), land sales proceeds, the funding identified in the expenditure plan approved by the voters for the half cent sales tax for transportation in San Francisco ("Prop K"), Transit Center District Impact Fees, lease revenue, interest income and reimbursements, and to a lesser extent the bridge toll increases approved in Regional Measure 2 and AB1171 ("RM-2" and "AB1171"), and grants from the Federal Transit Administration ("FTA").

The approved Fiscal Year 2020 Capital budget shows revenues in two categories–committed and planned. Committed revenues are the planned drawdowns of grants that were already allocated or land sales and debt proceeds already received at the time the TJPA Board approved the 2020 fiscal year budget, and planned revenues include sources that have pending applications with funding partners or applications that are anticipated to be submitted and approved during the fiscal year. This is explained in detail in the Staff Reports which were submitted with the Fiscal Year 2020 budget presentations and can be found on the TJPA website for the May 9 and June 13, 2019 TJPA Board meetings.

The main component of the Capital budget is the completion of construction of the new transit center. Approximately $76.9 million is budgeted for construction activities and $3.2 million for construction management. The TJPA has also budgeted approximately $19.9 million for DTX preliminary engineering in fiscal year 2020.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Transbay Joint Powers Authority, 425 Mission Street, Suite 250, San Francisco, California 94105.

BASIC FINANCIAL STATEMENTS

TRANSBAY JOINT POWERS AUTHORITY
Statement of Net Position
June 30, 2019

Assets:		
Current assets:		
Cash and equivalent		
Cash in banks	$	2,848,500
Restricted for construction of the Transit Center		195,664
Cash in City and County of San Francisco pool		10,409,131
Cash in State of California pool		23,866,457
Total cash and cash equivalents		37,319,752
Receivables:		
Federal government		155,088
Metropolitan Transportation Commission		380,770
San Francisco County Transportation Authority		400,652
City and County of San Francisco		229,791
Accounts receivable		151,289
Total receivables		1,317,590
Other current assets:		
Prepaid items		120,467
Security deposits held by others		7,936
Total other current assets		128,403
Total current assets		38,765,745
Noncurrent assets:		
Restricted assets:		
Cash		4,000
Investments		40,055,931
Interest receivable		191,734
Interest rate cap		245,410
Total restricted assets		40,497,075
Other noncurrent assets		
Derivative instrument-interest rate cap		1,029,590
Net OPEB asset		11,518
Total other noncurrent assets		1,041,108
Capital assets, nondepreciable:		
Land		186,082,200
Permanent easements		137,374
State transferred land to be re-conveyed to the City and County of San Francisco		18,414,675
Construction in progress:		
Information technology		191,965
Transit Center		2,055,899,487
Caltrain Downtown Extension		63,346,654
Total nondepreciable capital assets		2,324,072,355
Total noncurrent assets		2,365,610,538
Total assets		**2,404,376,283**
Deferred outflows of resources:		
OPEB related		47,768
Pension related		499,520
Total deferred outflows of resources		**547,288**

(Continued on next page)

See notes to the financial statements

TRANSBAY JOINT POWERS AUTHORITY
Statement of Net Position (Continued)
June 30, 2019

Liabilities:	
Current liabilities:	
Accounts, contracts and intergovernmental payables	22,807,020
Accrued payroll	91,192
Retainage payable	30,975,286
Intergovernmental payables-related parties	
City and County of San Francisco	1,849,210
AC Transit	143,089
Accrued interest payable	103,647
Unearned revenue	6,201,520
Deposits payable	192,766
Total current liabilities	62,363,730
Noncurrent liabilities:	
USDOT TIFIA loan payable	186,128,592
City and County of San Francisco interim financing	78,000,000
State transferred land to be reconveyed	18,414,675
Compensated absences	235,322
Net pension liability	708,735
Total noncurrent liabilities	283,487,324
Total liabilities	**345,851,054**
Deferred inflows of resources:	
Pension related	75,710
Total deferred inflows of resources	**75,710**
Net position:	
Net investment in capital assets	2,006,396,770
Restricted:	
Construction of Transit Center	9,422,848
Debt Service	16,779,491
Unrestricted	26,397,698
Total net position	**$ 2,058,996,807**

See notes to the financial statements

TRANSBAY JOINT POWERS AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2019

Operating revenues:		
Neutral host distributed antennae system revenue	$	864,583
Naming rights revenue		3,037,567
Community Benefits District revenue		246,255
Reimbursements from others		330,082
Temporary Terminal rental revenue		343,665
Other rental revenue		226,108
Miscellaneous revenue		60,841
Total operating revenues		**5,109,101**
Operating expenses:		
Personnel services		908,512
Materials and supplies		47,410
Transit Center temporary closure		164,235
Other expenses		427,799
Facility management		2,730,022
Security		5,743,193
Insurance		1,087,858
Maintenance		3,580,659
Marketing and wayfinding		1,594,292
Park expenses		869,402
Total operating expenses		**17,153,382**
Operating loss		**(12,044,281)**
Nonoperating revenues and expenses:		
Operating grant revenue		8,026,046
Investment income		1,707,917
Miscellaneous revenues		29
Net tax increment revenue		12,457,838
Gain on sale of easement		42,000
Total nonoperating revenues and expenses		**22,233,830**
Income before capital contributions		**10,189,549**
Capital contributions:		
Federal government capital grants		1,885,660
Local government capital grants:		
Regional Measures, bridge tolls		818,743
Proposition K, half cent sales tax		1,904,462
Community Facilities District reimbursements		91,534,393
Other capital contributions		4,058,021
Total capital contributions		**100,201,279**
Change in net position		110,390,828
Net position, beginning of year		1,948,605,979
Net position, end of year	**$**	**2,058,996,807**

See notes to the financial statements

TRANSBAY JOINT POWERS AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows from operating activities:		
Cash receipts from Temporary Terminal lease revenue	$	6,461,337
Cash receipts from rental revenues		226,108
Cash receipts from Transit Center neutral host distributed antennae system revenues		864,583
Cash receipts from Transit Center naming rights revenue		3,037,567
Cash receipts from Community Benefits District revenue		246,255
Cash payments to employees for salaries and benefits		(614,479)
Cash payments to suppliers for goods and services		(16,019,153)
Other receipts		519,220
Net cash used for operating activities		(5,278,562)
Cash flows from noncapital financing activities:		
Net tax increment revenue received		12,457,838
Operating grant		10,693,675
Deposits received (paid)		143,944
Other receipts (payments)		29
Net cash provided by noncapital financing activities		23,295,486
Cash flows from capital and related financing activities:		
Proceeds from capital debt		4,522,502
Federal government capital grants received		2,496,548
Local government capital grants received		4,959,456
Other capital contributions received		4,058,021
Community Facilities District reimbursement revenue received		91,534,393
Proceeds from sale of air rights easement		42,000
Acquisition of capital assets		(109,315,789)
Net cash used for capital and related financing activities		(1,702,869)
Cash flows from investing activities:		
Purchases of investment securities		(184,721,926)
Proceeds from maturities of investment securities		180,731,078
Investment income received		1,485,321
Net cash used for investing activities		(2,505,527)
Net increase in cash and cash equivalents		13,808,527
Cash and cash equivalents, beginning of year		23,515,225
Cash and cash equivalents, end of year	**$**	**37,323,752**
Cash and cash equivalents, end of year:		
Cash and cash equivalents, unrestricted	$	37,319,752
Cash and cash equivalents, restricted		4,000
Cash and cash equivalents, end of year	**$**	**37,323,752**

(Continued on next page)

See notes to the financial statements

TRANSBAY JOINT POWERS AUTHORITY
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2019

Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	$	(12,044,281)
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in:		
Accounts receivables		296,086
Prepaid items		(65,467)
Increase (decrease) in:		
Pensions, OPEB and related deferrals		282,489
Accrued payroll		(1,261)
Unearned revenue		6,117,672
Accounts payable		123,395
Compensated absences		12,805
Net cash used for operating activities	$	(5,278,562)
Supplemental disclosures of cash flow information		
Noncash capital financing activities:		
Acquisition of capital assets on accounts	$	19,285,624

See notes to the financial statements

NOTE 1 - ORGANIZATION

In April 2001, the City, AC Transit, and the Peninsula Corridor Joint Powers Board (“PCJPB”) entered into an agreement creating the TJPA to design, develop, finance, build, operate and maintain the transit center and DTX. In November 2017, the California High-Speed Rail Authority was added as a new member agency of the TJPA based on the unanimous concurrence of the original member agencies (the original member agencies and new member agency referred to collectively as “Member Agencies”). The 8-member TJPA Board is composed of a director appointed by each of the following:

Alameda-Contra Costa Transit District
California High-Speed Rail Authority
City and County of San Francisco, Board of Supervisors (2 members)
City and County of San Francisco, Mayor’s Office
San Francisco Municipal Transportation Agency
Peninsula Corridor Joint Powers Board
State of California Department of Transportation (ex-officio)

The Member Agencies of the TJPA have granted to the TJPA most of their jointly held powers, including the authority to buy and sell property, to enter into contracts, and to accept and expend grants of cash and property. The TJPA’s management functions include contract oversight, policy direction, financing, investment supervision, and coordinating and collaborating with, among others, the U.S. Department of Transportation, the State and local entities including but not limited to the Member Agencies.

