# AGENDA

Independent Taxpayer Oversight Committee (ITOC)

January 4, 2018 – 10:00 AM

700 H Street – Hearing Room 2 • Sacramento, California 95814

| | |
|---|---|
| Voting Members: | Joan Borucki, Chair |
| | Maureen Daly Pascoe |
| | Beth Tincher |
| Ex-Officio Members: | Robert Holderness (STA Governing Board Chair designee) |
| | Joyce Renison (Sacramento County Auditor-Controller designee) |
| | Norman Hom - STA Executive Director |
| Staff: | Tim Jones, STA Accounting/Finance Manager |

1. Call to order
2. Approve minutes from November 30, 2017 ITOC meeting
3. Exit conference June 30, 2017 audited financial statements
4. Review and approve June 30, 2017 audited financial statements
5. City of Sacramento – present capital projects planned for the upcoming contract cycle beginning in July 2018
6. Discuss entity requirement under existing performance standards to report discretionary local non-Measure A transportation expenditures
7. Update on the Performance Standards review
8. General discussion regarding the Sacramento Countywide Transportation Mitigation Fee Program revenue and expenditure cycles
9. Draft Ongoing Measure A Memoranda of Understanding (MOU) Template
10. Updated Functional Guidelines review and approval
11. Proposal to provide monthly summary of ITOC activities to Hwy 50 TMA
12. Comments from the public

**Agenda Item #2**

# Meeting Minutes

**To:** ITOC Committee Members

**From:** Tim Jones, Accounting/Finance Manager and ITOC Staff

**Date:** January 4, 2018

**Re:** November 30, 2017 ITOC Meeting Minutes

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Attendees:

Joan Borucki – Chair, Maureen Daly Pascoe (absent), Beth Tincher – voting members

Joyce Renison, Robert Holderness and Norman Hom – ex-officio members

Meeting called to order at 4:30 pm and adjourned at 5:15 pm

**Agenda Item #2**

- Reviewed and approved the October 26, 2017 meeting minutes.

**Agenda Item #3**

- Draft edits to the Performance Standards will be provided by Maureen Pascoe by the end of December 2017. Try to complete update in time to take to the Board in March 2018.

**Agenda Item #4**

- Review and comments on Capital Project Status Reports for the period ending September 30, 2017.
    - County: Hazel Avenue Improvements Phase 1 – need detail on phase 1
    - County: Madison Avenue Improvements Phase 1 – need more detail
    - County: South Watt/Elk Grove Florin Road Phase 1 – need more detail
    - Southeast Connector: Remove open space preserve reporting
    - Rancho Cordova: Sunrise Boulevard – Job pending or on hold – why?
    - Regional Transit: Draft document for the airport line

**Agenda Item #5**

- Reviewed – no questions or comments

**Agenda Item #6**

- Financial audit on track for completion by the end of December. No findings on STA. Will bring audited statements to the ITOC for review and approval in the January 2018 meeting.

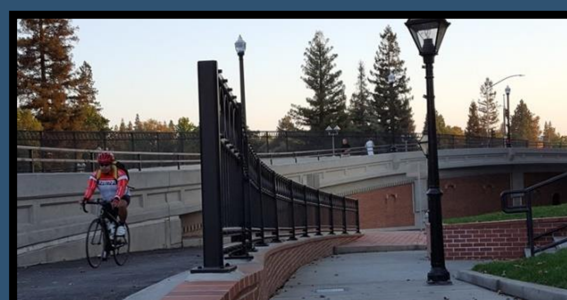
**Agenda Item #7**

- No members of the public in attendance.

# Sacramento Transportation Authority


# Comprehensive Annual Financial Report · 2017

For the Fiscal Year
Ended June 30, 2017



Sacramento, California

www.sacta.org

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

***OF THE***

# SACRAMENTO TRANSPORTATION AUTHORITY

***Sacramento, California***

***FOR THE***
***FISCAL YEAR ENDED JUNE 30, 2017***

***PREPARED BY***

**Timothy Jones, CPA, CPFO**
***Accounting/Finance Manager***

**SACRAMENTO TRANSPORTATION AUTHORITY**
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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## STATISTICAL SECTION



## OTHER

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# INTRODUCTORY SECTION

Sacramento Transportation Authority

STA

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Sacramento, CA 95814

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December 18, 2017

**Honorable Members of the Sacramento Transportation Authority Governing Board and the Citizens of Sacramento County, CA**

We are pleased to present this Comprehensive Annual Financial Report (CAFR) of the Sacramento Transportation Authority (Authority) for the fiscal year ended June 30, 2017. Authority management is responsible for the accuracy, completeness and reliability of the information contained in this report. A comprehensive system of internal controls has been implemented which is designed to protect the Authority's assets from loss, theft or misuse, to identify and record transactions accurately and to compile the necessary information to report financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not exceed anticipated benefit, the objective of the Authority's internal control system is to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement.

The Management's Discussion and Analysis (MD&A) interprets the financial reports by analyzing trends and by explaining changes, fluctuations, and variations in the financial data. In addition, the MD&A is intended to disclose any significant events or decisions that affect the financial condition of the Authority. MD&A complements this letter of transmittal and should be read in conjunction with it.

Measure A requires that an Independent Taxpayer Oversight Committee (ITOC) supervise fiscal and performance audits regarding the use of all sales tax funds and perform a periodic independent review to ensure that all Measure A funds are spent in accordance with provisions of the Expenditure Plan and Ordinance as approved by the voters. Under the supervision of the ITOC, the Authority engages an independent audit firm to perform a financial and compliance audit of all Measure A and Sacramento County Abandoned Vehicle Service Authority (SAVSA) funds.

**PROFILE OF THE AUTHORITY**

The Authority was established in August 1988 under the Local Transportation and Improvement Act, California Public Utilities Code Division 19. Sacramento County voters passed the Measure A ordinance enacted by the Authority (Original Measure A) imposing a 0.5% sales tax to fund transportation improvements throughout Sacramento County for a period of 20 years. In 2004, voters approved a 30-year extension of Original Measure A beginning in 2009 (New Measure A). All sales tax revenue is restricted for public road improvements and maintenance, public transit, air quality, and elderly and handicapped transportation programs. However, 0.75% of the net sales tax revenue is allocated to the Authority for program administration costs.

New Measure A also created the Sacramento Countywide Transportation Mitigation Fee Program (SCTMFP). The goal of this program is to implement and administer a uniform transportation mitigation fee on certain new development in Sacramento County to assist in funding road and transit system improvements needed to accommodate projected growth and development.

The Governing Board of the Authority (Board) consists of sixteen-members – five from the Sacramento County Board of Supervisors, five from the Sacramento City Council, one from the Citrus Heights City Council, two from the Elk Grove City Council, one from the Folsom City Council, one from the Galt City Council, and one from the Rancho Cordova City Council. The Board is responsible for establishing ordinances, adopting an annual budget, and hiring and overseeing the Executive Director. The Executive Director is responsible for carrying out the policies and ordinances of the Authority as well as overseeing day-to-day operations and Authority staff consisting of the Accounting/Finance Manager and the Special Programs Manager.

In addition to the Original and New Measure A programs, the Board administers the SAVSA and Sacramento Metropolitan (SacMetro) Freeway Service Patrol (FSP) programs. SAVSA was established under California Vehicle Code Section 22710 in 1992. The code allows counties to impose a $1 surcharge on vehicle registration to fund the abatement of abandoned vehicles. Participating jurisdictions include the County of Sacramento and the Cities of Citrus Heights, Elk Grove, Folsom, Galt, Rancho Cordova, and Sacramento. Each participating jurisdiction has adopted an ordinance which establishes procedures for the abatement, removal, and disposal of abandoned vehicles.

The FSP program was established in 1992 through a Memorandum of Understanding (MOU) with the Department of Transportation (Caltrans), California Highway Patrol (CHP) and the Authority. Additionally, in 2009 the Authority began administering the FSP program for Yolo County. Funding for the program is provided by Caltrans and local match funds from the Capitol Valley Regional Service Authority for Freeways & Expressways. The program consists of a system of roving tow trucks deployed at peak traffic times on the most congested freeways in Sacramento and Yolo Counties that quickly respond to remove stalled vehicles and related hazards from the roadway. As such, FSP has become one of California's most successful congestion management tools by drastically reducing nonrecurring freeway delays caused by minor accidents, stalled vehicles, and in-lane debris. In turn, the FSP program improves highway safety and reduces mobile source emissions by easing highway congestion.

This report includes all funds and jurisdictions that are financially accountable to the Authority. Accountability was determined on the basis of budget adoption, taxing authority, and imposition of will.

**FACTORS AFFECTING FINANCIAL CONDITION**

**Local Economy -** The unemployment rate for Sacramento County in June 2017 was 5%, a marginal improvement from June 2016. However, unemployment dropped further to 4.7% by September 2017. This compares to an unemployment rate of 5.1% for California and 4.2% for the nation. Over the last year, construction, leisure and hospitality, wholesale and retail trade, and financial services led year-over-year growth. As unemployment declines, taxable sales go up which drives the Authority's sales tax revenue receipts.

Year-over-year sales tax revenues increased 5.6% to $116.9 million from $110.7 million. However, the Authority's FY 2018 adopted budget reflects more conservative growth of 3.6% or $121 million in sales tax revenue. Total Measure A sales tax receipts fiscal year-to-date are 5% higher than the same period last year. However, revenue is well below expectations established early in the program, in part because of the severe recession experienced during 2008 through 2010.

**Long Term Financial Planning -** The Authority updated its long-term cash flow projections in the fall of 2017 and is using the projections to reevaluate its Capital Allocation Plan for the capital projects contained in the Measure A Transportation Expenditure Plan (TEP). This is the beginning of a process that will lead to recommendations to change the TEP in 2019. Under the New Measure A Ordinance, beginning in 2019 and every ten years thereafter, the Authority will review and, where necessary, propose amendments to the TEP to meet changing transportation needs. This review will consider recommendations from local governments, transportation agencies and interest groups, and the general public.

**Budget Information -** Before the beginning of each fiscal year, staff propose an annual budget based on program goals and objectives. This information is presented to the Authority for adoption in June each year. The Authority may adopt an amended budget during the fiscal year, and the Executive Director may transfer authorized budget amounts between expenditure line items. This report includes statements for the General Fund and SAVSA that compare actual results to the final adopted budgets.

**AWARDS AND ACKNOWLEDGEMENTS**

A team of professional auditors from Richardson and Company, LLP performed this year's audit. The independent auditor's unmodified opinion has been included in the Independent Auditor's Report.

For the 22nd consecutive year, the Authority received the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2016. This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. We believe this report continues to conform to the program's requirements; therefore we plan to submit it to the GFOA for review.

We want to thank the members of the Board for continued interest and support regarding the financial operations of the Authority.

Respectfully Submitted,

| | |
|---|---|
| Executive Director | Accounting/Finance Manager |

**SACRAMENTO TRANSPORTATION AUTHORITY**

**LIST OF PRINCIPAL OFFICIALS**

**June 30, 2017**

## BOARD MEMBERS

PATRICK KENNEDY, County of Sacramento (Chair)
PHIL SERNA, County of Sacramento
SUSAN PETERS, County of Sacramento
SUE FROST, County of Sacramento
DON NOTTOLI, County of Sacramento
KERRI HOWELL, City of Folsom
LARRY CARR, City of Sacramento
ERIC GUERRA, City of Sacramento
STEVE HANSEN, City of Sacramento
JEFF HARRIS, City of Sacramento (Vice-Chair)
JAY SCHENIRER, City of Sacramento
ALBERT J. FOX, City of Citrus Heights
DARREN SUEN, City of Elk Grove
PATRICK HUME, City of Elk Grove
CURT CAMPION, City of Galt and Isleton
GARRETT GATEWOOD, City of Rancho Cordova

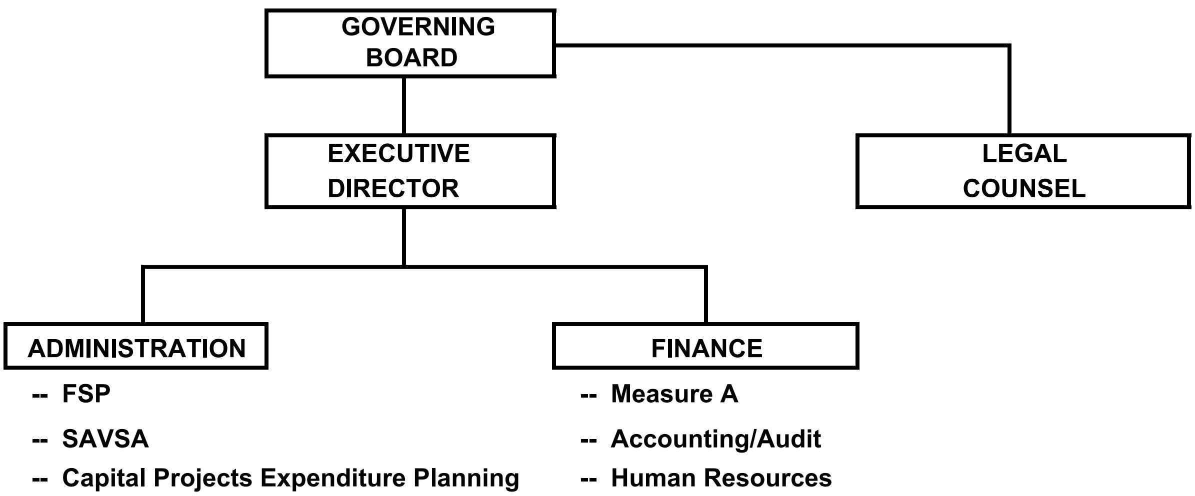
Alternates

NICK AVDIS, County of Sacramento
MARK CREWS, City of Galt and Isleton
BRET DANIELS, City of Citrus Heights
ANDY MORIN, City of Folsom
DONALD TERRY, City of Rancho Cordova
STEVE DETRICK, City of Elk Grove

## STAFF

NORMAN HOM, Executive Director
TIMOTHY JONES, Accounting/Finance Manager
JENNIFER DOLL, Special Programs Manager
WILLIAM BURKE, Legal Counsel

# Sacramento Transportation Authority
# For the Year Ended June 30, 2017
# Organization Chart



Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Sacramento Transportation Authority**

**California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

# FINANCIAL SECTION

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sacramento Transportation Authority
Sacramento, California

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento Transportation Authority (Authority), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 of 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2017, and the respective changes in financial position and budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions to Pension Plan as listed in the accompanying 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, Combining Statement of Changes in Assets and Liabilities – All Agency Funds and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statement of Changes in Assets and Liabilities – All Agency Funds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Changes in Assets and Liabilities – All Agency Funds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

To the Board of Directors
Sacramento Transportation Authority

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Richardson & Company, LLP

December 18, 2017

**SACRAMENTO TRANSPORTATION AUTHORITY**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**June 30, 2017**

As management of the Sacramento Transportation Authority (Authority), we offer readers the Authority's financial statements, this narrative overview, and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report and the Authority's financial statements, which begin on page 12 of this report.