Based upon the TJPA Board’s adopted implementation plan, the Transbay Program is divided into two phases: the design and construction of the transit center, including the core-and-shell of the rail levels, as Phase 1, and the design and construction of the DTX as Phase 2. Phase 1 will be complete in Fiscal Year 2020. Phase 2 is at approximately a 30 percent design level; final design and construction will commence when the required revenues and financing have been secured.

The TJPA is legally separate and financially independent and is not considered a component unit of the State, California High-Speed Rail Authority, the City, AC Transit, or the PCJPB. Therefore, these financial statements represent solely the activities, transactions and status of the TJPA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The TJPA is a single enterprise fund. The activities of the TJPA are reported using the economic resources measurement focus and its records are maintained on the accrual basis of accounting. Under this method, revenues are recorded when earned and Program capital outlay and operating expenses are recorded when the related liability is incurred.

The TJPA distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. In Fiscal Year 2019, the principal operating revenues of the TJPA are comprised of revenues from neutral host distributed antennae system, naming rights, rentals and leases and the Community Benefits District reimbursements (“CBD”). Operating expenses for the TJPA include the cost of operations and administrative expenses. Any revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As noted above, nonoperating revenues result from an operating grant, CFD reimbursements and impact fees, net tax increment revenue, gain of the sale of an easement, as well as investment income and miscellaneous revenue. Capital grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and qualifying expenditures are incurred.

Net Position Flow of Assumptions
When Program costs are incurred, if there is both restricted and unrestricted net position available to finance the costs, it is the TJPA's policy to first apply restricted grant and revenue sharing resources to such Program costs.

Unearned Revenue
Resource inflows that do not yet meet the criteria for revenue recognition are recorded as unearned revenue. Capital contribution revenue from the TJPA's expenditure-driven grants and from other contributors such as adjacent property developers or tenants is recognized only when qualifying expenditures are incurred or the rental period begins. At June 30, 2019, the total amount of unearned revenue is $6,201,520, which is primarily from Naming Rights unearned revenue.

Prepaid Items
Resource outflows that do not yet meet the criteria for expenditure recognition, in that they benefit a future fiscal period, are recorded as prepaid items. At June 30, 2019, the total amount of prepaid items is $120,467.

Security Deposits Payable
The TJPA may require deposits from tenants of TJPA-owned rental property, the temporary terminal, and the transit center. Deposits may also be required from adjacent property developers for temporary leasing of access easements. At June 30, 2019, the TJPA had deposits payable of $192,766, comprised of $8,900 for a rental property, $24,000 for a transit center operating lease, $12,132 from developers for two easements and $146,373 from new transit center retail lessees.

Cash and Equivalents, and Investments
The TJPA reports demand deposits, deposits in investment pools, money market funds, and all other highly liquid investments with a maturity of twelve months or less when purchased as cash equivalents or investments at cost. Investments that are not highly liquid, or had maturities longer than twelve months at purchase, would be reported at fair value derived from the investment account statements.

All deposits are made in TJPA Board-designated official depositories. Investments are made per the TJPA Investment Policy, also approved by the TJPA Board. For more information on cash and investments, see Note 3.

Restricted Assets
Restricted assets consist of cash and investments that are held in trust as well as other assets that are restricted for specific purposes.

Capital Assets
The TJPA generally defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Land, including land transferred by the State that may be re-conveyed to the City or the Office of Community Investment and Infrastructure ("OCII") for future use or sale, and permanent easements are recorded as non-depreciable capital assets. Information technology, transit center, and DTX capital asset costs are classified as construction in progress until such assets are completed and placed in service, at which time the TJPA will commence recording depreciation expense on depreciable capital assets.

All construction in progress costs associated with the planning and construction of the Program that are not directly associated with either the transit center or the DTX are accumulated as indirect program-wide costs. The annual increase in accumulated indirect program-wide costs is allocated to the transit center and DTX based on the respective percentage increase of annual direct costs of each project and capitalized.

Non-depreciable land capital assets include the cost of the land and associated acquisition costs. Under the TJPA's capital asset policy, land costs include the following in addition to the actual acquisition costs: title and closing costs; relocation services, consultation and assistance; appraisal services; environmental consulting; land surveys; and site preparation including demolition.

Capital Contributions
The TJPA receives expenditure-driven restricted capital grants from the federal, state and local governments. Capital grants and contributions from external sources are recognized as capital contributions earned when the related allowable expenditures are incurred. Details for the various active federal government direct and pass-through capital grants are presented in the *Schedule of Expenditures of Federal Awards* ("SEFA").

Contributions of donated noncash, nonland assets are recorded at estimated acquisition value in the period received as in-kind contributions.

Federal and state grants, State-conveyed land scheduled to be retained by the TJPA, grants from local agency shared revenues, and in-kind contributions for the Transbay Program are reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position as capital contributions.

Net Position
The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the Statement of Net Position is classified as Net Position and is subdivided into the following three categories:

<u>Net Position-Net Investment in Capital Assets</u>
This component of net position consists of capital assets, net of related debt and of accumulated depreciation (when applicable), reduced by obligations to re-convey State-transferred land. At June 30, 2019, the TJPA has $249,000,000 in debt related to acquisition of capital assets, and $18,414,675 recorded as an intergovernmental liability to the City for re-conveyance of State-transferred land. In addition, the TJPA had retention and accounts payable related to acquisition of capital assets in the amount of $50,260,909. Total invested in capital assets net of related debt is $2,006,396,770.

<u>Net Position-Restricted</u>
Restricted net position has external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net position.

Restricted net position at June 30, 2019 is as follows:

Net position-restricted	
Restricted for construction	$ 9,422,848
Restricted for debt service	16,779,491
Total restricted net position	$ 26,202,339

Net Position-Unrestricted
This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets". At June 30, 2019, unrestricted net position is $26,397,697.

Pensions and OPEB
For purposes of measuring the net pension liability or net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System ("CalPERS") plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension and OPEB plan investments are reported at fair value.

Deferred inflows and outflows of resources are reported in accordance with generally accepted accounting principles. Deferred outflows of resources represent a consumption of net position that applies to a future period and thus will not be recognized as an expense until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until that time. See Note 6 for detailed information on the TJPA's pension benefits.

Derivative Instruments
The TJPA's interest rate cap is accounted for in accordance with generally accepted accounting principles, and the change in fair value of the hedging derivative instrument is reported as in the Statement of Revenues, Expenses and Changes in Fund Net Position. See Note 5 for further discussion of the TJPA's interest rate cap.

Use of Estimates
The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The TJPA's investment policy allows the TJPA to invest cash balances in insured savings or money market accounts in a qualified public depository as established by California state law, the City Treasurer's investment pool, the State's Local Agency Investment Fund ("LAIF"), or through trust accounts required by agreements, including the 2003 Cooperative Agreement with the State and financing agreements such as the TIFIA loan agreement with the USDOT, for the deposit of various types of revenues and debt proceeds.

The TJPA's cash held in the City and State investment pools is considered to be cash and cash equivalents because it has the same characteristics as a demand deposit. The TJPA's investments in the pools may be deposited or withdrawn without notice or penalty. Because the TJPA's short-term position in these pools is considered to be a demand deposit, the TJPA does not record any allocated share of unrealized gains or losses. The TJPA cash held in the City and State pools on June 30, 2019, as follows:

Account Name	City Pool	State Pool
Equity in pooled cash and investments	$ 10,409,131	$ 23,866,457

LAIF and the City pool are not registered with the Securities and Exchange Commission. LAIF is a voluntary program created by statute as an investment alternative for California's local governments and special districts. Oversight for LAIF is provided by the Local Investment Advisory Board ("LIAB"), consisting of five members appointed by the California State Treasurer. The City pool invests public funds in a manner which will preserve capital and provide a market rate of return while conforming to all state and local statutes governing the investment of public funds. Oversight for the City pool is provided by a Treasury Oversight Committee, established by the San Francisco Board of Supervisors.

Additional information regarding the City pool is presented in the notes of the City's basic financial statements. Additional information regarding LAIF is available online at www.treasurer.ca.gov/pmia-laif/laif.asp.

As of June 30, 2019, the TJPA had investments of $40,055,932 in U.S. Treasury notes, U.S. Treasury bills, U.S. Agency notes, negotiable certificates of deposit and money market funds, all considered highly liquid with a term to maturity at purchase of less than one year. Accordingly, all investments below are reported at cost, rather than fair value because the difference between the cost and market value was insignificant:

Type	Value	Credit Ratings	Percent of Total Portfolio
Cash equivalents			
Negotiable certificates of deposit	$ 250,000	n/a	0%
Money market mutual funds	7,038,436	AAAm	9%
Investments			
U.S. Agency notes	7,042,347	AAA	9%
U.S. Treasury notes	15,609,107	AAA	20%
U.S. Treasury bills	10,116,042	AAA	13%
Total investments	40,055,932		52%
Cash and pooled investments	37,323,752	n/a	48%
Total Portfolio	$ 77,379,684		100%

TJPA 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 the fair value of the asset.

Level 1 – inputs are quoted prices in active markets for identical assets. Level 1 assets may include debt and equity securities that are traded in an active exchange market, are highly liquid, and are actively traded in over-the-counter markets.

Level 2 – inputs are significant other observable inputs such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads.

Level 3 – inputs are unobservable and should be developed using the best information available under the circumstances; TJPA does not have any Level 3 investments at June 30, 2019. TJPA's fair value measurements are categorized as follows at June 30, 2019:

- U.S. Treasury securities are Level 1, valued using quoted market prices
- U.S. Agency securities are Level 2, valued using IDSI institutional bond quotes
- Certificates of deposit are Level 2, valued using market prices
- Money market mutual funds are Level 2, valued at $1 per share

TJPA's investments in the City and State investment pools are uncategorized; they are not measured using the input levels described above because TJPA's transactions are based on a stable net asset value of $1 per share.

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Obligations of the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. Certificates of deposit are insured by the Federal Deposit Insurance Corporation up to $250,000; all TJPA certificates of deposit are $250,000 or less in value. The credit ratings of other TJPA investments are disclosed above.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The only investments in any single issuer that exceeded 5% of the total investment portfolio were in U.S. Treasuries.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. California Government Code limits investments in U.S. Treasury Obligations, commercial paper, and negotiable certificates of deposit to a maximum maturity of five years, 270 days, and five years, respectively, which helps to mitigate this risk since the prices of fixed-income securities with a longer time to maturity tend to be more sensitive to changes in interest rates. At June 30, 2019, TJPA had a series of investments in U.S. Treasury notes and bills that mature by March 15, 2020; U.S. Agency notes that matured by August 1, 2019; and negotiable certificates of deposit with the latest maturity at August 1, 2019.

Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. TJPA investment policy limits deposits to qualified public depositories as established by state law. The amounts placed on deposit with the bank were covered by federal depository insurance and were collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code. Such collateral is held by the pledging financial institutions' trust department or agent but not in the TJPA's name.

Custodial credit risk for investments is the risk that, in the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2019, $32,767,496 of U.S. Treasuries and Agencies were held by the same broker-dealer (counterparty) that was used to purchase the securities.

NOTE 4 - CAPITAL ASSETS

The TJPA's capital assets consist of land, including land transferred by the State and land acquired by the TJPA that may be re-conveyed to the City or OCII, permanent easements, and accumulated construction in progress related to the transit center and DTX. Construction in progress also includes intangible assets that are recorded as Information Technology in the statement of net position, which consists of costs to develop the TJPA's website and labor compliance software licensing. Capital assets are recorded at historical cost if purchased or constructed. Capital assets not purchased or constructed are recorded at estimated fair value at the time of acquisition.

Capital Asset Activity for the Fiscal Year Ended June 30, 2019:

	Beginning of Fiscal Year	Current Year Acquisitions	Current Year Dispositions	End of Fiscal Year
Capital assets not being depreciated:				
Land	$ 186,082,200	$ -	$ -	$ 186,082,200
Permanent easements	137,374	-	-	137,374
State transferred land to be re-conveyed to the City	18,414,675	-	-	18,414,675
Construction in progress:				
Information technology	177,965	14,000	-	191,965
Transbay Transit Center	1,965,452,685	90,446,802	-	2,055,899,487
Caltrain Downtown Extension	61,866,880	1,479,774	-	63,346,654
Total capital assets not being depreciated	$ 2,232,131,779	$ 91,940,576	$ -	$ 2,324,072,355

Land Acquisition

The total land value at June 30, 2019 of $186,082,200 is made up of 32 parcels of land acquired by purchase, eminent domain, or transfer from the State over the life of the Program. The additional costs included in the land value are primarily for demolition of the old terminal and bus ramps, relocation assistance and loss of goodwill for relocated businesses, appraisals, surveying, environmental remediation and monitoring, garage easement interests, and title and closing costs. No property was acquired during the year ended June 30, 2019.

Land Acquisition Summary

Scheduled disposition:	**Parcels**	**Land Value**	**Additional Costs**	**Total Land Value**
Retained for:				
Transit Center	18	$ 125,409,458	$ 21,607,336	$ 147,016,794
Downtown Extension	11	15,691,890	1,886,957	17,578,847
Total to be retained	29	141,101,348	23,494,293	164,595,641
Transfer to the City or OCII	3	20,628,720	857,839	21,486,559
Total value	32	$ 161,730,068	$ 24,352,132	$ 186,082,200

TJPA is scheduled to permanently retain title to 29 parcels valued at $164,595,641. The TJPA will hold title to the remaining three parcels with a land value of $20,628,720 for a temporary period. These three parcels are needed only during the construction of the transit center and the operation of the Temporary Terminal and then will be conveyed to the City or OCII, along with an additional four parcels transferred by the State, with a value of $18,414,675, when no longer needed for Temporary Terminal operations. The fiscal year in which the TJPA transfers the parcels to the City or OCII, the TJPA will remove the liability related to the four former State-owned parcels and will report the remaining three parcels as either a sale or conveyance to the City or OCII at the time the transaction occurs.

Land Transferred From the State by Fiscal Year and Land Scheduled to be Transferred to the City or OCII:

	Total Transferred From the State		**Scheduled To be Retained**		**Scheduled To be Transferred To City/OCII For Sale**	
	No.	**Value**	**No.**	**Value**	**No.**	**Value**
FY 2009	4	$ 16,683,315	0	$ -	4	$ 16,683,315
FY 2011	14	72,007,574	9	53,186,468	5	18,821,106
FY 2013	0	(6,985,999)	0	(6,985,999)	0	-
FY 2014	1	7,476,962	0	-	1	7,476,962
FY 2015	0	-	0	-	0	-
FY 2016	0	-	0	-	0	-
FY 2017	0	-	0	-	0	-
FY 2018	0	-	0	-	0	-
FY 2019	0	-	0	-	0	-
Total Transferred	19	$ 89,181,852	9	$ 46,200,469	10	42,981,383
Total State Parcels transferred to the City/OCII					(6)	(24,566,708)
Remaining State Parcels to be transferred to the City/OCII					4	18,414,675
TJPA acquired land scheduled to be transferred to the City/OCII					3	20,628,720
Additional costs for all parcels scheduled to be transferred to the City/OCII						857,839
Total land scheduled to be transferred to the City/OCII					7	$ 39,901,234

The TJPA has applied one of two valuation methods for each land parcel transferred from the State to the TJPA. Parcels that the State was leasing to third parties prior to transfer to the TJPA are valued by the TJPA using the lease rate. For parcels that were not being leased by the State at or near the date of transfer, the TJPA has used the sale price of comparable parcel(s) sold in the vicinity of the transit center. This valuation is for purposes of compliance with GASB Statement No. 34 accounting and reporting requirements only and should not be construed as current market value for the parcels.