## FINANCIAL HIGHLIGHTS

- Sales tax revenue increased to $116.9 million from $110.7 million (5.6%) over the prior year. Decreasing unemployment and significant construction activity are the primary reasons for the increased sales tax. See page 7 for more detail.
- Liabilities exceed assets by $325.7 million, leaving the Authority with a negative net position. The deficit is consistent with the prior year and expected since the Authority issues debt to fund the construction of capital assets reported in the financial statements of the agencies constructing them. However, over time, bond principal payments will reduce the liability. See page 12 for more detail.
- General administration fund balance increased to $3,224 from a deficit of $(195,546). The improved fund balance is attributed to the Authority working diligently to constrain costs and increased allocations of sales tax revenue. In addition, the Authority received about $159,000 from local agencies as reimbursement for outreach and education expenditures related to Measure B.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components (1) **Government-wide** financial statements; (2) **Fund** financial statements and (3) **Notes** to the basic financial statements.

**Government-wide Financial Statements** are designed to provide readers with a broad overview of the Authority's finances, similar to a private sector business

The *statement of net position* presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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 Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 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 (e.g. earned but unused vacation leave).

The government-wide financial statements are on pages 12-13 of this report.

**Fund Financial Statements** are groupings of related accounts used to maintain control over resources segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to demonstrate finance-related legal compliance. The Authority only reports governmental and fiduciary funds.

***Governmental funds*** account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains three individual governmental funds organized according to their type: *general, special revenue, and debt service*. This information is separately reported in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Special Revenue Fund, and Debt Service Fund.

The governmental funds financial statements are on pages 14 and 16 of this report.

***Fiduciary funds*** account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Authority's own programs. Accounting methods for fiduciary and proprietary funds are similar, except for agency funds, which have more limited accounting and financial statements because of their purely custodial nature.

The fiduciary fund financial statements are on page 20 of this report.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are on pages 21-41 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

In fiscal year ending June 30, 2017, the most significant change in the government-wide *statement of net position* is a $31.8 million decrease in the Authority's hedging derivatives' fair value – reported as a *deferred outflow of resources* and included in long-term liabilities. The Authority entered into three forward interest rate swaps (fixed rate) to hedge the variable interest rate risk associated with its Series 2009 Measure A Sales Tax Revenue Bonds issued in

2009. The fair value of the interest rate swaps is estimated each year by an independent third party based on market conditions on the date of our financial statements. As future interest rates change so does the value of the hedging derivatives.

Additionally, cash and investments decreased by $3.6 million as the cash outflows funding capital projects exceeded the cash inflows for them. Similarly, restricted cash and investments decreased by $5 million as the Authority used the remainder of the available bond proceeds to reimburse agencies for capital project claims.

**Table A**
**Statement of Net Postion**
**For the Year Ended June 30, 2017**

| | 2017 | 2016 |
|---|---|---|
| Assets: | | |
| Cash and investments | $ 30,973,774 | 34,621,999 |
| Receivables and prepaid items | 26,278,765 | 23,866,562 |
| Restricted cash and investments | 18,964,267 | 24,034,134 |
| Total assets | 76,216,806 | 82,522,695 |
| Deferred outflows of resources | 88,439,763 | 120,283,826 |
| Liabilities: | | |
| Due to other governments | 21,820,818 | 23,045,643 |
| Accounts payable | 157,376 | 647,442 |
| Other current liabilities | 6,937,031 | 7,461,241 |
| Long-term liabilities | 461,379,607 | 497,534,425 |
| Total liabilities | 490,294,832 | 528,688,751 |
| Deferred inflows of resources | 36,946 | 62,979 |
| Net position: | | |
| Restricted for Measure A projects | 42,991,554 | 38,511,922 |
| Restricted for transportation mitigation | 4,692,718 | 13,296,991 |
| Restricted for debt service | 6,588,099 | 6,362,460 |
| Restricted for abandoned vehicles | - | 154,549 |
| Restricted for freeway service patrol | - | 164,338 |
| Unrestricted* | (379,947,580) | (384,435,469) |
| Total net position (deficit) | $(325,675,209) | (325,945,209) |

* In our FY 2016 financial statements, unrestricted fund balance included amounts restricted for Measure A projects. This table shows those amounts separately.

Bond program liabilities totaling $464 million (see page 36) are the cause for all of the Authority's negative net position. Unlike most agencies, the Authority provides funding for capital projects throughout the region, but does not record any of the capital assets constructed with Measure A funding; the assets are reported by the entities constructing them.

The most significant changes in the government-wide *statement of activities* are increases in sales tax and transportation mitigation revenues. In addition, Measure A expenditures decreased while transportation mitigation expenditures increased.

Sales tax revenue increased by $6.2 million (5.6%) as the local economy continued to improve. During the course of the year, unemployment dropped to a post-recession low of 4.3% in May 2017 as compared to 6% at the same time the prior year. Construction activity remains robust throughout the region, creating jobs and generating sales tax revenue. The Sacramento Countywide Transportation Mitigation Fee Program (transportation mitigation) revenue increased by about $3.5 million (80%) because of increased building activity; primarily commercial construction in the City of Sacramento.

**Table B**
**Statement of Activities**
**For the Year Ended June 30. 2017**

| Revenues: | 2017 | 2016 |
|---|---|---|
| Program Revenues: | | |
| Transportation Mitigation | $ 7,848,175 | 4,363,650 |
| Freeway Service Patrol | 2,065,521 | 1,991,947 |
| Abandoned Vehicle Service Authority | 1,282,433 | 1,272,697 |
| General Revenues: | | |
| Sales Taxes | 116,877,996 | 110,707,633 |
| Interest, Investment Earnings, and other | 1,954,329 | 956,364 |
| Total revenues | 130,028,454 | 119,292,291 |
| Expenses: | | |
| Measure A | 92,332,335 | 112,316,542 |
| Transportation Mitigation | 16,547,233 | 1,004,034 |
| Freeway Service Patrol | 2,271,606 | 2,001,317 |
| Abandoned Vehicle Serive Authority | 1,400,871 | 1,216,517 |
| Administration | 979,254 | 1,387,221 |
| Interest on Long-Term debt | 16,227,155 | 15,215,203 |
| Total expenses | 129,758,454 | 133,140,834 |
| Change in net position | 270,000 | (13,848,543) |
| Net position (deficit) - beginning | (325,945,209) | (299,071,068) |
| Restatement of beginning net position | - | (13,025,597) |
| Net position (deficit) - ending | $(325,675,209) | (325,945,209) |

Measure A expenses decreased by about $20 million (17.8%) to $92.3 million, while transportation mitigation expenses increased by $15.5 million. Most of the change in expenses in both expense categories can be explained by using transportation mitigation funds to reimburse capital claims instead of Measure A bond funds. Bond funds were used in the prior year to pay capital claims; however, those funds were exhausted in the first quarter of 2017 at which time the Authority transitioned to using transportation mitigation funds to pay them. In addition, Measure A funds are formulaically passed through to participating agencies on a monthly basis, so as revenue increases, 5.6% in fiscal year 2017, so do the related pass through payments.

## FUND FINANCIAL ANALYSIS

As noted earlier, the Authority uses fund accounting to demonstrate compliance with finance-related legal requirements.

***Governmental funds.*** Governmental funds are comprised of general, special revenue, and debt service funds. Included in these funds is the Sacramento Abandoned Vehicle Service Authority – a special revenue fund - which is governed by the Authority's Board. The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Authority's financing requirements. In particular, *total fund balance less the nonspendable fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2017, the Authority's governmental funds reported combined fund balances of $54.2 million, a decrease of about $4 million in comparison to the prior year's total ending fund balance of $58.3 million. See pages 14 and 16 for more detail. The components of the fund balance are as follows:

- *Nonspendable fund balance* - $4,763 is not legally spendable because it is the prepayment amount for the Authority's last month's rent for office space under a lease agreement expiring September 2017.

- *Restricted fund balance* - $54.3 million, consists of amounts with constraints put on their use by externally imposed creditors, grantors, laws, regulations or enabling legislation. Examples of restrictions on funds are those imposed by the Measure A Ordinance in the amount of $30.9 million for capital projects and $12.1 million (total $43 million) held in reserve by creditors underwriting the Authority's bond program. Additionally, transportation mitigation fund balance is $4.7 million, which is restricted for mitigation projects under the Measure A Ordinance. Finally, $6.6 million is restricted for debt service by external creditors.

- *Unassigned fund balance* - $3,224 represents the amount available for program administration and a deficit of $(41,746) for the Freeway Service Patrol Program.

All fund balance with exception of the nonspendable and unassigned portions is available for appropriation for restricted purposes.

*General Fund* – this fund reports all retail sales tax, transportation mitigation, Freeway Service Patrol, and general administration revenues and expenditures. The general fund ended the year with a fund balance of $47.6 million, a $4.1 million (8%) decrease from the prior year. Assets decreased by $5.8 million, caused by a decrease in cash and investments (both unrestricted and restricted) offset by an increase in funds due from other governments. The most significant change is reported in restricted cash and investments which decreased by $5.2 million to $12.3 million from $17.5 million in the prior year. The 2017 account balance of $12.3 million consists of funds held in reserve by bond program underwriters. The $5.2 million decrease is related to spending down available bond proceeds on capital projects. The cash and investments account decreased by $3.2 million to $30.7 million from $33.9 million as the Authority used Measure A proceeds to reimburse capital project claims.

**Table C**
**Balance Sheet - General Fund**
**For the Year Ended June 30. 2017**

| | 2017 | 2016 |
|---|---|---|
| Assets: | | |
| Cash and Investments | $30,727,277 | 33,906,403 |
| Prepaid Items | 4,763 | 10,027 |
| Interest Receivable | 185,075 | 161,992 |
| Due From Other Governments | 25,752,781 | 23,342,190 |
| Due From Other Funds | 157,604 | 26,873 |
| Restricted Cash and Investments | 12,349,716 | 17,522,917 |
| Total assets | 69,177,216 | 74,970,402 |
| Liabilities: | | |
| Accounts Payable | 130,924 | 127,027 |
| Due to Other Governments | 21,395,779 | 23,045,643 |
| Deposits | - | 10,000 |
| Total liabilities | 21,526,703 | 23,182,670 |
| Fund Balances: | | |
| Nonspendable | 4,763 | 10,027 |
| Restricted: | | |
| Measure A Projects | 42,991,554 | 38,511,922 |
| Transportation Mitigation | 4,692,718 | 13,296,991 |
| Freeway Service Patrol | - | 164,338 |
| Unassigned: | | |
| General Administration | 3,224 | (195,546) |
| Freeway Service Patrol | (41,746) | - |
| Total fund balance | $47,650,513 | 51,787,732 |

As shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances on page 16, Measure A sales tax revenues increased to $116.9 million from $110.7 million (5.6%) in the prior year. As mentioned earlier, lower unemployment and robust construction activity throughout the region is driving up sales tax revenue. Measure A expenditures (intergovernmental) of $108.9 million decreased approximately $4.4 million from the prior year as capital project expenditures were lower than agencies originally estimated.

*Special Revenue Fund* – As shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances found on page 16, the Sacramento Abandoned Vehicle Service Authority (SAVSA) presented in the financial statements as the “Abandoned Vehicle Special Revenue” reported $0 ending fund balance as compared to $154,549 in the prior year. This is a break-even program where the revenue received is passed through to program entities to reimburse claims they submitted or accrued as a liability – resulting in a zero fund balance.

*Debt Service Fund* – As shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances on page 14, the "Debt Service" fund reported a fund balance of $6.6 million, a slight increase from the prior year. Transfers in from the general fund increased by $2.6 million to $20.8 million from $18.2 million in the prior year to pay for increased debt service expenditures. Debt service expenditures increased over $4 million to $20.6 million because the Authority made it first principal payment to the bond program of $3.4 million in October 2016.

## GENERAL FUND BUDGET HIGHLIGHTS

*Revenue* - Actual sales tax revenue was $2.8 million (2.5%) higher than budgeted because of decreased unemployment and increased construction activity throughout the county. Mitigation fees were $2.8 million (57%) higher than budgeted because of a significant increase in construction activity – primarily in the City of Sacramento. Interest revenue (use of money and property) was $1.2 million higher than budgeted because interest rate swap revenue increased with rising interest rates. In addition, interest on fund balance accumulated for bond program principal payments was new this year.

*Expenditures* - Intergovernmental expenditures were $10.8 million (9%) less than budgeted because several large capital projects required less funding than the agencies building them originally projected.

## DEBT ADMINISTRATION

In October 2009, the Authority issued $318.3 million of Measure A Sales Tax Revenue Bonds to pay-off the 2006 and 2007 Sales Tax Revenue Notes and accelerate new transportation construction projects. The 2009 bonds were issued in three series – A, B, and C, of which the series A and B were subsequently refunded in 2014 and 2015 respectively. In July 2012, the Authority issued an additional $53.4 million in fixed-rate Measure A Sales Tax Revenue Bonds to accelerate transportation construction projects.