Land parcels transferred from the State which are scheduled to be retained by the TJPA are recorded as a capital contribution and included as a component of the land capital asset account. At June 30, 2019, the value of the land transferred from the State which is scheduled to be retained by the TJPA is $46,200,469 according to the described valuation methodology.

At June 30, 2019, the TJPA held title to seven land parcels valued at $39,901,234 which are temporarily needed by the TJPA only for the construction of the Transbay Program—three acquired by purchase and four via transfer from the State. Upon completion of the construction period, these parcels are scheduled to be transferred to the City or OCII for future sale.

Land parcels transferred from the State which are scheduled to be re-conveyed to the City or OCII upon completion of the new transit center are recorded as an intergovernmental liability to the City and as State-transferred land to be re-conveyed to City capital asset account. At June 30, 2019, the total value of the land to be re-conveyed to the City recorded in these liability and capital asset accounts is $18,414,675.

In the fiscal year the TJPA transfers the parcels to be re-conveyed to the City or OCII, the TJPA will record the liquidation of the intergovernmental liability to the City and accordingly reduce the State-transferred land capital asset account.

<u>Future Transfers of State Parcels</u>
Of the three State parcels to be transferred, one is scheduled to be transferred to the TJPA when required for construction purposes or development. Another parcel is scheduled to be transferred directly from the State to the City or OCII and will not be recorded in the TJPA's accounting records. And the third parcel that had been planned for transfer is no longer required and will be retained by the State.

<u>Contract Commitments</u>
At year end, the TJPA had contract commitments of $72,194,368 for construction, design, engineering, planning and administrative costs.

NOTE 5 - LONG TERM OBLIGATIONS AND DERIVATIVE INSTRUMENT

The TJPA has outstanding debt from direct borrowings, at June 30, 2019, as follows:

Obligation	Final Maturity Date	Interest Rate	Balance at June 30	
TIFIA loan	2051	4.57%	$	186,128,592
Interim City financing	upon repayment	1-month LIBOR plus margin		78,000,000
		Total long-term obligations	$	264,128,592

TIFIA Loan

The federal TIFIA program provides loans, loan guarantees and standby lines of credit to transportation infrastructure projects throughout the country. TJPA reached financial close on a $171,000,000 TIFIA loan in January 2010 for Phase 1 transit center construction. TIFIA commenced disbursements of the loan in Fiscal Year 2017. The full loan amount of $171,000,000 was drawn as of June 30, 2019. Interest is added to the loan balance for the first two years; the TJPA accrued $15,128,592 through June 30, 2019. Interest payments will commence in 2020, two years after the substantial completion of the transit center. Principal repayment will commence when amortization begins in 2025.

Pledged Revenues

The TJPA receives net tax increment revenues generated by the former State-owned parcels sold for development and committed to the TJPA, pursuant to an agreement with the City and OCII. The net tax increment revenue that is received by TJPA, together with, to a much lesser extent, certain AC Transit contributions, and income derived from permitted investments from these two sources (together "Pledged Revenues") is pledged as security under the TIFIA loan. This revenue is only available for limited other purposes until the TIFIA loan is repaid in full, currently forecast for August 1, 2050.

Tax increment in California has a 20% mandated set-aside for affordable housing. The net tax increment revenue assumed to flow to TJPA is net of this set-aside as well as 21% statutory pass-through payments to other taxing entities including school districts. In accordance with the Transbay Development Project Tax Increment Allocation and Sales Proceeds Pledge Agreement, TJPA is to receive net tax increment revenue until March 31, 2050. An amendment to the TIFIA loan allows use of net tax increment revenues to pay the ongoing interest on, and, potentially, a take-out of, the interim City financing described below.

TIFIA Annual Debt Service

Year Ending June 30:	Principal	Current Accreted Interest	Future Accretion of Interest	Total
2020	$ -	$ -	$ 4,293,098	$ 4,293,098
2021	-	-	8,551,295	8,551,295
2022	-	-	8,539,533	8,539,533
2023	-	-	8,539,533	8,539,533
2024	-	-	8,527,771	8,527,771
2025-2029	17,203,066	1,595,627	41,054,212	59,852,905
2030-2034	23,744,148	2,202,328	35,838,492	61,784,968
2035-2039	29,762,970	2,760,589	29,261,409	61,784,968
2040-2044	37,311,702	3,460,753	21,012,513	61,784,968
2045-2049	46,760,556	4,337,157	10,687,254	61,784,967
2050-2051	16,217,558	1,504,219	813,713	18,535,490
Total	$ 171,000,000	$ 15,860,673	$ 177,118,823	$ 363,979,496

Interim City Financing

In 2016, the TJPA Board approved a Phase 1 budget of $2.259 billion, at the recommendation of MTC following a risk and cost review of the project. To fully fund the new budget, additional funding was required. The City, MTC and TJPA negotiated a financing that closed in Fiscal Year 2017. Under the financing, TJPA leases the Train Box portion of the transit center to a bank acting as a trustee. The City is also leasing certain City-owned property to the trustee. The trustee subleases the properties back to the City. Payments by the City under the subleases are set to be equivalent to and pay the debt service on certificates of participation ("COPs") sold by the City to Wells Fargo Bank, N.A. ("Wells Fargo") and MTC. Up to $160 million in COPs may be sold to Wells Fargo and up to $100 million to MTC. TJPA submits draw requests to the City to fund construction costs and the City sells COPs as needed. TJPA is obligated to reimburse the City for amounts paid by the City on the COPs pursuant to a leaseback by TJPA of the asset it leased, which it pays from net tax increment revenues pursuant to an amendment to the TIFIA loan negotiated concurrently with the City financing. TJPA intends to repay the outstanding principal of the COPs to the City with the City's future bond proceeds allocated to the TJPA and backed by the Transbay Transit Center CFD special taxes. TJPA is expected to secure a long-term take-out of the financing in the next fiscal year if any City financing remains outstanding.

Interim City Financing Annual Debt Service

Year Ending June 30:	Principal	Interest (Base Rental)	Less Interest Rate Cap Payments Received	Net Interest	Additional Rental	Total
2020	$ 7,800,000	$ 2,787,599	$ (898,750)	$ 1,888,849	$ 70,617	$ 9,759,466
2021	15,600,000	2,322,870	(66,667)	2,256,203	-	17,856,203
2022	15,600,000	1,759,797	-	1,759,797	-	17,359,797
2023	15,600,000	1,196,724	-	1,196,724	-	16,796,724
2024	15,600,000	635,193	-	635,193	-	16,235,193
2025	7,800,000	106,058	-	106,058	-	7,906,058
Total	$ 78,000,000	$ 8,808,241	$ (965,417)	$ 7,842,824	$ 70,617	$ 85,913,441

The COPs are sold based on a variable rate of one-month London Interbank Offer Rate ("LIBOR") plus an applicable margin. The one-month LIBOR rate is the rate in effect each month and is set at the end of the prior month. TJPA was required by the TIFIA lender to enter into an interest rate cap that caps the 1-month LIBOR portion of the variable interest rate (excluding the margin) at 1.75%. The interest is paid as Base Rental on a quarterly basis, and a commitment fee for the unused amount of Wells Fargo capacity of 20 basis points (0.20%) is also paid quarterly as Additional Rental. The interest rate at June 30, 2019, was 3.0%. The Base and Additional Rental amounts paid or accrued for Fiscal Year 2019 are as follows:

Quarter Ended	Principal Balance	Rate	Interest (Base Rental)	Less Interest Rate Cap Payments Received	Net Base Rental	Additional Rental
Sep-18	$ 103,000,000	2.674%	$ 691,148	$ (127,167)	$ 563,981	$ 29,133
Dec-18	103,000,000	2.909%	761,266	(207,822)	553,445	29,133
Mar-19	78,000,000	3.049%	715,036	(272,812)	442,223	28,500
Jun-19	78,000,000	3.000%	598,778	(268,271)	330,507	28,817
Total	$ 78,000,000		$ 2,766,228	$ (876,072)	$ 1,890,156	$ 115,583

Base and Additional Rental were capitalized for the period because the financing proceeds were used exclusively to fund project construction.

The changes in long-term obligations for the year ended June 30, 2019 are as follows:

	Beginning of Fiscal Year	Current Year Additions	Current Year Decreases	End of Fiscal Year
Loans payable				
TIFIA loan	$ 156,606,090	$ 29,522,502	$ -	$ 186,128,592
Interim City financing	103,000,000	-	(25,000,000)	78,000,000
Accrued compensated absences	222,517	12,805	-	235,322
Total long-term obligations	$ 259,828,607	$ 29,535,307	$ (25,000,000)	$ 264,363,914

TJPA does not have any unused lines of credit.

Derivative Instrument - Interest Rate Cap

TJPA has two interest rate caps as a hedge against rising interest rates under the interim City financing, as required by the TIFIA lender. The first Interest Rate Cap Agreement limits TJPA's variable interest rate exposure by providing that SMBC Capital Markets, Inc., as cap provider counterparty, will make monthly payments to TJPA to the extent that the one-month LIBOR rate exceeds 1.75%. The interest rate cap has a notional amount that started at $25,000,000 and stepped up incrementally to $162,000,000, and then back down to $64,000,000 as of June 30, 2019. The cap is in effect through July 1, 2020.

TJPA paid $1,260,000 for the SMBC interest rate cap and the fair value was $239,326 at June 30, 2019; the cost exceeded fair value by $1,020,674.

The initial cap notional principal dropped to $64,000,000 on July 1, 2019, while the outstanding balance of the City Financing is expected to remain at $78,000,000 through some or all of calendar year 2020. In order to cover this gap, the TJPA purchased an incremental cap effective July 1, 2019 with a one-month LIBOR strike price of 3% and a notional principal profile reflecting the expected repayment profile of the City Financing. The incremental cap notional profile is $14,000,000 through July 1, 2020, increasing to $78,000,000 through January 1, 2021.

The TJPA paid $15,000 for the Goldman Sachs interest rate cap and the fair value was $6,084 at June 30, 2019; the cost exceeded fair value by $8,916. The fair value of both caps was derived from the Dodd Frank Regulatory Daily Mark value provided by Swap Financial Group, LLC. Both caps were recorded as other non-current assets on the Statement of Net Position. The interest rate cap was determined to be effective, meaning that the derivative significantly reduces an identified financial risk and hedge accounting is used.

<u>Credit Risk</u>
Credit risk is the risk that a counterparty will not fulfill its obligations. The maximum loss that would be recognized at the reporting date if both counterparties failed to perform as contracted is $245,410 which is the fair value of the interest rate caps at year-end. To minimize TJPA's exposure to credit risk, the Interest Rate Cap agreements require that if the cap provider is downgraded below A/A2/A then the cap provider must transfer collateral to TJPA equal to 100% of the mark to market value of the cap or obtain a replacement counterparty that meets the rating requirements. If the cap provider is downgraded below A-/A3/A-, the cap provider must obtain a replacement counterparty that meets the rating requirements. At June 30, 2019, both counterparties were rated A/A1/A.

<u>Termination Risk</u>
Termination risk is the possibility that a derivative may end earlier than expected, depriving TJPA of the protection from interest rate risk. TJPA or its counterparty may terminate the interest rate cap in accordance with the terms of the Interest Rate Cap Agreement. The Interest Rate Cap Agreement was entered into under the International Swaps and Derivatives Association, Inc. Master Agreement ("ISDA Master Agreement"). The ISDA Master Agreement together with the Confirmation of the Interest Rate Cap Agreement provide the terms and conditions upon which each party may terminate the Interest Rate Cap Agreement. Included in such terms and conditions is the right of TJPA to terminate the Interest Rate Cap Agreement on any business day and the right of TJPA to terminate the Interest Rate Cap Agreement if the counterparty's senior, unsecured, unenhanced debt rating is downgraded below the ratings noted above. No payment would be due from TJPA to the counterparty in any instance of termination.

NOTE 6 - RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS

A. <u>Pension Plan</u>

Plan Description and Benefits Provided
All full-time employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined-Benefit Pension Plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement, disability, and death benefits based upon the employee's years of service, age, and final compensation. Benefit provisions under the Plan are established by State statute and TJPA resolution. Employees vest after five years of service.

TJPA contracted with CalPERS effective January 1, 2012. Prior to that date, full-time employees participated in the CalPERS pension plan via Local Government Services ("LGS"), previously TJPA's employer of record under contract. CalPERS processed a merger, transferring TJPA employees from LGS' plan to TJPA's plan. Due to its small number of employees, TJPA participates in the CalPERS risk pool for Miscellaneous Employees. There are two retirement formulas for TJPA employees, depending upon date of hire: "2% at 55" risk pool for "Classic" CalPERS employees, and "2% at 62" for employees hired after January 1, 2013 who are not already CalPERS members, per the California Public Employees' Pension Reform Act ("PEPRA").

Detailed information about the pension plan's fiduciary net position is publicly available in separately issued CalPERS reports. The reports and other details referenced below may be obtained from CalPERS, www.calpers.ca.gov.

Contributions
The contribution requirements of plan members are established by State statute, and the employer contribution rate is actuarially established and may be amended by CalPERS. PEPRA members are required to contribute 6.25% of their annual covered salary, and Classic members are required to contribute 7% of their annual covered salary. TJPA pays this required contribution on behalf of Classic employees, amounting to $101,975 for the year ended June 30, 2019. For Fiscal Year 2019, the actuarially determined employer contribution rate was 9.409% of covered payroll costs for Classic employees, amounting to $137,069, and 6.842% for PEPRA employees, amounting to $43,450. The employer contribution, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, TJPA employer contributions that are included in the calculation of net pension expense were $180,519.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
Generally accepted accounting principles require employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangement to record the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position. Net pension liability is the plan's total pension liability based on the entry age normal actuarial cost method less the plan's fiduciary net position.

Pension expense is the change in net pension liability from the previous fiscal year to the current fiscal year less adjustments. Deferred outflows and deferred inflows of resources related to pensions are certain changes in total pension liabilities and fiduciary net position that are to be recognized in future pension expense. Each participating cost-sharing employer, such as TJPA, is required to report its proportionate share of the collective net pension liability, pension expense, and deferred outflows/deferred inflows of resources in their financial statements. The disclosures below are thus based on an actuarial valuation provided by CalPERS.

At June 30, 2019, TJPA reported a liability of $708,735 for its proportionate share of the net pension liability. The net pension liability was measured by CalPERS as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. TJPA's proportion of the net pension liability was based on a projection of TJPA's long-term share of contributions to the pension plan relative to the projected contributions of all participating local governments, actuarially determined. TJPA's proportionate share of the net pension liability for the plan as of June 30, 2018 and 2019 was as follows:

Proportion - June 30, 2018	0.0186%
Proportion - June 30, 2019	0.0188%
Change - Increase (Decrease)	0.0002%

The annual pension expense is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for the deferred recognition of actual contributions and items such as investment gains and losses, changes in actuarial assumptions, and changes in plan benefits. For the year ended June 30, 2020, TJPA recognized a net pension expense of $280,123. At June 30, 2019, TJPA also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 180,519	$ -
Differences between actual and expected experience	27,193	(9,254)
Changes in assumptions	80,798	(19,802)
Contributions in excess of employer share	30,433	(28,600)
Changes in proportion	177,073	(18,054)
Net differences between projected and actual earnings on pension plan investments	3,504	-
Total	$ 499,520	$ (75,710)

Of the $499,520 total deferred outflows of resources, $180,519 resulting from TJPA employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Total Deferred Outflows (Inflows)
2020	$ 136,221
2021	105,773
2022	7,672
2023	(6,375)
2024	-
Total	$ 243,291

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Assumptions

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15%, Net of Expenses

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation was based on the results of a 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability remained at 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS determined the long-term expected rate of return on pension plan investments using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Both short-term and long-term market return expectations were taken into account, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years). Using the expected nominal returns, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to this calculated single equivalent rate and rounded down to the nearest one quarter of one percent.