Long-term Debt
June 30, 2017
(in millions)

| | Amount | Bond Type | Final Maturity |
|---|---|---|---|
| Series 2009C | $ 106.1 | VRDB* | 10/1/2038 |
| Series 2012 | 49.9 | Fixed-Rate | 10/1/2027 |
| Series 2014A (refunded Series 2009A) | 106.1 | FRN** | 10/1/2038 |
| Series 2015A (refunded Series 2009B) | 106.1 | VRDB | 10/1/2038 |
| Total Outstanding Bonds | 368.2 | | |

* Variable Rate Demand Bond
** Floating Rate Note

The series 2009C bonds are variable-rate with a weekly interest rate reset. These variable rate bonds are supported by a liquidity facility in the form of a standby bond purchase agreement (SBPA) provided by US Bank. The US Bank SBPA is due to expire in January 2018. The series 2009C bondholders have the right to tender the bonds weekly. Upon the tender, the remarketing agent will attempt to remarket the bonds to a new investor. If the remarketing of the bonds is unsuccessful, the Trustee will draw upon the SBPA to purchase the bonds and the bonds will enter into a bank bond period in which they accrue interest. These highly rated bonds have always been remarketable. US Bank agrees to provide liquidity to the bondholders in exchange for a commitment fee calculated as a percentage of the bank commitment amounts.

In September 2014, the Authority refunded the series 2009A bonds with series 2014A variable rate Measure A Sales Tax Revenue Refunding bonds in the amount of $106.1 million. The refunding freed up $8.2 million in cash held in reserve. This money funded capital projects and paid for issuance costs. The series 2014A bonds were directly purchased by Wells Fargo and do not require a separate liquidity facility or any credit enhancement. Wells Fargo is paid interest on the bonds based on upon 67% of 1-month London Interbank Offered Rate (LIBOR), plus a fixed spread. The direct purchase agreement is due to expire in September 2017. The interest rate swaps were retained.

In March 2015, the Authority issued $106.1 million in series 2015A variable rate Measure A Sales Tax Revenue Refunding bonds to refund the same amount of series 2009B bonds. After the refunding, cash held as a reserve in the amount of $10.3 million was made available to fund projects and pay issuance costs. Similar to the series 2009C bonds described above, these bonds require a liquidity facility in the form of an SBPA. Mizuho Bank holds the SBPA which is due to expire in March 2018. These bonds have always been remarketable. The interest rate swaps were retained.

Additional information on the Authority's long-term debt is in Note 8 on pages 36-40 of this report.

**ECONOMIC CONDITION AND FUTURE BUDGETS**

Sacramento County is home to the California State Capitol and is highly influenced by the public sector with government jobs comprising more that 26% of total wage and salary employment. The largest employment gains were observed in construction, leisure and hospitality, wholesale and retail trade, and financial services. Losses were not observed in any major sector. Increases in total employment, population, and housing starts will continue to fuel total taxable sales, which are estimated to be $24.4 billion or 5% higher in the coming year.

The adopted budget for FY 2017-18 assumes $121 million in sales tax revenue, which is 3.6% higher than the actual prior year revenue. Monthly Measure A allocations and capital projects expenditures are projected to decrease 9.6% from the prior year to $108.9 million. The remaining budgeted amounts are either similar to the prior year or the variances are immaterial when compared to the overall budget.

## REQUESTS FOR INFORMATION

The Authority designed this financial report to provide a general overview of the Authority's finances. Questions about the information in this report or requests for additional information should be requested from Authority's Accounting/Finance Manager at tim@sacta.org. This report is also available on the Authority's website at sacta.org.

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# BASIC

# FINANCIAL STATEMENTS

# SACRAMENTO TRANSPORTATION AUTHORITY
## STATEMENT OF NET POSITION
### June 30, 2017

| | Governmental Activities |
|---|---|
| **ASSETS:** | |
| Cash and investments | $ 30,973,774 |
| Receivables: | |
| Interest | 186,958 |
| Due from other governments | 26,087,044 |
| Prepaid items | 4,763 |
| Restricted cash and investments | 18,964,267 |
| Total assets | 76,216,806 |
| **DEFERRED OUTFLOW OF RESOURCES** | |
| Fair value of hedging derivatives (long-term interest rates) | 88,172,331 |
| Pension | 267,432 |
| | 88,439,763 |
| **LIABILITIES:** | |
| Accounts payable | 157,376 |
| Due to other governments | 21,820,818 |
| Interest payable | 3,318,031 |
| Long-term liabilities: | |
| Due within one year | 3,619,000 |
| Long-term debt, due in more than one year | 460,401,026 |
| Compensated absences, due in more than one year | 69,991 |
| Net pension liability | 908,590 |
| Total liabilites | 490,294,832 |
| **DEFERRED INFLOW OF RESOURCES** | |
| Pension | 36,946 |
| **NET POSITION:** | |
| Restricted for Measure A projects | 42,991,554 |
| Restricted for transportation mitigation | 4,692,718 |
| Restricted for debt service | 6,588,099 |
| Unrestricted | (379,947,580) |
| Total net position | $ (325,675,209) |

The notes to the basic financial statements are an integral part of this statement.

**SACRAMENTO TRANSPORTATION AUTHORITY**
**STATEMENT OF ACTIVITIES**
**For the Year Ended June 30, 2017**

| Functions/Programs | Expenses | Program Revenues: Operating Grants and Contributions | Net (Expense) and Revenue: Governmental Activities |
|---|---|---|---|
| Governmental Activities: | | | |
| Measure A | $ 92,332,335 | | $ (92,332,335) |
| Sacramento Countywide Transportation Mitigation Fee Program | 16,547,233 | $ 7,848,175 | (8,699,058) |
| Freeway Service Patrol Program | 2,271,606 | 2,065,521 | (206,085) |
| Sacramento Abandoned Vehicle Service Authority | 1,400,871 | 1,282,433 | (118,438) |
| Administration | 979,254 | | (979,254) |
| Interest on long-term debt | 16,227,155 | | (16,227,155) |
| Total governmental activities | $ 129,758,454 | $ 11,196,129 | (118,562,325) |
| General revenues: | | | |
| Sales taxes | | | 116,877,996 |
| Interest, investment earnings and other | | | 1,954,329 |
| Total general revenues | | | 118,832,325 |
| Change in net position | | | 270,000 |
| Net position - beginning | | | (325,945,209) |
| Net position - ending | | | $ (325,675,209) |

The notes to the basic financial statements are an integral part of this statement.

**SACRAMENTO TRANSPORTATION AUTHORITY**
**BALANCE SHEET - GOVERNMENTAL FUNDS**
**June 30, 2017**

| | General | Abandoned Vehicle Special Revenue | Debt Service | Total Governmental Funds |
|---|---|---|---|---|
| ASSETS: | | | | |
| Cash and investments | $ 30,727,277 | $ 246,497 | | $ 30,973,774 |
| Prepaid items | 4,763 | | | 4,763 |
| Receivables: | | | | |
| Interest | 185,075 | 1,883 | | 186,958 |
| Due from other governments | 25,752,781 | 334,263 | | 26,087,044 |
| Due from other funds | 157,604 | | | 157,604 |
| Restricted cash and investments | 12,349,716 | | $ 6,614,551 | 18,964,267 |
| TOTAL ASSETS | $ 69,177,216 | $ 582,643 | $ 6,614,551 | $ 76,374,410 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable and other accrued liabilities | $ 130,924 | | $ 26,452 | $ 157,376 |
| Due to other governments | 21,395,779 | $ 425,039 | | 21,820,818 |
| Due to other funds | | 157,604 | | 157,604 |
| Total liabilites | 21,526,703 | 582,643 | 26,452 | 22,135,798 |
| FUND BALANCES: | | | | |
| Nonspendable: | | | | |
| Prepaid items | 4,763 | | | 4,763 |
| Restricted: | | | | |
| Measure A projects | 42,991,554 | | | 42,991,554 |
| Transportation mitigation | 4,692,718 | | | 4,692,718 |
| Debt service | | | 6,588,099 | 6,588,099 |
| Unassigned: | | | | |
| General administration | 3,224 | | | 3,224 |
| Freeway service patrol | (41,746) | | | (41,746) |
| Total fund balances | 47,650,513 | - | 6,588,099 | 54,238,612 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 69,177,216 | $ 582,643 | $ 6,614,551 | $ 76,374,410 |

The notes to the basic financial statements are an integral part of this statement.

**SACRAMENTO TRANSPORTATION AUTHORITY**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**
**TO THE STATEMENT OF NET POSITION**
**June 30, 2017**

| | | |
|---|---|---|
| Ending Fund Balances per governmental fund balance sheet (page 14) | | $ 54,238,612 |
| Amounts reported for the governmental activities in the statement of net position are different because: | | |
| Long-term debt, including premium and hedging derivatives, are not due and payable in the current period and therefore are not reported in the fund statements. | | |
| Bonds, including premiums and hedging derivatives | (463,991,026) | |
| Fair value of hedging derivatives | 88,172,331 | (375,818,695) |
| Pension liability is not due and payable in the current period and is not reported in the fund statements. | | |
| Deferred outflow of resources | 267,432 | |
| Pension liability | (908,590) | |
| Deferred inflow of resources | (36,946) | (678,104) |
| Interest payable is not due and payable in the current period and therefore is not reported in the fund statements. | | (3,318,031) |
| Compensated absences are not due and payable in the current period and therefore are not reported in the fund statements. | | (98,991) |
| Net position of governmental activities (page 12) | | $ (325,675,209) |

## SACRAMENTO TRANSPORTATION AUTHORITY
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
### For the Year Ended June 30, 2017

| | General | Abandoned Vehicle Special Revenue | Debt Service | Totals Governmental Fund |
|---|---|---|---|---|
| REVENUES: | | | | |
| Taxes | $ 116,877,996 | | | $ 116,877,996 |
| Mitigation fees | 7,848,175 | | | 7,848,175 |
| Vehicle registration fees | | $ 1,282,433 | | 1,282,433 |
| Grants for freeway services | 2,065,521 | | | 2,065,521 |
| Use of money and property | 1,783,534 | 4,308 | $ 7,277 | 1,795,119 |
| Miscellaneous | 159,210 | | | 159,210 |
| Total revenues | 128,734,436 | 1,286,741 | 7,277 | 130,028,454 |
| EXPENDITURES: | | | | |
| General government: | | | | |
| Administrative | 977,515 | | | 977,515 |
| Freeway Service Patrol | 2,271,606 | | | 2,271,606 |
| Intergovernmental | 108,879,568 | 1,400,871 | | 110,280,439 |
| Debt Service: | | | | |
| Principal | | | 3,450,000 | 3,450,000 |
| Interest and other charges | | | 17,115,023 | 17,115,023 |
| Total expenditures | 112,128,689 | 1,400,871 | 20,565,023 | 134,094,583 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 16,605,747 | (114,130) | (20,557,746) | (4,066,129) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 40,419 | | 20,783,385 | 20,823,804 |
| Transfers out | (20,783,385) | (40,419) | | (20,823,804) |
| Total other financing sources (uses) | (20,742,966) | (40,419) | 20,783,385 | - |
| CHANGES IN FUND BALANCES | (4,137,219) | (154,549) | 225,639 | (4,066,129) |
| FUND BALANCE, BEGINNING OF THE YEAR | 51,787,732 | 154,549 | 6,362,460 | 58,304,741 |
| FUND BALANCES, END OF YEAR | $ 47,650,513 | $ - | $ 6,588,099 | $ 54,238,612 |

The notes to the basic financial statements are an integral part of this statement.

**SACRAMENTO TRANSPORTATION AUTHORITY**
**RECONCILATION OF THE STATEMENT OF REVENUES,**
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**
**TO THE STATEMENT OF ACTIVITIES**
**For the Year Ended June 30, 2017**

| | | |
|---|---|---|
| Changes in fund balances - total governmental funds (page 16) | $ | (4,066,129) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the amounts by which repayments exceed proceeds. | | |
| Principal payments | | 3,450,000 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not expenditures in the governmental funds. | | |
| Pension expense | | 18,547 |
| Change in compensated absences | | (20,286) |
| Change in interest payable | | 132,791 |
| Bond premium amortization | | 755,077 |
| Change in Net Position of governmental activities (page 13) | $ | 270,000 |

The notes to the basic financial statements are an integral part of this statement.

**SACRAMENTO TRANSPORTATION AUTHORITY**
**GENERAL FUND**
**STATEMENT OF REVENUES, EXPENDITURES, AND**
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
**For the Year Ended June 30, 2017**

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| REVENUES: | | | | |
| Taxes | $114,061,319 | $114,061,319 | $ 116,877,996 | $ 2,816,677 |
| Mitigation fees | 5,000,000 | 5,000,000 | 7,848,175 | 2,848,175 |
| Grants for freeway services | 1,927,000 | 1,927,000 | 2,065,521 | 138,521 |
| Use of money and property | 600,000 | 600,000 | 1,783,534 | 1,183,534 |
| Miscellaneous | - | - | 159,210 | 159,210 |
| Total revenues | 121,588,319 | 121,588,319 | 128,734,436 | 7,146,117 |
| EXPENDITURES: | | | | |
| General government: | | | | |
| Administrative | 1,080,460 | 1,080,460 | 977,515 | 102,945 |
| Freeway Service Patrol | 2,228,520 | 2,228,520 | 2,271,606 | (43,086) |
| Intergovernmental | 119,721,176 | 119,721,176 | 108,879,568 | 10,841,608 |
| Total expenditures | 123,030,156 | 123,030,156 | 112,128,689 | 10,901,467 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1,441,837) | (1,441,837) | 16,605,747 | 18,047,584 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 75,000 | 75,000 | 40,419 | (34,581) |
| Transfers out | (16,400,000) | (16,400,000) | (20,783,385) | (4,383,385) |
| Total other financing sources (uses) | (16,325,000) | (16,325,000) | (20,742,966) | (4,417,966) |
| Changes in fund balance (budgertary basis) | (17,766,837) | (17,766,837) | (4,137,219) | 13,629,618 |
| FUND BALANCE, BEGINNING OF YEAR | 51,787,732 | 51,787,732 | 51,787,732 | - |
| FUND BALANCE, END OF YEAR | $ 34,020,895 | $ 34,020,895 | $ 47,650,513 | $ 13,629,618 |

The notes to the basic financial statements are an integral part of this statement.