Sensitivity of TJPA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents TJPA's proportionate share of the net pension liability for the plan, calculated using the discount rate of 7.15%, as well as what TJPA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount Rate -1 (6.15%)	Discount Rate (7.15%)	Discount Rate +1 (8.15%)
Net pension liability	$ 1,363,841	$ 708,735	$ 167,956

Payable to the Pension Plan

At June 30, 2019, TJPA reported a payable of $14,630 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

B. Defined Contribution Retirement Plan

TJPA participates in the California Public Agencies Self-Directed Tax-Advantaged Retirement System Plan (the "STARS Plan"), which provides retirement benefits for employees of the member public agencies. The STARS Plan includes a deferred compensation plan in accordance with Internal Revenue Code Section 457(b), whereby employees may elect to defer portions of their compensation in a self-directed investment plan for retirement, and a defined contribution plan in accordance with Internal Revenue Code Section 401(a), whereby TJPA matches employee contributions up to two percent of the employee's base annual salary. All employees are eligible for plan participation. Plan assets are invested in each individual's name with a deferred compensation plan provider. The STARS Plan deferred compensation and defined contribution assets are not reflected in these financial statements. Each of the STARS Plan's participants directs the investments of their separate accounts. Employer contributions vest immediately. Distributions are made upon the participant's termination, retirement, death or total disability. During the year ended June 30, 2019, the TJPA and participating employees made contributions to the STARS Plan totaling $32,154 and $125,387, respectively. At June 30, 2019, TJPA had a payable of $6,934 for the outstanding amount of contributions to the defined contribution plan required for the fiscal year.

C. Other Post-Employment Benefits

Plan Description and Benefits Provided

TJPA contracts with CalPERS under the Public Employees' Medical and Hospital Care Act ("PEMHCA"), which provides healthcare insurance programs for both active and retired employees of public employer contracting agencies. TJPA has a program in place to partially pay CalPERS medical insurance premiums for eligible retiring employees. Retiree benefit provisions are established and amended through agreements between TJPA and its employees; at a minimum TJPA will contribute the amount required by PEMHCA, which is $136 per month per employee in calendar year 2019 and $139 in 2020. Participating retirees pay the difference between the benefit they receive and the monthly premium. Medical insurance premiums for retiree's spouses or dependents are not covered under these agreements, nor are dental or vision premiums. The plan does not issue a separate financial report.

Contribution

TJPA joined the California Employers' Retiree Benefit Trust ("CERBT"), an irrevocable trust established under Internal Revenue Code Section 115 to fund other post-employment benefits ("OPEB"), in Fiscal Year 2016. CERBT, an agent multiple-employer plan, is administered and managed by CalPERS and issues a financial report available on the CalPERS website. For Fiscal Year 2019, TJPA accrued a $25,252 payable to CERBT, which was paid on July 31, 2019. TJPA participates in the CERBT Strategy 3 portfolio, the most conservative of the three available investment strategies, and the ending trust balance at June 30, 2019 was $329,320.

Employees Covered

At the July 1, 2017 valuation date, the TJPA had nine active employees and one retiree receiving benefits.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.6%. The projection of cash flows used to determine the discount rate assumed that the TJPA contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation
Global Equity	22%
Fixed Income	49%
Treasury Inflation-Protected Securities	16%
Real Estate Investment Trusts	8%
Commodities	5%
	100%

Net OPEB Asset

TJPA's net OPEB asset was measured as of June 30, 2018, determined by an actuarial valuation of total OPEB liability as of July 1, 2017:

	Increase (Decrease)		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Asset**
Balance at June 30, 2018	$ 238,490	$ 270,112	$ (31,622)
Changes for the year:			
Service cost	26,314	-	26,314
Interest	15,841	-	15,841
Changes in benefit terms	-	-	-
Differences between actual and expected experience	-	12,817	(12,817)
Changes in assumptions	16,402	-	16,402
Contribution - employer	-	26,135	(26,135)
Contribution - member	-	-	-
Net investment income	-	-	-
Benefit payments	(1,566)	(1,566)	-
Other expenses	-	(358)	358
Administrative expense	-	(141)	141
Net changes	56,991	36,887	20,104
Balance at June 30, 2019	$ 295,481	$ 306,999	$ (11,518)

Actuarial Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between TJPA and the plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The 2017 actuarial valuation used the following actuarial methods and assumptions:

Discount rate	5.60%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increases	3.25%, used only to allocate cost of benefits between service years
Investment rate of return	5.60%
Mortality rates	MacLeod Watts Scale 2017 applied generationally
Healthcare cost trend rate	7.5% in 2019, trending down to 5% in 2024 and thereafter

Sensitivity of the Net OPEB Liability to Change in Discount Rate

The following presents the net OPEB liability/asset of the TJPA, as well as what the TJPA's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher, than the current discount rate (in thousands):

Net OPEB Asset at 1% increase	$	50,294
Net OPEB Asset at Current Rate		11,518
Net OPEB Liability at 1% decrease		(35,643)

Sensitivity of the Net OPEB Liability to Change in Healthcare Costs

The following presents the net OPEB liability/asset of the TJPA, as well as what the TJPA's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower, or one percentage point higher, than the current healthcare cost trend rates (in thousands):

Net OPEB Liability at 1% increase	$	(76,820)
Net OPEB Asset at Current Rate		11,518
Net OPEB Asset at 1% decrease		68,435

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is amortized over a five-year period. All other amounts are amortized over the expected average remaining service lifetime (EARSL) of 8.96 years.

OPEB Expense (Income) and Deferred Outflows/Inflows of Resources Related to OPEB
For the fiscal year ended June 30, 2019, the TJPA recognized OPEB expense of $2,364. As of the fiscal year ended June 30, 2019, the TJPA reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 26,987	$ -
Assumption changes	14,571	-
Net differences between projected and actual earnings on plan investments	6,210	-
Total	$ 47,768	$ -

The reported deferred outflows of resources related to OPEB will be recognized as expense as follows:

For the Fiscal Year Ending June 30	Deferred Outflows (Inflows) of Resources
2020	$ 3,626
2021	3,626
2022	3,627
2023	2,655
2024	1,831
Thereafter	5,416
Total deferred outflows (inflows)	$ 20,781

NOTE 7 - LEASES

Leases as Lessee

The TJPA leases office space under an operating lease which expires in March 2021. Total costs for this lease were $767,819 for the year ended June 30, 2019. These costs represent direct Program management costs related to the transit center and DTX and as such are capitalized as part of accumulated Program costs.

In May 2017 the TJPA entered into an airspace lease agreement with the State of California for the property under Interstate 80 between Third, Second, Perry and Stillman streets for the construction and operations of the Bus Storage Facility. The term of the lease is 25 years. In August 2018, with the completion of construction and commencement of operations of the Bus Storage Facility, AC Transit became responsible for the lease costs under a sublease with TJPA. Payments for this lease made for the fiscal year ending June 30, 2019 were $24,885. There are no future lease payments as a result of sublease with AC Transit.

The future minimum lease payments are as follows:

	TJPA Office Lease
2020	$ 753,761
2021	579,899
	$ 1,333,659

Leases as Lessor

The transit center is comprised of 91,640 square feet of retail space, currently divided into 36 retail spaces. As of June 30, 2019, 14 leases have been executed, which correlates to leasing rates of 39% of the retail spaces and 59% of the retail square footage.

	Total	Total Executed	% Executed
Square Footage	91,640	53,082	58%
Number of Retail Spaces	36	14	39%
Average Annual Rent	$5.5M	$3.4M	62%

NOTE 8 - RISK MANAGEMENT

The TJPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The TJPA participates in the Special District Risk Management Authority ("SDRMA"), a joint powers agency established in 1986 to provide pooled joint protection programs among the members of SDRMA. The purpose of SDRMA is to reduce the amount and frequency of losses and to decrease the cost incurred by its members in the handling and litigation of claims and to purchase excess or re-insurance as a group, thereby reducing costs. The TJPA's deductibles and maximum coverages under the SDRMA pool are as follows:

Coverage Description	Deductibles	Coverage
General Liability	$500	$10,000,000
Auto Liability	$1,000	$10,000,000
Property Coverage	$1,000	$1,000,000,000
Boiler and Machinery Coverage	$1,000	$100,000,000
Employees and Public Officials:		
Errors and Omissions Liability	$0	$10,000,000
Dishonesty	$0	$1,000,000
Personal Liability for Board Members	$500	$500,000

There were no reductions in insurance coverage from the previous year. The TJPA pays an annual contribution, determined by the Board of Directors of SDRMA, and any additional amounts which the SDRMA Board of Directors deems necessary in accordance with bylaws of SDRMA. The TJPA's annual contribution for the fiscal year ended June 30, 2019 was $200,851.