**SACRAMENTO TRANSPORTATION AUTHORITY**
**ABANDONED VEHICLE SPECIAL REVENUE FUND**
**STATEMENT OF REVENUES, EXPENDITURES, AND**
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
**For the Year Ended June 30, 2017**

| | Budgeted Amounts | | | Variance with |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Final Budget |
| REVENUES: | | | | |
| Vehicle registration fees | $ 1,100,000 | $ 1,100,000 | $ 1,282,433 | $ 182,433 |
| Use of money and | | | | |
| property - interest | 400 | 400 | 4,308 | 3,908 |
| Total revenues | 1,100,400 | 1,100,400 | 1,286,741 | 186,341 |
| EXPENDITURES: | | | | |
| General government: | | | | |
| Intergovernmental | 1,027,000 | 1,027,000 | 1,400,871 | (373,871) |
| Total expenditures | 1,027,000 | 1,027,000 | 1,400,871 | (373,871) |
| EXCESS OF REVENUES | | | | |
| OVER EXPENDITURES | 73,400 | 73,400 | (114,130) | (187,530) |
| OTHER FINANCING USES: | | | | |
| Transfers out | (75,000) | (75,000) | (40,419) | 34,581 |
| Total other financing uses | (75,000) | (75,000) | (40,419) | 34,581 |
| Changes in fund balance | | | | |
| (budgetary basis) | (1,600) | (1,600) | (154,549) | (152,949) |
| FUND BALANCE, | | | | |
| BEGINNING OF YEAR | 154,549 | 154,549 | 154,549 | - |
| FUND BALANCE, | | | | |
| END OF YEAR | $ 152,949 | $ 152,949 | $ - | $ (152,949) |

The notes to the basic financial statements are an integral part of this statement.

**SACRAMENTO TRANSPORTATION AUTHORITY**
**STATEMENT OF FIDUCIARY NET POSITION**
**AGENCY FUNDS**
**June 30, 2017**

| | | |
|---|---|---|
| ASSETS: | | |
| Cash and investments | $ | 31,113,069 |
| Interest receivable | | 74,185 |
| Due from other governments | | 305,016 |
| Total assets | $ | 31,492,270 |
| | | |
| LIABILITIES: | | |
| Due to other governments | $ | 3,422,000 |
| Deposits | | 28,070,270 |
| Total liabilities | $ | 31,492,270 |

The notes to the basic financial statements are an integral part of this statement.

## NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sacramento Transportation Authority (Authority) and the Sacramento Abandoned Vehicle Service Authority (SAVSA) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

### ORGANIZATION

In August 1988, the Authority was established under the Local Transportation and Improvement Act, Public Utilities Code Division 19. In November 1988, Sacramento County voters passed an ordinance (Original Measure A) enacted by the Authority's Governing Board (Board) imposing a retail transactions and use tax (sales tax) increase throughout the County at a maximum rate of 0.5% for a period of 20 years. In November 2004, taxpayers approved a 30-year extension of the sales tax beginning in April 2009 (New Measure A).

In 1992, SAVSA was established as a separate legal entity under California Vehicle Code Section 22710. The code establishes a $1 vehicle registration fee to be used for the abatement of abandoned vehicles for counties electing to impose the fee. The County Board of Supervisors, by a two-thirds vote, and the City Councils of a majority of the cities within the County having a majority of the incorporated population, adopted resolutions providing for the establishment of SAVSA. SAVSA reimburses the County, and the Cities of Sacramento, Galt, Folsom, Elk Grove, Citrus Heights, and Rancho Cordova according to the Sacramento Abandoned Vehicle Abatement Plan.

In 1992, the Authority entered into a Memorandum of Understanding (MOU) with the Department of Transportation (Caltrans) and the California Highway Patrol (CHP) to administer the Freeway Service Patrol Program (FSP). In 2009, the Authority began administering the FSP program for Yolo County. Funding for the program is provided by a state grant from Caltrans and local matching funds from the Capitol Valley Regional Service Authority for Freeways & Expressways.

The Authority's Board consists of sixteen-members – five from the Sacramento County Board of Supervisors, five from the Sacramento City Council, one from the Citrus Heights City Council, two from the Elk Grove City Council, one from the Folsom City Council, one from the Galt City Council, and one from the Rancho Cordova City Council. Under Measure A, the Authority distributes sales tax proceeds as prescribed by the ordinance to the County of Sacramento, the Cities of Sacramento, Folsom, Galt, Isleton, Citrus Heights, Rancho Cordova, and Elk Grove, the Sacramento Regional Transit District, Paratransit, Inc., the Sacramento Metropolitan Air Quality Management District, and the Neighborhood Shuttle Program.

### BASIS OF PRESENTATION

Government-wide financial statements (the Statement of Net Position and the Statement of Activities) provide information on all of the nonfiduciary activities of the Authority.

The Statement of Net Position reports all financial resources of the Authority as a whole in a format in which assets and deferred outflow of resources equal liabilities and deferred inflow of resources, plus net position. The Statement of Activities demonstrates the degree to which the expenses of a given function are offset by program revenues. Sales tax and interest earnings are not program related, but reported as general revenues. Fund financial statements are provided for governmental

## NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and fiduciary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

The Authority maintains the minimum number of funds consistent with legal and managerial requirements. Fiduciary funds, although excluded from the government-wide statements, are included in the fund financial statements. Major governmental funds are reported in separate columns in the fund financial statements.

**Governmental fund types** are used to account for activities primarily supported by taxes, grants, and similar revenue sources.

The Authority reports the following major governmental funds:

**General Fund** – The General Fund is the main operating fund of the Authority. It accounts for transactions related to resources obtained and used for those services, including FSP, that need not be accounted for in another fund.

**Abandoned Vehicle Special Revenue Fund** – Reports the vehicle registration fee revenue and related expenditures.

**Debt Service Fund** – Reports the debt service on the Authority's Measure A Sales Tax Revenue Bonds.

The Authority also reports the following fund type:

**Fiduciary Funds** – Reports the assets and liabilities for unspent Original Measure A funds as well as New Measure A funds for programs not yet started held by the Authority in a fiduciary capacity, as Agency Funds. The financial activities of these funds are excluded from the government-wide financial statements but are presented in separate Fiduciary Fund financial statements.

### BASIS OF ACCOUNTING

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses at the time liabilities are incurred, regardless of when the related cash flows take place. The Fiduciary Fund statements do not involve the results of operations and do not use a measurement basis.

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Authority records revenue sources when earned or when due, provided they are measurable and available within 90-days after the end of the fiscal year. Those revenues susceptible to accrual at both the government-wide and fund level are sales taxes, mitigation fees, vehicle license fees and interest revenue. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Proceeds of governmental long-term debt are reported as other financing sources.

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING (Continued)**

Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Certain indirect costs are included in program expenses reported for individual functions and activities.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the Authority may fund certain programs with a combination of cost-reimbursement grants and general revenues. Thus, funds included in restricted and unrestricted net position may be available to finance program expenditures. The Authority's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are exchange or exchange-like transactions between functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**BUDGETARY PRINCIPLES**

As required by Public Utilities Code 180105 of the State of California, the Authority prepares and legally adopts an operating budget each fiscal year. Operating budgets are adopted for the governmental fund types on the modified accrual basis of accounting. Budgetary control and the legal level of control are at the program level. Significant amendments, appropriation transfers between programs and transfers from contingencies must be approved by the Authority's Board.

**RESTRICTED ASSETS**

Certain proceeds from long-term debt are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Restricted cash includes the reserve accounts used to report resources set aside to make up potential future deficiencies in the bond's debt service. Restricted cash may also include unspent bond proceeds used to fund projects.

**CAPITAL ASSETS**

Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. It is the Authority's policy to capitalize furniture and equipment exceeding $5,000. The Authority has no capital assets that exceed the capitalization threshold.

## NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### COMPENSATED ABSENCES

The Authority compensates employees for unused vacation pay, up to a maximum of 400 hours, upon termination. It also pays one-half of unused sick leave at the time of retirement, up to a maximum of 500 hours pay, or applies any portion of sick leave toward retirement credit. The Authority has accrued sick leave to the extent it is expected to be paid out.

All vacation pay is accrued when earned by the employee in the government-wide financial statements. A liability for these amounts is recorded in the government funds only if they have matured, for example, as a result of employee resignations and retirements and is currently payable. The General Fund is used to liquidate compensated absences.

### LONG-TERM DEBT

In the government-wide financial statements, long-term debt is recorded as a liability in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premiums or discounts. Bond issuance costs are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts incurred during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

### PENSIONS

For purposes of measuring the net pension liability and deferred outflow/inflow of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employee's Retirement System (CalPERS) plans (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. Investments are reported at fair value. The net position liability is liquidated by the Authority's General Fund.

### FUND BALANCE CLASSIFICATION

**Net Position** - The government-wide financial statement includes the following categories of net position:

**Restricted net position** - This category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** – any amount that is not restricted.

## NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### FUND BALANCE CLASSIFICATION (Continued)

**Fund Balance -** In the fund financial statements, fund balance amounts are reported based on the Authority's constraints on the use of funds.

**Nonspendable** fund balances are not expected to be converted to cash within the next operating cycle and are typically comprised of prepaid items.

**Restricted** fund balances are subject to external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose.

**Committed** fund balances are subject to constraints imposed by formal action of the Authority's Board which may be altered only by formal action of the Authority's Board consisting of an ordinance or resolution.

**Assigned** fund balances are amounts constrained by the Authority's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Authority's Board or management and may be changed at their discretion.

**Unassigned** is the residual amount of the General Fund not included in the four classifications described above. In other governmental funds in which expenditures incurred for specific purposes exceeded amounts restricted, committed, or assigned to those purposes, a negative unassigned fund balance is reported. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

The Authority typically spends resources in the following order when an expenditure is incurred: restricted, committed, assigned, and unassigned.

### INSURANCE

The Authority provides employees with commercial worker's compensation insurance. In addition, the Authority purchases commercial insurance for general liability claims. At June 30, 2017, there were no claims outstanding. There were no reductions in coverage during the year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

### RECLASSIFICATIONS

In 2017, certain amounts from 2016 were reclassified to conform to the current presentation. The reclassifications had no effect on total net assets or change in net assets.

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

| | | |
|---|---|---|
| Governmental activities: | | |
| Cash and investments | $ | 30,973,774 |
| Restricted cash and investments | | 18,964,267 |
| Agency funds: | | |
| Cash and investments | | 31,113,069 |
| Total cash and investments | $ | 81,051,110 |

As of June 30, 2017, the Authority's cash and investments consisted of the following:

| | | |
|---|---|---|
| Deposits with financial institutions | $ | 608,058 |
| Total cash and deposits | | 608,058 |
| County Pool | | 47,094,039 |
| Local Agency Investment Fund | | 14,384,746 |
| Investments with fiscal agent | | |
| Money market mutual fund (governmental obligations) | | 6,614,551 |
| U.S. Treasury securities | | 2,214,234 |
| CAMP pool | | 10,135,482 |
| Total investments | | 80,443,052 |
| Total cash and investments | $ | 81,051,110 |

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**Investment policy** - Investments are stated at fair value. California statutes authorize public agencies to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, and Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. During the year ended June 30, 2017, the Authority's permissible investments included the following instruments:

| Authorized Investment Type | Maximum Maturity | Maximum % or Amount of the Portfolio |
|---|---|---|
| US Treasury Bonds/Notes/Bills | 5 years | 100% |
| Bonds issued by local agencies | 5 years | 80% |
| Registered State Warrants and Municipal Notes | 5 years | 80% |
| Bankers Acceptances | 180 days | 40% |
| Commercial Paper | 270 days | 40% |
| Negotiable Certificate of Deposit | 180 days | 30% |
| CRA Bank Deposit/Certificate of Deposit | 1 year | 30% |
| Repurchase Agreements | 1 year | 30% |
| Reverse Repurchase Agreements | 92 days | 20% |
| Medium Term Corporate Notes | 180 days | 30% |
| Shares of Money Market Mutual Fund | 90 days | 20% |
| Collateralized Mortgage Obligations | 180 days | 20% |
| California Assets Management Program (CAMP) | none | none |
| County Pool | none | none |
| LAIF | none | none |

**Investments Authorized by Debt Agreements** - Investment of debt proceeds held by the bond trustee is governed by the provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy. The 2009, 2012, 2014A and 2015A Measure A Sales Tax Revenue Bonds debt agreements contain certain provisions that address interest rate risk and credit risk, but not concentration of credit risk.

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

| Authorized Investment Type | Maximum Security | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| Local Agency Bonds or Obligations | None | None | None |
| U.S. Treasury Obligations | None | None | None |
| U.S. Agency Securities | None | None | None |
| Bankers Acceptances | 1 year | None | None |
| Commercial Paper | 270 days | None | None |
| Money Market Fund | None | None | None |
| Certificates of Deposit | None | None | None |
| Investment Agreements | None | None | None |
| Repurchase Agreements | None | None | None |
| Mutual Funds | N/A | None | None |
| LAIF | N/A | None | None |

**Investment in Pooled Funds** - The Authority's investments in the Sacramento County pooled investment funds are managed by the Sacramento County Treasurer and stated at fair value or amortized cost, which approximates fair value. The total amount invested by all public agencies as of June 30, 2017 was $3.9 billion. The Authority's share of the pool is stated at market value in the Authority's financial statement. Sacramento County does not invest in any derivative financial products directly. The Sacramento County Treasury Investment Oversight Committee (Committee) oversees the County's cash and investment pool. The Committee consists of ten members as required by State law. The value of pooled shares that may be withdrawn from the County is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool.

**Investment in LAIF** – Local Agency Investment Fund (LAIF) is stated at amortized cost. The LAIF is a special fund of the California State Treasury through which local governments may invest idle cash. The total fair value amount invested by all public agencies in LAIF is $77.6 billion. The fund is managed by the State Treasurer. No amounts are invested in derivative financial products. The Local Investment Advisory Board oversees the LAIF. The Board consists of five members as designated by State Statute. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements based upon the Authority's pro-rata share of the fair value of the entire pool. There are no restrictions or limitations on withdrawals of Authority funds from LAIF.