In addition, the TJPA purchased an excess liability policy to provide additional coverage of $10,000,000. The premium for the fiscal year ended June 30, 2019 for this policy was $105,264. There is no deductible under this policy. The TJPA does not maintain earthquake insurance coverage.

The TJPA maintains property insurance. The premium for the fiscal year ended June 30, 2019 was $985,983.

The TJPA maintains workers' compensation insurance in compliance with statutory limits. The premiums for the Fiscal Year ended June 30, 2019 for this coverage were $19,730. TJPA also holds a public officials bond renewed in May 2019, with a two-year term for $875.

During the year ended June 30, 2010, the TJPA received a payment and performance bond from Webcor Builders/Obayashi Corporation, the joint venture awarded the Construction Manager/General Contractor ("CM/GC") contract. The bond provides a $600 million guarantee that the CM/GC will complete the transit center and related structures in accordance with its contract and that it will pay its subcontractors, labor and suppliers. The TJPA reimbursed the CM/GC $5.4 million for the original bond premium. In Fiscal Years 2014 and 2015, the bond amount was increased to $889 million, for premiums totaling $2,594,064. During the year ended June 30, 2016, the TJPA accrued an additional $4,017,442 for a bond rider that increased the bond amount to $1,336,575,975. The additional premium was fully paid by June 30, 2017.

NOTE 9 - RELATED PARTY TRANSACTIONS

Note 9 identifies agencies of State and local government that appoint members to the TJPA Board of Directors. The TJPA also purchases goods and services from some of these TJPA Board Member Agencies and these Agencies are therefore considered to be related parties to the TJPA. Below is a summary of goods and services purchased by the TJPA from these related parties during the fiscal year ended June 30, 2019.

A. City and County of San Francisco

During the year ended June 30, 2019, the City provided services including management, administration, permitting and inspection of construction; traffic engineering; transit center power connections; and legal assistance to the TJPA. Such services totaled $4,188,181, with $1,849,210 due to the City at June 30. Services were provided by the following organizations/departments:

Office of the City Attorney	$ 1,207
Department of Public Works	1,333,835
Department of Technology	16,272
Municipal Transportation Agency	285,327
Police Department	1,953,896
Fire Department	2,367
Public Utilities Commission	553,512
Department of Building Inspections	38,094
County Clerk	3,234
Tax Collector	437
Total	$ 4,188,181

In addition, Community Benefit District special assessments of $221,597 were paid to the San Francisco Tax Collector during the fiscal year. $3,081,137 was paid to the Office of the Controller, of which $2,925,946 was for Base and Additional Rental (see Note 5) and $155,191 was property insurance under the lease-back agreement. Also, at June 30, 2019, the TJPA held title to land parcels which are temporarily needed by the TJPA only for the construction of the Transbay Program. Upon completion of the construction period, these parcels will be transferred to the City or OCII (see Note 4).

B. Alameda-Contra Costa Transit District (AC Transit)

AC Transit provides bus services between Alameda and Contra Costa counties and the City and County of San Francisco. Under the Program, the temporary terminal and the transit center are the point of destination/departure for AC Transit's bus services in San Francisco. On September 29, 2008, the TJPA Board of Directors approved a comprehensive Lease and Use Agreement that controls AC Transit's bus operations at the temporary terminal and the transit center through at least the year 2050. The Agreement sets forth all the rights and obligations of the parties with respect to the two facilities. It addresses payments AC Transit will make for its share of operating and maintenance costs at the transit center should operating expenses exceed revenues, as well as its contribution in the sum of $57,000,000 (discounted to 2011 dollars) to the capital cost of the new transit center. The Agreement also addressed incremental payments that TJPA would make to AC Transit to cover the increased costs to AC Transit of operating out of the temporary terminal. The Agreement allows for subtenant agreements, where subtenants can be allocated a share of the primary tenant's operating and maintenance costs. Beginning in the fiscal year ended June 30, 2019, TJPA was no longer obligated to reimburse AC Transit for its incremental operating and maintenance costs at the temporary terminal.

C. State of California Department of Transportation ("Caltrans")

Caltrans provides design review and construction support services to the TJPA and leases the site of the Bus Storage Facility to TJPA. Such services and lease payments totaled $30,154 during the year ended June 30, 2019, all of which had been paid to Caltrans at June 30. The agreements with Caltrans require the TJPA to provide, within the total agreement amounts, payment for revolving invoice reserves. The payment of these deposits total $55,000, which the TJPA has recorded as prepaid items.

See also Note 4, Capital Assets, for information regarding State-conveyed land to be retained by the TJPA and re-conveyed to the City or OCII.

As of June 30, 2019, the California High-Speed Rail Authority ("CHSRA") does not provide services to the TJPA and TJPA has not reported any amounts due to or from CHSRA.

NOTE 10 - CONTINGENT LIABILITIES

A. Due from Grantors

Amounts received or receivable from federal, state, and local funders are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by these agencies cannot be determined at this time although the TJPA expects such amounts, if any, to be immaterial.

B. Pollution Remediation

TJPA has conducted pollution remediation activities as a matter of course in its demolition and construction. The expenditures associated with these activities are capitalized as costs to prepare property for use. As such, the TJPA capitalizes remediation outlays as incurred and does not record a pollution remediation liability. Life-to-date remediation expenditures through June 30, 2019 total $17,584,342 and are associated with the following project components:

Temporary Terminal	$	948,283
Transit Center		15,071,322
Bus Storage Facility		1,563,729
Caltrain Downtown Extension		1,008
Total	$	17,584,342

C. Millennium Tower Litigation

Millennium Tower (the "Tower") is a 58-story luxury residential building completed in 2009 and located at 301 Mission Street in downtown San Francisco. On August 17, 2016, several owners of condominiums in the Tower filed a lawsuit (the "Lehman Lawsuit") against the Authority, among others.

The Authority began excavation and construction of the Salesforce Transit Center in 2011, after the Tower was completed. In brief, the Lehman Lawsuit claims that the construction of the Salesforce Transit Center harmed the Tower by causing it to settle and tilt more than planned, and the owners claim unspecified monetary damages for inverse condemnation and nuisance. The Authority has asserted that due to a negligently designed foundation, the Tower had already sunk twice as much as planned and was tilting before the Authority began construction of the Salesforce Transit Center and that the Authority took precautionary efforts to avoid exacerbating the situation.

In addition to the Lehman Lawsuit, the Authority is named as a defendant in lawsuits filed by the homeowners' association, the Millennium Tower Association Lawsuit; the owners of a single unit, the Montana Lawsuit; and owners of multiple units, the Buttery, the Shadduck Lawsuit, the Ying Lawsuit, the Maui Peaks Lawsuit, and the Turgeon Lawsuit. All lawsuits contain similar claims as the Lehman Lawsuit. The plaintiff in the Maui Peaks Lawsuit has also filed a motion to certify the class of homeowners in the Tower. In another suit, the Chang Lawsuit, the Authority is not named as a defendant but at least one of the defendants has filed a petition for writ of mandate and cross complaint against the Authority.

The parties have been participating in confidential mediation, and recently reached an agreement-in-principle as to a global resolution of the litigation.

REQUIRED SUPPLEMENTARY INFORMATION

TRANSBAY JOINT POWERS AUTHORITY

Required Supplementary Information
For the Year Ended June 30, 2019

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CalPERS Public Agency Cost-Sharing Multiple-Employer Plan

Measurement date	June 30, 2018[1]	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.0188%	0.0186%	0.0164%	0.0144%	0.0171%
Proportionate share of the net pension liability	$708,735	$732,892	$569,938	$394,754	$423,397
Covered payroll	$1,852,299	$1,932,209	$2,215,123	$2,125,171	$2,087,405
Proportionate share of the net pension liability as a percentage of its covered payroll	38.26%	37.93%	25.73%	18.58%	20.28%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

[1] Historical information is required only for measurement periods for which GASB 68 is applicable. TJPA currently has only five years of data to present in the schedule. As future years' data is calculated, it will be added to the schedule until ten years of data is presented.