**Investment in CAMP** - California Asset Management Program (CAMP) was created under the provisions of the California Joint Exercise of Powers Act to provide professional investment management services and allows the participants to combine the use of a money market portfolio with an individually managed portfolio. CAMP is governed by a board of seven trustees, all of whom are officials or employees of public agencies. The money market portfolio offers daily liquidity and is rated AAAm by Standard and Poor. To maintain the AAAm rating, the portfolio's weighted average maturity may not exceed 70 days.

## NOTE 2 - CASH AND INVESTMENTS (Continued)

**Interest rate risk** - Interest rate risk is the risk that changes in market 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. As of June 30, 2017, the weighted average maturity of the investments contained in LAIF, the County Pool, CAMP, and mutual money market funds is approximately 194, 277, 49, and 34 days, respectively. The maturity dates of the U.S. Treasury Securities are within 15 months and commercial paper within five months.

**Credit Risk** - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Neither LAIF or the County Pool is rated by a nationally recognized statistical rating organization. The Money Market Mutual Fund is rated AAAm by Standard and Poor's. The U.S. Treasury Securities are rated AA+ and commercial paper A-1 or A-1+ by Standard and Poor's.

**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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2017, the carrying amount of the Authority's deposits and the balance in financial institutions was $608,058, of which $250,000 was covered by federal depository insurance and $358,058 was covered by the pledging financial institution with assets held in a common-pool for the Authority and other governmental agencies.

**Fair Value Measurement** - The Authority 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 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The Authority reports the following recurring fair value measurements as of June 30, 2017:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | June 30, 2017 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level | | | | |
| Money market mutual fund | $ 6,614,551 | | $ 6,614,551 | |
| U.S. Treasury securities | 2,214,234 | $ 2,214,234 | | |
| Total investments by fair value level | 8,828,785 | $ 2,214,234 | $ 6,614,551 | |
| Investments measured at net asset value | | | | |
| County pool | 47,094,039 | | | |
| Local Agency Investment Fund | 14,384,746 | | | |
| CAMP pool | 10,135,482 | | | |
| | $ 80,443,052 | | | |

All securities classified in Level 2 are valued using pricing models that are based on market data, such as matrix or model pricing, which use standard inputs, which include benchmark yields, reported trades, broker/dealer quotes, issue spreads, two sided markets, benchmark securities, bids, offers and reference data including market research publications.

**NOTE 3 - PENSION PLAN**

**A. General Information about the Pension Plans**

**Plan Descriptions**

All qualified permanent and probationary employees are eligible to participate in the Authority's cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). The Authority has the following cost-sharing rate plans:

- Miscellaneous Plan
- PEPRA Miscellaneous Plan

Benefit provisions under the Plans are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

**NOTE 3 - PENSION PLAN (Continued)**

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the 1959 Survivor Benefit level 4, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

| | Miscellaneous | PERPA Miscellaneous |
|---|---|---|
| Hire Date | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit formula (at full retirement) | 2.5% @ 55 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50-55 | 52-67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5% | 1.0% to 2.5% |
| Required employee contribution rates | 8.00% | 6.25% |
| Required employer contribution rates | 9.498% | 6.555% |

In addition to the contribution rate above, the Authority was also required to make a payment of $52,902 towards its unfunded actuarial liability during the fiscal year ended June 30, 2017.

The Miscellaneous Plan is closed to new members that are not already CalPERS participants

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The contributions to the Plan were $89,707 for the year ended June 30, 2017.

**NOTE 3 - PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflow/Inflow of Resources Related to Pensions**

As of June 30, 2017, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan of $908,590.

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability as of June 30, 2017 is measured as of June 30, 2016 and the total pension liability is determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Authority's proportion of the net pension liability is based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability as of June 30, 2017 and 2016 is as follows:

| | **Miscellaneous** |
|---|---|
| Proportion - June 30, 2017 | 0.026155% |
| Proportion - June 30, 2016 | 0.027341% |
| Change - Increase (Decrease) | -0.001186% |

For the year ended June 30, 2017, the Authority recorded pension expense of $71,160. At June 30, 2017, the Authority reported deferred outflow of resources and deferred inflow of resources related to the Plan from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 89,707 | |
| Change in employer's proportion and differences between the employer's contribution and the employer's proportionate share of contributions | 40,417 | $ (4,451) |
| Net differences between projected and actual earnings on plan investments | 134,575 | |
| Changes in assumption | | (25,856) |
| Difference between expected and actual experience | 2,733 | (626) |
| Difference between actual and allocated contributions | | (6,013) |
| Total | $ 267,432 | $ (36,946) |

The $89,707 reported as deferred outflow of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred inflow and outflow of resources relate to pensions and will be recognized as pension expense as follows:

**NOTE 3 - PENSION PLAN (Continued)**

| Year Ended June 30 | | |
|---|---|---|
| 2018 | $ | 24,949 |
| 2019 | | 23,180 |
| 2020 | | 57,791 |
| 2021 | | 34,859 |
| | $ | 140,779 |

**Actuarial Assumptions**

The total pension liabilities in the actuarial valuations for the Plan were determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2015 |
| Measurement Date | June 30, 2016 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Payroll Growth | 3.0% |
| Projected Salary Increase (1) | Varies |
| Mortality | Derived using CalPERS Membership data for all funds |

(1) Depending on age and service

The underlying mortality assumptions and all other actuarial assumptions used in June 30, 2017 were based on the results of a April 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 was 7.65%. 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 discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate 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.

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class.

**NOTE 3 - PENSION PLAN (Continued)**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations 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 a building-block approach. Using the expected nominal returns for both short-term and long-term, 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 the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class for the Plan as of the measurement date of June 30, 2016. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10(a) | Real Return Years 11+(b) |
|---|---|---|---|
| Global Equity | 51.0% | 5.25% | 5.71% |
| Global Fixed Income | 20.0% | 0.99% | 2.43% |
| Inflation Sensitive | 6.0% | 0.45% | 3.36% |
| Private Equity | 10.0% | 6.83% | 6.95% |
| Real Estate | 10.0% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.0% | 4.50% | 5.09% |
| Liquidity | 1.0% | (0.55)% | (1.05)% |
| Total | 100.00% | | |

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

| | | |
|---|---|---|
| 1% Decrease | | 6.65% |
| Net Pension Liability | $ | 1,337,542 |
| Current Discount Rate | | 7.65% |
| Net Pension Liability | $ | 908,590 |
| 1% Increase | | 8.65% |
| Net Pension Liability | $ | 554,081 |

## NOTE 3 - PENSION PLAN (Continued)

### Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

## NOTE 4 – DEFERRED COMPENSATION PLAN

The Authority offers its regular employees a deferred compensation plan under the provisions of Internal Revenue Code (IRC) Section 457. The plan permits these employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

The Authority has established a separate independent trust which is administered outside the Authority to hold the assets and earnings of its deferred compensation plans for the exclusive benefit of the participants that are not included in the Authority's financial statements.

## NOTE 5 - OPERATING LEASES

The Authority leases certain premises under an operating lease through November 30, 2027, at which time the lease expires. The rental rate increases $100 per month each year of the lease beginning every December 1. In addition, as a condition of the Authority executing this new lease certain tenant improvements were made by the landlord, the cost of which plus interest ($159,264) is to be repaid as part of the rental payments beginning December 1, 2020 through the remainder of the lease term. Rental expense for the year ended June 30, 2017 was $65,415.

Future minimum lease payments under operating leases as of June 30, 2017 are as follows:

| Fiscal Year Ending June 30 | Amount |
|---|---|
| 2018 | $ 26,722 |
| 2019 | 36,700 |
| 2020 | 37,900 |
| 2021 | 47,416 |
| 2022 | 55,781 |
| 2023-2027 | 340,687 |
| 2028 | 33,600 |
| | $ 578,806 |

## NOTE 6 – INTERFUND TRANSACTIONS

Interfund transfers are used to (1) reimburse the General Fund for services to and payments on behalf of the Special Revenue Fund in the amount of $40,419, and (2) repay principal and interest per the debt agreement in the amount of $20,783,385.

## NOTE 7 – LONG-TERM LIABILITIES

The activity of the Authority's long-term liabilities during the year ended June 30, 2017 are as follows:

| | Balance July 1, 2016 | Additions | Reductions | Balance June 30, 2017 | Due Within One Year |
|---|---|---|---|---|---|
| 2009 Series C Bonds | $106,100,000 | | | $ 106,100,000 | |
| Fair Value (Loss) of Interest Rate Swap (2009 Series Bonds) | 120,167,420 | $ 88,172,331 | $ 120,167,420 | 88,172,331 | |
| 2012 Series Bonds | 53,355,000 | | 3,450,000 | 49,905,000 | $3,590,000 |
| Unamortized Bond Premium (2012 Series Bonds) | 8,368,772 | | 755,077 | 7,613,695 | |
| Series 2014A Bonds | 106,100,000 | | | 106,100,000 | |
| Series 2015A Bonds | 106,100,000 | | | 106,100,000 | |
| Total debt | 500,191,192 | 88,172,331 | 124,372,497 | 463,991,026 | 3,590,000 |
| Compensated absences | 78,705 | 49,664 | 29,378 | 98,991 | 29,000 |
| Net Pension liability | 750,078 | 158,512 | | 908,590 | |
| Total Long-term liabilities | $501,019,975 | $ 88,380,507 | $ 124,401,875 | $ 464,998,607 | $3,619,000 |

Long-term debt consists of the following at:

| | June 30, 2017 |
|---|---|
| **2009 Series C Bonds -** In October 2009, the Authority issued Measure A Sales Tax Revenue Bonds in the amount of $106.1 million to finance transportation projects approved by voters in 2004. The bond's variable interest rate is fixed through an interest-rate swap, whereby, the Authority pays a fixed interest rate of 3.736% and in turn, receives a variable interest rate based on 67 percent of the one month London Interbank Offered Rate (LIBOR) which is reset on a weekly basis. Principal payments of $7.5 million begin in 2029 and increase to $11.8 million in 2038 when they mature. Interest payments under the swap range from $192,114 to $3.5 million per year. | $ 106,100,000 |
| **2012 Series Bonds -** In July 2012, the Authority issued fixed rate Measure A Sales Tax Bonds in the amount of $53.4 million to finance certain transportation projects approved by voters in 2004. The average coupon interest rate is 2.480997%. Principal payments in the amount of $3.5 million begin in 2017 and increase to $5.7 million in 2027, when they mature. Interest payments range from $143,000 to $2.3 million per year. | $ 49,905,000 |

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

| | |
|---|---|
| **2014A Series A Bonds -** In September 2014, the Authority issued Measure A Sales Tax Revenue Refunding Bonds in the amount of $106.1 million to refund the outstanding series 2009A bonds and finance transportation projects approved by voters in 2004. Interest rate swaps were retained. In the floating-to-fixed rate swap, the Authority pays a fixed interest rate of 3.736% and in turn, receives a variable interest rate based on 67 percent of the one month LIBOR which is reset on a weekly basis. Principal payments range from $7.4 million in 2029 to $11.8 million in 2038, while interest payments under the swap range from $192,114 to $3.5 million per year. | $ 106,100,000 |
| **2015A Series B Bonds -** In March 2015, the Authority issued Measure A Sales Tax Revenue Refunding Bonds in the amount of $106.1 million to refund the outstanding Measure A Sales Tax Revenue Series 2009B bonds and finance transportation projects approved by voters in 2004. Interest rate swaps were retained. In the floating-to-fixed rate swap, the Authority pays a fixed interest rate of 3.666% and in turn, receives a variable interest rate based on 67 percent of the three month LIBOR which is reset on a weekly basis. Principal payments range from $7.4 million in 2029 to $11.8 million in 2038, while interest payments under the swap range from $178,101 to $3.2 million per year. | $ 106,100,000 |

The Authority has pledged all of the future sales tax proceeds to cover all debt service requirements. The total principal and interest remaining on the 2009C, 2012, 2014A, and the 2015A bonds is $608.4 million. For the current year, the interest paid and total incremental sales tax revenues were $17.1 and $116.9 million respectively.

The 2014A and 2015A Measure A Sales Tax Revenue Refunding Bonds were issued to refund the 2009A and 2009B Measure A Sales Tax Revenue Bonds, respectively. The advance refunding resulted in no differences between the reacquisition price and the net carrying amount of the outstanding debt.

As of June 30, 2017, the future annual debt service requirements and net payments on associated hedging derivative instruments on the Authority's 2009, 2014A, and 2015A Series Bond obligations are detailed in the schedule below. These amounts assume that current interest rates on variable rate bonds will remain the same for their term. As these rates vary, interest payments on variable rate bonds and net payments on the hedging derivatives will vary. Included in the schedule are the future principal and fixed interest obligations on the 2012 Series Bonds.

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

| Fiscal Year Ending June 30, | Principal | Estimated Bond Interest (1) | Hedging Derivatives, Net (2) | Ancillary Fees (3) | Total |
|---|---|---|---|---|---|
| 2018 | $ 3,590,000 | $ 4,519,121 | $ 10,112,379 | $ 962,755 | $ 19,184,255 |
| 2019 | 3,740,000 | 4,372,521 | 10,112,379 | 962,755 | 19,187,655 |
| 2020 | 3,890,000 | 4,219,921 | 10,112,379 | 965,248 | 19,187,548 |
| 2021 | 4,050,000 | 4,061,121 | 10,112,379 | 962,318 | 19,185,818 |
| 2022 | 4,235,000 | 3,874,246 | 10,112,379 | 962,755 | 19,184,380 |
| 2023 - 2027 | 24,680,000 | 15,879,857 | 50,561,896 | 4,815,831 | 95,937,584 |
| 2028 - 2032 | 104,320,000 | 10,039,957 | 44,512,499 | 4,242,014 | 163,114,470 |
| 2033 - 2037 | 150,300,000 | 5,193,336 | 23,358,232 | 2,225,528 | 181,077,096 |
| 2038 - 2039 | 69,400,000 | 495,135 | 2,226,995 | 212,396 | 72,334,526 |
| Total | $ 368,205,000 | $ 52,655,215 | $ 171,221,517 | $ 16,311,600 | $ 608,393,332 |

(1) Estimated at assumed rates as of June 30, 2017 as follows:

Series 2009C – 0.6484%

Series 2012 (fixed) – 2.480997%

Series 2014A – 0.8241%.

Series 2015A – 0.6466%

(2) Based on fixed rate less variable receive rate at June 30, 2017 as follows:

Series 2009C – 3.2562%.

Series 2014A – 3.2562%.

Series 2015A – 3.0187%.

(3) Includes liquidity and remarketing fees ranging from .35% to .45%

**Arbitrage** - The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with investments of all tax-exempt bond proceeds at an interest yield greater than the interest paid to bondholders. Generally, all interest paid to bond holders can be retroactive if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. The Authority's arbitrage liability is currently estimated to be immaterial.

**Interest Rate Swaps**

**Objective of the interest rate swaps and terms -** On October 18, 2006, the Authority entered into three forward interest rate swaps for $106.1 million each in order to hedge the interest rate risk associated with the Series 2009 Measure A Sales Tax Revenue Bonds issued on October 1, 2009, and whose initial interest rate is variable.

## NOTE 7 – LONG-TERM LIABILITIES (Continued)

### Interest Rate Swaps (Continued)

**Terms** - The swap agreement requires that the Authority pay each financial institution semi-annual fixed-rate payments based on an annual rate; the financial institution, in turn, is required to pay the Authority a series of future variable-rate payments equal to 67% of the 1-month or 3-month LIBOR. The notional amounts and maturity dates of the swaps match the principal amounts and the maturity dates of the hedged bonds. The variable-rate coupons of the hedged bonds closely match the Securities Industry and Financial Markets Association (SIFMA) and percentage of LIBOR rates paid monthly. A summary of the terms are as follows:

| | Notional Amount | Effective Date | Fixed Rate Paid | Variable Rate Received | Fair Value | Swap Term Date | Counterparty Credit Rating (1) | Valuation Level |
|---|---|---|---|---|---|---|---|---|
| Series 2009C | $ 106,100,000 | October 18, 2006 | 3.736% | 67% USD LIBOR | $ (29,957,115) | October 1, 2038 | A1/A+/A+ | Level 2 |
| Series 2014A | $ 106,100,000 | October 18, 2006 | 3.736% | 67% 3 month LIBOR | $ (29,959,411) | October 1, 2038 | A1/A+/A | Level 2 |
| Series 2015A | $ 106,100,000 | October 18, 2006 | 3.666% | 67% USD LIBOR | $ (28,255,805) | October 1, 2038 | Aa3/A+/AA- | Level 2 |
| | | | | | $ (88,172,331) | | | |

(1) (Moody's Investor Services, Standard and Poor's Rating Services, and Fitch IBCA, Inc.)

**Fair value -** The swaps had a total fair value of negative $88.2 million as of June 30, 2017, which is reported as a deferred outflow of resources. The fair values were estimated by an independent third-party based on mid-market levels as of the close of business on June 30, 2017. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of the swaps. The fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

**Credit risk -** This is the risk that the counterparty will fail to perform under the terms of the agreement. As of June 30, 2017, the Authority was not exposed to credit risk on these swaps because the fair values were negative. However, should interest rates change and the fair values of the swaps become positive, the Authority would be exposed to credit risk in the amount of the swaps' positive fair values. In order to mitigate this risk, the Authority diversified its exposure among three counterparties. The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the credit rating fall below the applicable thresholds. If the Authority's credit rating falls below certain thresholds or is withdrawn, a termination event may result, in which case the Authority could immediately owe (or be owed) the fair market value of the swap.

**Basis risk -**. This is the risk of a mismatch between the variable rate received from the counterparty and the variable rate paid on the variable rate debt that was issued in October 2009. The Authority is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Authority pays on the bonds. Depending on the magnitude and

## NOTE 7 – LONG-TERM LIABILITIES (Continued)

### Interest Rate Swaps (Continued)

duration of any basis risk shortfall, the effective fixed rate on the debt will vary. Based on current and historical experience, the payments received under the agreements are expected to approximate the expected bond payments over the life of the swaps.

**Termination risk and termination payments -** This is the risk that the transaction is terminated in a market dictating a termination payment by the Authority. The Authority can terminate a swap at the fair market value by providing notice to the counterparty, while the counterparty may only terminate the swap upon certain termination events under the terms of the agreement. The Authority or the counterparties may terminate the swap if the other party fails to perform under the terms of the contracts, such as the failure to make swap payments. If the swap is terminated, the expected variable rate bonds would no longer be hedged.

**Tax Risk** - The swap exposes the Authority to tax risk if a permanent mismatch occurs between the variable-rate received from the swap and the variable-rate paid on the bonds due to tax law changes such that the federal or state tax exemption on municipal debt is eliminated or its value reduced.

## NOTE 8 – FUND BALANCES

The Authority's net position and fund balance are restricted for the following purposes:

> Measure A Projects – bond proceeds and sales tax revenues restricted by local ordinance for transportation-related projects.
>
> Transportation Mitigation – represents the fund balance of the SCTMFP to assist with funding road and transit system improvements needed to accommodate projected growth and development.
>
> Freeway Service Patrol Program – to reflect funds restricted by the Department of Transportation for urban traffic congestion mitigation. There was no restricted balance as of June 30, 2017.
>
> Debt Service – represents debt service reserves required by the related debt covenants.
>
> Abandoned Vehicle Service – represents the fund balance of SAVSA to fulfill the program objectives of the Abandoned Vehicles program. There was no restricted balance as of June 30, 2017.

## NOTE 9 – GOVERNMENT-WIDE NET POSITION

As of June 30, 2017, the Authority had negative net position of $325.7 million. Under a typical bond financing arrangement, the public entity issues debt and expends the funds on capital projects that are reported on the statement of net position as capital assets. The capital assets generally offset the bonded debt. However, the Authority issues bonds that pay for assets reported in other jurisdictions' financial statements, resulting in a deficit net position. Therefore, the deficit will continue, but decrease over time as the Authority makes bond principal payments.

**NOTE 10 – SUBSEQUENT EVENTS**

The Authority’s management evaluated its financial statements for the period ending June 30, 2017 for subsequent events through December 18, 2017, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

# REQUIRED SUPPLEMENTARY INFORMATION

**SACRAMENTO TRANSPORTATION AUTHORITY**
**REQUIRED SUPPLEMENTARY INFORMATION**
**For the Year Ended June 30, 2017**
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE**
**NET PENSION LIABILITY - MISCELLANEOUS PLAN (UNAUDITED)**
**Last 10 Years**

| | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---|---|---|
| Proportion of the net pension liability | 0.02616% | 0.02734% | 0.02463% |
| Proportionate share of the net pension liability | $ 908,590 | $ 750,078 | $ 608,865 |
| Covered - employee payroll - measurement period | $ 351,909 | $ 363,473 | $ 366,547 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 258.19% | 206.36% | 166.11% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.57% | 78.40% | 79.82% |

Notes to Schedule:
Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

Changes in assumptions: The discount rate was changed from 7.50% in 2015 to 7.65% in 2016 and 2017.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN (UNAUDITED)**
**Last 10 Years**

| | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|---|---|---|---|---|
| Contractually required contribution (actuarially determined) | $ 89,707 | $ 76,574 | $ 69,181 | $ 63,722 |
| Contributions in relation to the actuarially determined contributions | (89,707) | (76,574) | (69,181) | (63,722) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered - employee payroll - fiscal year | $ 451,635 | $ 351,909 | $ 363,473 | $ 366,547 |
| Contributions as a percentage of covered - employee payroll | 19.86% | 21.76% | 19.03% | 17.38% |
| Valuation date: | June 30, 2014 | June 30, 2013 | June 30, 2012 | June 30, 2011 |

Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial method | Entry age normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 15 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.75% |
| Salary increases | 3.0%, average, including inflation of 2.75% |
| Investment rate of return | 7.50% net of pension plan investment expense, including inflation |

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015; therefore, only four years are presented.

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# SUPPLEMENTAL INFORMATION

**SACRAMENTO TRANSPORTATION AUTHORITY**
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**
**ALL AGENCY FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | July 1, 2016 Balance | Additions | Deletions | June 30, 2017 Balance |
|---|---|---|---|---|
| **CITY OF SACRAMENTO** | | | | |
| Assets: | | | | |
| Cash and Investments | $ 16,968,271 | | $ (2,214,711) | $ 14,753,560 |
| Interest receivable | 23,597 | | (22,031) | 1,566 |
| Total Assets | $ 16,991,868 | $ - | $ (2,236,742) | $ 14,755,126 |
| Liabilities: | | | | |
| Due to other governments | $ 1,307,852 | $ 2,110,825 | | $ 3,418,677 |
| Deposits | 15,684,016 | | $ (4,347,567) | 11,336,449 |
| Total Liabilities | $ 16,991,868 | $ 2,110,825 | $ (4,347,567) | $ 14,755,126 |
| **CITY OF ISLETON** | | | | |
| Assets: | | | | |
| Cash and Investments | $ 435,724 | $ 3,559 | | $ 439,283 |
| Interest receivable | 2,277 | | $ (228) | 2,049 |
| Total Assets | $ 438,001 | $ 3,559 | $ (228) | $ 441,332 |
| Liabilities: | | | | |
| Deposits | $ 438,001 | $ 3,331 | | $ 441,332 |
| Total Liabilities | $ 438,001 | $ 3,331 | $ - | $ 441,332 |
| **CITY OF CITRUS HEIGHTS** | | | | |
| Assets: | | | | |
| Cash and Investments | $ 38,001 | | $ (34,703) | $ 3,298 |
| Interest receivable | 591 | | (566) | 25 |
| Total Assets | $ 38,592 | $ - | $ (35,269) | $ 3,323 |
| Liabilities: | | | | |
| Due to other governments | $ 35,271 | | $ (31,948) | $ 3,323 |
| Deposits | 3,321 | | (3,321) | - |
| Total Liabilities | $ 38,592 | $ - | $ (35,269) | $ 3,323 |

Continued

**SACRAMENTO TRANSPORTATION AUTHORITY**
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)**
**ALL AGENCY FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | July 1, 2016 Balance | Additions | Deletions | June 30, 2017 Balance |
|---|---|---|---|---|
| **CITY OF RANCHO CORDOVA** | | | | |
| Assets: | | | | |
| Cash and Investments | $ 44,738 | | $ (44,640) | $ 98 |
| Interest receivable | 307 | | (221) | 86 |
| Total Assets | $ 45,045 | $ - | $ (44,861) | $ 184 |
| Liabilities: | | | | |
| Due to other governments | $ 9,926 | | $ (9,926) | $ - |
| Deposits | 35,119 | | (34,935) | 184 |
| Total Liabilities | $ 45,045 | $ - | $ (44,861) | $ 184 |
| **NEIGHBORHOOD SHUTTLE** | | | | |
| Assets: | | | | |
| Cash and Investments | $ 7,062,851 | $ 1,056,480 | | $ 8,119,331 |
| Interest receivable | 34,199 | 1,806 | | 36,005 |
| Due from other governments | - | 83,333 | | 83,333 |
| Total Assets | $ 7,097,050 | $ 1,141,619 | $ - | $ 8,238,669 |
| Liabilities: | | | | |
| Deposits | $ 7,097,050 | $ 1,141,619 | | $ 8,238,669 |
| Total Liabilities | $ 7,097,050 | $ 1,141,619 | $ - | $ 8,238,669 |
| **CTSA SET ASIDE** | | | | |
| Assets: | | | | |
| Cash and Investments | $ 6,610,575 | $ 1,186,924 | | $ 7,797,499 |
| Interest receivable | 31,593 | 2,599 | | 34,192 |
| Due from other governments | - | 221,683 | | 221,683 |
| Total Assets | $ 6,642,168 | $ 1,411,206 | $ - | $ 8,053,374 |
| Liabilities: | | | | |
| Deposits | $ 6,642,168 | $ 1,411,206 | | $ 8,053,374 |
| Total Liabilities | $ 6,642,168 | $ 1,411,206 | $ - | $ 8,053,374 |

Continued

**SACRAMENTO TRANSPORTATION AUTHORITY**
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)**
**ALL AGENCY FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | July 1, 2016 Balance | Additions | Deletions | June 30, 2017 Balance |
|---|---|---|---|---|
| **JPA CONNECTOR (Pay Go)** | | | | |
| Assets: | | | | |
| Cash and Investments | $ 12,662 | | $ (12,662) | $ - |
| Interest receivable | 525 | | (263) | 262 |
| Total Assets | $ 13,187 | $ - | $ (12,925) | $ 262 |
| Liabilities: | | | | |
| Due to other governments | $ 12,643 | | $ (12,643) | $ - |
| Deposits | 544 | | (282) | 262 |
| Total Liabilities | $ 13,187 | $ - | $ (12,925) | $ 262 |
| **TOTAL AGENCY FUNDS** | | | | |
| Assets: | | | | |
| Cash and Investments | $ 31,172,822 | $ 2,246,963 | $ (2,306,716) | $ 31,113,069 |
| Interest receivable | 93,089 | 4,405 | (23,309) | 74,185 |
| Due from other governments | - | 305,016 | - | 305,016 |
| Total Assets | $ 31,265,911 | $ 2,556,384 | $ (2,330,025) | $ 31,492,270 |
| Liabilities: | | | | |
| Due to other governments | $ 1,365,692 | $ 2,110,825 | $ (54,517) | $ 3,422,000 |
| Deposits | 29,900,219 | 2,556,156 | (4,386,105) | 28,070,270 |
| Total Liabilities | $ 31,265,911 | $ 4,666,981 | $ (4,440,622) | $ 31,492,270 |

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# STATISTICAL SECTION

## STATISTICAL SECTION

This part of the Sacramento Transportation Authority's comprehensive annual financial report presents detailed information as context for understanding the information in the financial statements, note disclosures, and required supplementary information of the government's overall financial health.

***Financial Trends*** – These schedules contain trend information to help the reader understand how the Authority's financial performance changed over time.

***Revenue Capacity*** – These schedules contain information to help the reader assess the Authority's most significant local revenue source - sales tax.

***Demographic and Economic Information*** – These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other governments.

***Operating Information*** – These schedules contain information about the Authority's operation and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides and the activities it performs.