Changes of Benefit Terms and Assumptions

The figures in the schedule of contributions above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. The discount rate was changed from 7.65% (net of administrative expense) to 7.15% beginning in Fiscal Year 2018.

TRANSBAY JOINT POWERS AUTHORITY
Required Supplementary Information
For the Year Ended June 30, 2019

SCHEDULE OF PENSION CONTRIBUTIONS

	FY 2019[1]	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Actuarially determined contribution	$ 180,519	$ 182,740	$ 174,875	$ 174,033	$ 254,524	$ 228,308	$ 194,665
Contributions in relation to the actuarially determined contribution	(180,519)	(182,740)	(174,875)	(174,033)	(254,524)	(228,308)	(194,665)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,163,436	$ 1,852,299	$ 1,932,209	$ 2,215,123	$ 2,125,171	$ 2,125,171	$ 1,976,776
Contributions as a percentage of covered payroll	8.34%	9.87%	9.05%	7.86%	11.98%	10.74%	9.85%

[1] Historical information is required only for measurement periods for which GASB 68 is applicable. TJPA currently has seven years of data to present in the schedule. As future years' data is calculated, it will be added to the schedule until ten years of data is presented.

TRANSBAY JOINT POWERS AUTHORITY
Required Supplementary Information
For the Year Ended June 30, 2019

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

	FY 2019[1]	FY 2018
Total OPEB liability		
Service cost	$ 26,314	$ 25,486
Interest	15,841	13,518
Changes in benefit terms	-	-
Differences between actual and expected experience	-	-
Changes in assumptions	16,402	-
Benefit payments	(1,566)	(640)
Net changes	56,991	38,364
Total OPEB liability - beginning	238,490	200,126
Total OPEB liability - ending	$ 295,481	$ 238,490
Fiduciary net position		
Contribution - employer	$ 26,135	$ 20,195
Contribution - member	-	-
Net investment income	12,817	10,149
Benefit payments	(1,566)	(640)
Administrative expense	(141)	(127)
Other expense	(358)	-
Net changes	36,887	29,577
Total fiduciary net position - beginning	270,112	240,535
Total fiduciary net position - ending	$ 306,999	$ 270,112
Plan net OPEB liability (asset) - ending	$ (11,518)	$ (31,622)
Plan fiduciary net position as a percentage of the total OPEB liability	104%	113%
Covered employee payroll	$ 1,852,299	$ 1,932,209
Plan net OPEB liability as a percentage of covered-employee payroll	-0.62%	-1.64%

[1] Historical information is required only for measurement periods for which GASB 75 is applicable. TJPA currently has only two years of data to present in the schedule. As future years' data is calculated, it will be added to the schedule until ten years of data is presented.

TRANSBAY JOINT POWERS AUTHORITY
Required Supplementary Information
For the Year Ended June 30, 2019

SCHEDULE OF OPEB CONTRIBUTIONS

	FY 2019[1]	FY 2018
Actuarially determined contribution	$ 26,987	$ 26,135
Contributions in relation to the actuarially determined contribution	(26,987)	(26,135)
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 2,163,436	$ 1,852,299
Contributions as a percentage of covered payroll	1.25%	1.41%

[1] Historical information is required only for measurement periods for which GASB 75 is applicable. TJPA currently has only two years of data to present in the schedule. As future years' data is calculated, it will be added to the schedule until ten years of data is presented.

SUPPLEMENTARY INFORMATION

TRANSBAY JOINT POWERS AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Program Description	Federal CFDA Number	Grant Number	Program Award	EXPENDITURES - FEDERAL SHARE Cumulative through June 30, 2018	July 1, 2018 through June 30, 2019	Cumulative through June 30, 2019	REVENUES - FEDERAL SHARE Cumulative through June 30, 2018	July 1, 2018 through June 30, 2019	Cumulative through June 30, 2019
U.S. DEPARTMENT OF TRANSPORTATION									
Direct Grant									
Federal Transit Formula Grants	20.500	CA-04-0140	$ 7,885,080	$ 7,498,579	$ 367,880	$ 7,866,459	$ 7,498,579	$ 367,880	$ 7,866,459
Total Federal Transit Cluster			7,885,080	7,498,579	367,880	7,866,459	7,498,579	367,880	7,866,459
Direct Grant									
Alternatives Analysis	20.522	CA-39-0009	1,240,000	1,210,690	29,310	1,240,000	1,210,690	29,310	1,240,000
Direct Grant									
Highway Planning and Construction Grant:									
General Capital Assistance	20.205	CA-70-X011	24,459,002	24,382,465	76,537	24,459,002	24,382,465	76,537	24,459,002
General Capital Assistance	20.205	CA-95-X321	6,000,000	4,588,067	1,411,933	6,000,000	4,588,067	1,411,933	6,000,000
Total Highway Planning and Construction Cluster			30,459,002	28,970,532	1,488,470	30,459,002	28,970,532	1,488,470	30,459,002
Direct Grant									
Transportation Infrastructure Finance and Innovation Act Program	20.223	20081007A	171,000,000	149,377,959	21,622,041	171,000,000	149,377,959	21,622,041	171,000,000
Total Transportation Infrastructure Finance and Innovation Act Program			171,000,000	149,377,959	21,622,041	171,000,000	149,377,959	21,622,041	171,000,000
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			210,584,082	187,057,760	23,507,701	210,565,461	187,057,760	23,507,701	210,565,461
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			$ 210,584,082	$ 187,057,760	$ 23,507,701	$ 210,565,461	$ 187,057,760	$ 23,507,701	$ 210,565,461

See note to Schedule of Expenditures of Federal Awards

NOTE 1 – GENERAL

The Schedule of Expenditures of Federal Awards (the "Schedule") presents the current fiscal year and life-to-date activity of all direct and pass-through federal award programs of the Transbay Joint Powers Authority (the "TJPA") that were active or closed out during Fiscal Year 2019. The TJPA has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 – BASIS OF ACCOUNTING

The Schedule is presented using the accrual basis of accounting.

NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the Schedule agree to or can be reconciled with the amounts reported in the related federal financial reports.

NOTE 4 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award and expenditures agree to or can be reconciled with the amounts reported in the TJPA's basic financial statements.

NOTE 5 – TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) PROGRAM LOAN

The TJPA executed a TIFIA loan agreement with the United States Department of Transportation in an amount not to exceed $171,000,000 to finance a portion of permanent terminal center. Total TIFIA loan proceeds expended during the fiscal year ended June 30, 2019 totaled $21,622,041, and the outstanding loan payable at June 30, 2019 is $171,000,000 with additional accrued interest for $15,128,592.

OTHER REPORTS

CPAs & BUSINESS ADVISORS

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 *GOVERNMENTAL AUDITING STANDARDS*

Board of Directors
Transbay Joint Powers Authority
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 Transbay Joint Powers Authority (TJPA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the TJPA's basic financial statements, and have issued our report thereon dated December 3, 2019.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the TJPA'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 the TJPA's internal control. Accordingly, we do not express an opinion on the effectiveness of the TJPA's internal control.

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

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

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether the TJPA'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 TJPA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TJPA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Palo Alto, California
December 3, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Transbay Joint Powers Authority
San Francisco, California

Report on Compliance for Each Major Federal Program
We have audited Transbay Joint Powers Authority's (TJPA's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of TJPA's major federal programs for the year ended June 30, 2019. The TJPA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance of TJPA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TJPA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the TJPA's compliance.

Opinion on Each Major Federal Program
In our opinion, the TJPA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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Report on Internal Control Over Compliance
Management of TJPA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TJPA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TJPA's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Palo Alto, California
December 3, 2019

TRANSBAY JOINT POWERS AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards:	
Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
CFDA No. 20.223	Transportation Infrastructure Finance and Innovation Act Program
Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II Financial Statement Findings

No matters were reported.

Section III Federal Award Findings and Questioned Costs

No matters were reported.