***Sources*** – Unless otherwise noted; the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**SACRAMENTO TRANSPORTATION AUTHORITY**
**Net Position by Component**
**Last Ten Fiscal Years**
**(accrual basis of accounting)**

| | Fiscal Year | | | |
|---|---|---|---|---|
| | **2008** | **2009** | **2010** | **2011** |
| Governmental activities: | | | | |
| Restricted: Measure A* | - | - | - | - |
| Restricted: transportation mitigation | - | - | $ 3,073,658 | $ 5,447,348 |
| Restricted: for abandoned vehicles | - | - | - | - |
| Restricted: freeway service patrol | - | - | - | - |
| Restricted: debt service | - | - | - | - |
| Unrestricted | $ (101,589,627) | $ (143,010,032) | (197,736,342) | (246,561,887) |
| Total governmental activities net position | $ (101,589,627) | $ (143,010,032) | $ (194,662,684) | $ (241,114,539) |

Continued

Source: Audited Financial Statements

* Amounts for Measure A prior to 2017 were reported as unrestricted

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| - | - | - | - | - | $ 42,991,554 |
| $ 1,204,207 | $ 4,390,110 | $ 5,254,385 | $ 9,885,863 | $ 13,296,991 | 4,692,718 |
| - | - | 107,455 | 121,827 | 154,549 | - |
| - | - | - | - | 164,338 | - |
| - | - | - | - | 6,362,460 | 6,588,099 |
| (269,290,732) | (283,641,409) | (294,193,790) | (309,078,758) | (365,923,547) | (379,947,580) |
| $ (268,086,525) | $ (279,251,299) | $ (288,831,950) | $ (299,071,068) | $ (345,945,209) | $ (325,675,209) |

**SACRAMENTO TRANSPORTATION AUTHORITY**
**Changes in Net Position**
**Last Ten Fiscal Years**
**(accrual basis of accounting)**

| | Fiscal Year | | | |
|---|---|---|---|---|
| | **2008** | **2009** | **2010** | **2011** |
| **Expenses** | | | | |
| Governmental Activities: | | | | |
| Measure A | $ 183,888,775 | $ 124,301,815 | $ 126,262,982 | $ 120,337,680 |
| Transportation mitigation* | - | - | - | - |
| Freeway Service Patrol | 1,824,305 | 1,770,438 | 1,836,329 | 1,880,031 |
| Abandoned Vehicle Service Authority | 1,135,591 | 1,092,942 | 1,057,667 | 1,376,979 |
| Administration** | - | - | - | - |
| Interest on long-term debt | 6,691,245 | 7,581,219 | 10,555,136 | 16,245,290 |
| Total governmental activities expenses | 193,539,916 | 134,746,413 | 139,712,114 | 139,839,979 |
| **Program Revenues** | | | | |
| Operating grants and contributions | 3,065,942 | 2,964,590 | 6,008,096 | 5,327,190 |
| **Net (expense) revenue** | (190,473,974) | (131,781,823) | (133,704,017) | (134,512,789) |
| **General Revenues and Other Changes in Net Position** | | | | |
| Sales taxes | 101,155,680 | 89,395,168 | 81,413,982 | 87,299,421 |
| Investment earnings | 3,779,938 | 966,250 | 637,384 | 761,514 |
| Total general revenues | 104,935,617 | 90,361,418 | 82,051,366 | 88,060,935 |
| **Change in Net Position** | $ (85,538,357) | $ (41,420,406) | $ (51,652,651) | $ (46,451,854) |

Continued

Source: Audited Financial Statements

* Amounts for transportation mitigation expenses prior to 2014 are included in Measure A
** Amounts for administration expenses prior to 2015 are included in Measure A

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| | | | | | |
| $ 107,891,760 | $ 94,224,572 | $ 94,743,971 | $ 103,968,271 | $ 112,324,300 | $ 92,332,335 |
| - | - | 2,680,549 | 6,676 | 1,004,034 | 16,547,233 |
| 1,729,539 | 1,765,562 | 2,164,149 | 2,090,267 | 2,000,559 | 2,271,606 |
| 1,079,593 | 1,089,746 | 1,125,637 | 1,172,574 | 1,216,517 | 1,400,871 |
| - | - | - | 713,350 | 1,387,221 | 979,254 |
| 15,119,256 | 16,257,749 | 16,196,388 | 15,538,373 | 15,208,203 | 16,227,155 |
| 125,820,148 | 113,337,629 | 116,910,694 | 123,489,511 | 133,140,834 | 129,758,454 |
| | | | | | |
| 5,966,229 | 6,221,395 | 6,835,898 | 7,895,612 | 7,628,294 | 11,196,129 |
| (119,853,919) | (107,116,234) | (110,074,796) | (115,593,899) | (125,512,540) | (118,562,325) |
| | | | | | |
| 92,239,996 | 97,390,177 | 100,063,237 | 105,564,247 | 110,707,633 | 116,877,996 |
| 641,940 | 662,384 | 430,908 | 556,829 | 956,364 | 1,954,329 |
| 92,881,936 | 98,052,561 | 100,494,145 | 106,121,076 | 111,663,997 | 118,832,325 |
| $ (26,971,983) | $ (9,063,673) | $ (9,580,651) | $ (9,472,823) | $ (13,848,543) | $ 270,000 |

**SACRAMENTO TRANSPORTATION AUTHORITY**
**Fund Balances of Governmental Funds**
**Last Ten Fiscal Years**
**(modified accrual basis of accounting)**

| | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| **General Fund** | | | | |
| Nonspendable | $ - | $ - | $ - | $ 10,027 |
| Restricted | 71,904,809 | 39,077,280 | 119,756,036 | 73,188,759 |
| Unassigned | - | - | - | 589,073 |
| Total general fund | 71,904,809 | 39,077,280 | 119,756,036 | 73,787,859 |
| **All Other Governmental Funds** | | | | |
| Restricted | 12,820,431 | 4,734,070 | 4,501,393 | 4,137,869 |
| Total all other governmental funds | 12,820,431 | 4,734,070 | 4,501,393 | 4,137,869 |
| Total Governmental Funds | $ 84,725,240 | $ 43,811,350 | $ 124,257,429 | $ 77,925,728 |

Continued

Source: Audited Financial Statements

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| $ 10,027 | $ 10,027 | $ 10,027 | $ 10,027 | $ 10,027 | $ 4,763 |
| 46,521,997 | 101,338,670 | 91,591,253 | 81,243,264 | 51,973,251 | 47,684,272 |
| 600,000 | 740,000 | 427,430 | 329,381 | (195,546) | (38,522) |
| 47,132,024 | 102,088,697 | 92,028,710 | 81,582,672 | 51,787,732 | 47,650,513 |
| | | | | | |
| 3,860,118 | 4,439,725 | 4,232,983 | 4,352,188 | 6,517,009 | 6,588,099 |
| 3,860,118 | 4,439,725 | 4,232,983 | 4,352,188 | 6,517,009 | 6,588,099 |
| | | | | | |
| $ 50,992,142 | $ 106,528,422 | $ 96,261,693 | $ 85,934,860 | $ 58,304,741 | $ 54,238,612 |

**SACRAMENTO TRANSPORTATION AUTHORITY**
**Changes in Fund Balances of Governmental Funds**
**Last Ten Fiscal Years**
**(modified accrual basis of accounting)**

| | Fiscal Year | | | |
|---|---|---|---|---|
| | **2008** | **2009** | **2010** | **2011** |
| **Revenues** | | | | |
| Taxes | $ 101,155,680 | $ 89,395,168 | $ 81,413,982 | $ 87,299,421 |
| Development Impact Fees (Mitigation) | - | - | 3,073,658 | 2,334,437 |
| Vehicle registration fees | 1,140,257 | 1,132,447 | 1,106,169 | 1,070,911 |
| State grant | 1,129,892 | 1,035,852 | 988,962 | 1,122,358 |
| SAFE Funds | 672,525 | 672,525 | 706,000 | 706,000 |
| Use of money and property | 3,779,937 | 966,250 | 637,426 | 761,414 |
| Miscellaneous | 123,268 | 123,766 | 133,264 | 93,583 |
| Total Revenues | 108,001,558 | 93,326,008 | 88,059,461 | 93,388,125 |
| **Expenditures** | | | | |
| General government: | | | | |
| Administrative | 554,092 | 643,936 | 599,424 | 542,380 |
| Freeway service patrol | 1,824,305 | 1,770,438 | 1,836,329 | 1,880,031 |
| Intergovernmental | 183,896,918 | 123,979,282 | 126,524,494 | 121,087,058 |
| Debt Service: | | | | |
| Principal | - | - | - | - |
| Interest and other charges | 6,401,511 | 7,846,244 | 14,633,134 | 16,210,359 |
| Total expenditures | 192,676,827 | 134,239,899 | 143,593,381 | 139,719,828 |
| Excess of Expenditures over Revenue | (84,675,269) | (40,913,891) | (55,533,921) | (46,331,703) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 7,147,055 | 589,465 | 12,031,436 | 16,215,856 |
| Transfers out | (7,147,055) | (589,465) | (12,031,436) | (16,215,856) |
| Refunding 2009A and 2009B Series Bonds | - | - | (182,320,000) | - |
| Premium from issuance of long term debt | - | - | - | - |
| Issuance of 2014A and 2015 Series Bonds | 83,618,050 | | 318,300,000 | |
| Total other financing sources (uses) | 83,618,050 | - | 135,980,000 | - |
| **Net change in fund balances** | $ (1,057,219) | $ (40,913,891) | $ 80,446,079 | $ (46,331,703) |
| **Debt Service as a Percentage of Noncapital Expenditures** | 3.32% | 5.84% | 10.19% | 11.60% |

Continued

Source: Audited Financial Statements

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| | $ 92,239,996 | $ 97,390,177 | $ 100,063,237 | $ 105,564,247 | $ 110,707,633 | $ 116,877,996 |
| | 2,957,362 | 3,176,382 | 3,540,542 | 4,624,139 | 4,363,650 | 7,848,175 |
| | 1,166,769 | 1,130,254 | 1,172,833 | 1,220,900 | 1,272,697 | 1,282,433 |
| | 1,109,848 | 1,167,759 | 1,375,523 | 1,303,573 | 1,234,947 | 1,238,521 |
| | 732,250 | 747,000 | 747,000 | 747,000 | 757,000 | 827,000 |
| | 641,940 | 660,928 | 430,196 | 555,414 | 941,859 | 1,795,119 |
| | - | 1,452 | 712 | 1,415 | 14,505 | 159,210 |
| | 98,848,165 | 104,273,952 | 107,330,043 | 114,016,688 | 119,292,291 | 130,028,454 |
| | | | | | | |
| | 658,391 | 745,552 | 1,008,517 | 805,331 | 1,342,300 | 977,515 |
| | 1,729,539 | 1,765,562 | 2,164,149 | 2,090,267 | 2,000,559 | 2,271,606 |
| | 108,225,941 | 94,103,672 | 97,543,286 | 104,405,460 | 114,537,093 | 110,280,439 |
| | | | | | | |
| | - | - | - | - | - | 3,450,000 |
| | 15,167,878 | 16,804,043 | 16,880,820 | 17,042,463 | 16,016,860 | 17,115,023 |
| | 125,781,749 | 113,418,829 | 117,596,772 | 124,343,521 | 133,896,812 | 134,094,583 |
| | | | | | | |
| | (26,933,584) | (9,144,877) | (10,266,729) | (10,326,833) | (14,604,521) | (4,066,129) |
| | | | | | | |
| | 14,869,554 | 16,950,657 | 16,694,009 | 16,439,131 | 18,182,376 | 20,823,804 |
| | (14,869,554) | (16,950,657) | (16,694,009) | (16,439,131) | (18,182,376) | (20,823,804) |
| | - | - | - | (212,200,000) | - | - |
| | - | 11,326,155 | - | - | - | - |
| | | 53,355,000 | | 212,200,000 | - | - |
| | - | 64,681,155 | - | - | - | - |
| | | | | | | |
| | $ (26,933,584) | $ 55,536,278 | $ (10,266,729) | $ (10,326,833) | $ (14,604,521) | $ (4,066,129) |
| | | | | | | |
| | 12.06% | 14.82% | 14.35% | 13.71% | 11.96% | 12.76% |

**SACRAMENTO TRANSPORTATION AUTHORITY**
**Revenue Capacity - Revenue Base and Revenue Rate**
**Last Ten Fiscal Years**

| Fiscal Year | Sales Tax Rate | Total Sales Tax Revenue | Total Taxable Sales* |
|---|---|---|---|
| 2017 | 0.5% | $ 116,878 | $ 23,375,600 |
| 2016 | 0.5% | 110,708 | 22,141,600 |
| 2015 | 0.5% | 105,564 | 22,043,196 |
| 2014 | 0.5% | 100,063 | 21,061,901 |
| 2013 | 0.5% | 97,390 | 20,097,095 |
| 2012 | 0.5% | 92,240 | 19,089,848 |
| 2011 | 0.5% | 87,299 | 18,003,765 |
| 2010 | 0.5% | 81,414 | 16,904,528 |
| 2009 | 0.5% | 89,395 | 16,563,853 |
| 2008 | 0.5% | 101,155 | 19,331,847 |

Source: Board of Equalization
* Fiscal Years 2016 and 2017 are estimated - actuals not available

**SACRAMENTO TRANSPORTATION AUTHORITY**
**Revenue Capacity - Principal Revenue Payers**
**Calendar Years 2015 and 2007**

| | 2015* | | | 2007 | | |
|---|---|---|---|---|---|---|
| Business Type: | Rank | Amount | Percentage of Taxable Sales | Rank | Amount | Percentage of Taxable Sales |
| All Other Outlets | 1 | $ 6,821,972 | 30.9% | 1 | $ 6,306,643 | 30.7% |
| Motor Vehicle and Parts Dealers | 2 | 3,201,485 | 14.5% | 2 | 2,567,020 | 12.4% |
| Food Services and Drinking Places | 3 | 2,273,722 | 10.3% | 5 | 1,717,772 | 8.4% |
| General Merchandise Stores | 4 | 2,003,553 | 9.1% | 4 | 2,447,216 | 11.9% |
| Other Retail Group | 5 | 1,825,439 | 8.3% | 3 | 2,544,502 | 12.3% |
| Gasoline Stations | 6 | 1,575,528 | 7.1% | 6 | 1,563,668 | 7.6% |
| Building Material and Garden Equipment and Supplies Dealers | 7 | 1,275,705 | 5.9% | 7 | 1,290,861 | 6.3% |
| Home Funishings and Appliance Stores | 8 | 1,116,793 | 5.0% | 10 | 548,536 | 2.7% |
| Food and Beverage Stores | 9 | 989,546 | 4.5% | 8 | 920,698 | 4.5% |
| Clothing and Clothing Accessories Stores | 10 | 959,454 | 4.4% | 9 | 653,594 | 3.2% |
| Total All Outlets | | $ 22,043,197 | 100.0% | | $ 20,560,510 | 100.0% |

Source: Board of Equalization
*Latest information available

**SACRAMENTO TRANSPORTATION AUTHORITY**
**Principal Employers**
**June 30, 2016 and 2007**

| | 2016* | | | 2007 | | |
|---|---|---|---|---|---|---|
| Employer: | Rank | Employees | Percentage of Total County Employment | Rank | Employees | Percentage of Total County Employment |
| UC Davis Health System | 1 | 9,905 | 1.57% | | | |
| Sutter/California Health Services | 2 | 7,352 | 1.16% | 2 | 11,284 | 1.79% |
| Dignity/Mercy Healthcare | 3 | 6,212 | 0.98% | | | |
| Intel Corporation | 4 | 6,000 | 0.95% | 5 | 6,500 | 1.03% |
| Kaiser Permanente | 5 | 5,421 | 0.86% | 1 | 11,729 | 1.86% |
| Raley's Inc/Belair | 6 | 3,289 | 0.52% | 3 | 8,203 | 1.30% |
| Apple Inc. | 7 | 2,500 | 0.40% | | | |
| VSP Global | 8 | 2,382 | 0.38% | | | |
| Health Net of California Inc. | 9 | 2,299 | 0.36% | | | |
| Wells Fargo & Co. | 10 | 2,190 | 0.35% | | | |
| University of California, Davis | | | | 4 | 8,000 | 1.27% |
| Hewlett Packard | | | | 8 | 4,500 | 0.71% |
| Wal-Mart | | | | 10 | 3,300 | 0.52% |
| Target Corporations | | | | 9 | 3,693 | 0.58% |
| SBC Communications | | | | 6 | 5,753 | 0.91% |
| CHW / Mercy Health Care | | | | 7 | 5,229 | 0.83% |
| Total | | 47,550 | 7.53% | | 68,191 | 10.80% |

Source: Sacramento County June 30, 2016 Comprehensive Annual Financial Report
*Latest information available

**SACRAMENTO TRANSPORTATION AUTHORITY**
**Demographic and Economic Statistics**
**Last Ten Fiscal Years**

| Fiscal Year | Population | Personal Income (000's) | Per Capita Personal Income | Unemployment Rate |
|---|---|---|---|---|
| 2017 | 1,514,460 | $72,878,458 | $48,122 | 5.4% |
| 2016 | 1,496,644 | 70,110,138 | 46,845 | 6.0% |
| 2015 | 1,478,137 | 65,486,553 | 44,303 | 7.3% |
| 2014 | 1,460,023 | 61,654,690 | 42,229 | 8.9% |
| 2013 | 1,447,236 | 59,775,785 | 41,303 | 10.5% |
| 2012 | 1,435,002 | 57,498,308 | 40,068 | 12.1% |
| 2011 | 1,422,018 | 54,666,004 | 38,443 | 12.6% |
| 2010 | 1,408,601 | 53,826,177 | 38,213 | 11.0% |
| 2009 | 1,394,438 | 54,773,648 | 39,280 | 7.2% |
| 2008 | 1,381,161 | 52,721,398 | 38,172 | 5.4% |

Sources: Bureau of Economic Analysis and California Employment Development Department

**SACRAMENTO TRANSPORTATION AUTHORITY**
**Operating Information - Employees**
**Last Ten Fiscal Years**

| Activity: | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Measure A/SAVSA | 2.95 | 2.65 | 2.6 | 2.6 | 2.45 | 2.45 | 2.45 | 2.45 | 2.45 | 2.45 |
| Freeway Service Patrol | 1.05 | 1.15 | 1.2 | 1.2 | 1.35 | 1.35 | 1.35 | 1.35 | 1.35 | 1.35 |

Source - Adopted Budget

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**SACRAMENTO TRANSPORTATION AUTHORITY**
**Operating Information - Demand for Services**
**Measure A - By Jurisdiction**
**Last Ten Fiscal Years**

| Jurisdiction | Fiscal Year 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| City of Citrus Heights | $ 2,302,514 | $ 2,152,319 | $ 2,071,744 | $ 1,985,463 |
| County of Sacramento | 17,620,170 | 16,530,072 | 15,862,799 | 15,134,616 |
| CTSA Set Aside* | 1,146,027 | 1,069,997 | 1,027,592 | 983,258 |
| City of Elk Grove | 4,739,611 | 4,318,918 | 4,135,491 | 3,927,291 |
| City of Folsom | 2,294,486 | 2,105,522 | 2,018,853 | 1,978,191 |
| City of Galt | 1,168,176 | 1,091,347 | 1,048,496 | 1,003,696 |
| City of Isleton | 46,727 | 43,654 | 41,940 | 40,150 |
| Neighborhood Shuttle* | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Paratransit | 4,011,094 | 3,744,989 | 3,596,572 | 3,441,403 |
| Sacramento Regional Parks* | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| City of Rancho Cordova | 2,201,648 | 2,013,909 | 1,922,210 | 1,803,645 |
| Regional Transit | 39,537,925 | 36,914,890 | 35,451,925 | 33,922,401 |
| City of Sacramento | 13,390,589 | 12,539,139 | 12,037,403 | 11,534,598 |
| SMAQMD | 1,719,040 | 1,604,995 | 1,541,388 | 1,474,887 |
| Debt Service* | 20,565,023 | 22,202,434 | 21,322,534 | 20,402,604 |
| Administration* | 899,939 | 802,498 | 770,694 | 737,444 |
| **Total allocations** | $ 113,642,969 | $ 109,134,683 | $ 104,849,641 | $ 100,369,647 |

Continued

* New Measure A program began in FY 2010
Source: Authority accounting records

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| $ 1,891,987 | $ 1,802,800 | $ 1,726,097 | $ 1,655,413 | $ 3,066,507 | $ 3,905,241 |
| 14,424,979 | 13,742,240 | 12,975,067 | 12,455,087 | 19,803,338 | 25,204,338 |
| 938,205 | 895,220 | 838,903 | 802,263 | - | - |
| 3,706,060 | 3,523,059 | 3,103,271 | 2,927,716 | 4,803,891 | 5,882,560 |
| 1,905,848 | 1,816,009 | 1,667,429 | 1,627,374 | 3,962,307 | 4,954,655 |
| 958,170 | 914,734 | 857,824 | 820,800 | 1,312,785 | 1,639,684 |
| 38,327 | 36,592 | 34,313 | 32,835 | 45,589 | 58,005 |
| 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | - | - |
| 3,283,718 | 3,133,270 | 2,936,161 | 2,807,922 | 1,467,435 | 1,844,116 |
| 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | - | - |
| 1,711,239 | 1,627,805 | 1,401,876 | 1,321,950 | 2,081,152 | 2,533,060 |
| 32,368,073 | 30,885,085 | 28,942,154 | 27,678,086 | 25,680,118 | 32,272,033 |
| 11,011,678 | 10,506,441 | 10,004,574 | 9,498,469 | 16,469,321 | 20,564,463 |
| 1,407,308 | 1,342,830 | 1,258,355 | 1,203,395 | 1,210,653 | 1,520,895 |
| 19,467,754 | 18,575,812 | 17,407,237 | 16,646,965 | - | - |
| 703,654 | 671,415 | 629,177 | 601,698 | - | - |
| $ 95,817,000 | $ 91,473,312 | $ 85,782,438 | $ 82,079,973 | $ 79,903,096 | $ 100,379,049 |

## SACRAMENTO TRANSPORTATION AUTHORITY
### Ratios of Outstanding Debt
### Last Ten Fiscal Years

| Fiscal Year | Sales Tax Revenue Bonds | Percentage of Personal Income | Per Capita |
|---|---|---|---|
| 2017 | $ 375,818,695 | N/A | N/A |
| 2016 | 380,023,772 | 0.5% | $ 253 |
| 2015 | 380,778,849 | 0.6% | 257 |
| 2014 | 381,533,926 | 0.6% | 260 |
| 2013 | 382,289,003 | 0.6% | 264 |
| 2012 | 318,300,000 | 0.5% | 222 |
| 2011 | 318,300,000 | 0.6% | 224 |
| 2010 | 318,300,000 | 0.6% | 226 |
| 2009 | 182,320,000 | 0.3% | 131 |
| 2008 | 182,320,000 | 0.3% | 132 |

Source: Bureau of Economic Analysis

**SACRAMENTO TRANSPORTATION AUTHORITY**
**Operating Information - Abandoned Vehicle Abatements**
**Last Ten Fiscal Years**

| Fiscal Year | Abatements |
|---|---|
| 2017 | 13,019 |
| 2016 | 8,586 |
| 2015 | 5,037 |
| 2014 | 5,247 |
| 2013 | 6,222 |
| 2012 | 6,239 |
| 2011 | 7,334 |
| 2010 | 8,718 |
| 2009 | 11,575 |
| 2008 | 13,736 |

Source: Authority records

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# OTHER

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# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Sacramento Transportation Authority
Sacramento, California

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sacramento Transportation Authority (the Authority), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated December 18, 2017.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the auditing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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.

To the Board of Directors
Sacramento Transportation Authority

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Richardson & Company, LLP

December 18, 2017

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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# GOVERNANCE LETTER

To the Board of Directors
Sacramento Transportation Authority
Sacramento, California

We have audited the financial statements of the Sacramento Transportation Authority for the year ended June 30, 2017, and have issued our report thereon dated December 18, 2017. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards

As stated in our engagement letter dated March 6, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

## Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We noted no material weaknesses in internal control as a result of our audit. However, material weaknesses may exist that have not been identified.

We performed the audit according to the planned scope previously communicated to you in our engagement letter dated March 7, 2017.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transaction entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is the accrual of the unfunded pension liability. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole. The accrual for the unfunded pension liability was determined by an actuarial valuation performed by CalPERS.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the following:

- Information on the Authority's pension plans, including the Authority's share of the unfunded pension liability, is shown in Note 3. The Authority's share of the unfunded pension liability at June 30, 2016, the most recent measurement date, was $908,590, which is reflected as a liability in the Authority's financial statements as of June 30, 2017.

- The Authority has interest rate swaps that were entered into when the Series 2009 bonds were issued with a variable interest rate, to hedge the interest rate risk. Because of the decrease in interest rates since these bonds and related swaps were issued, the swaps have a negative fair value, which is described in Note 7 of the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed two adjustments to the Authority's financial statements consisting of the following:

- To rollforward the general fund balance from prior year
- Reverse transfers of Measure A funds to Abandoned Vehicle Fund and reduce allocations to jurisdictions for overallocations.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter December 18, 2017.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and Schedule of Proportionate Share of the Net Pension Liability, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Statement of Charges in Assets and Liabilities –Agency Funds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on introductory and statistical sections, which accompany the financial statements but are not RSI. Such information 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.

Restriction of Use

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

December 18, 2017

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INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT TESTING

Board of Directors
Sacramento Transportation Authority
Sacramento, California

We have applied the procedures enumerated below to the accompanying calculation of the Appropriation Limit of the Sacramento Transportation Authority for the year ended June 30, 2017. These procedures, which were agreed to by the Sacramento Transportation Authority and the League of California Cities (as presented in the League publication entitled *Article XIIIB Appropriations Limitation Uniform Guidelines*) were performed solely to assist the Sacramento Transportation Authority in meeting the requirements of Section 1.5 of Article XIIIB of the California Constitution.

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the Sacramento Transportation Authority's calculation of the 2016/2017 appropriations limit and compared the limit and annual adjustment factors included in the calculation to the limit and annual adjustment factors that were adopted by resolution of the Board of Directors.

   Finding: No exceptions were noted as a result of our procedures.

2. We compared the methodology used to determine the cost of living adjustment component to Article XIIIB which states that the Sacramento Transportation Authority may annually adjust the component for either the change in California per capita personal income or, the percentage change in the Sacramento Transportation Authority's assessed valuation which is attributable to non-residential new construction. We recalculated the factor based on the above information.

   Finding: No exceptions were noted as a result of our procedures.

3. We compared the methodology used to determine the population adjustment component to Article XIIIB which states that the Sacramento Transportation Authority may annually choose to adjust the component for either the change in population in the County in which the Sacramento Transportation Authority is located, or the change in population within the unincorporated area of the County in which the Sacramento Transportation Authority is located. We recalculated the factor based on the above information.

   Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Calculation to the prior year appropriations limit adopted by the Board of Directors for the prior year.

   Finding: No exceptions were noted as a result of our procedures.

5. We recalculated the 2016/2017 Appropriation Limit by multiplying the product of the two above factors by the 2015/2016 appropriation limit.

   Finding: No exceptions were noted as a result of our procedures.

6. We compared the Sacramento Transportation Authority's actual expenditures to the computed appropriation limit for fiscal year 2016/2017.

   Finding: For the 2016/2017 fiscal year the Sacramento Transportation Authority's actual expenditures and actual revenues did not exceed the appropriation limit calculated by us.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit calculation. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled *Article XIIIB Appropriations Limitation Uniform Guidelines*.

This report is intended solely for the use of the Sacramento Transportation Authority and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Richardson & Company, LLP

December 18, 2017

**APPENDIX A**

SACRAMENTO TRANSPORTATION AUTHORITY
APPROPRIATION LIMIT CALCULATION

Year Ended June 30, 2017

**APPROPRIATION LIMIT ADOPTED BY CITY:**

| | | |
|---|---|---|
| Recorded in Final 2016/2017 Budget | | $ 245,944,139 |

**APPROPRIATION LIMIT COMPUTATION PER REVIEW:**

| | | |
|---|---|---|
| 2015/2016 Appropriation Limit | $ 231,328,068 | |
| Cost of Living Factor: | | |
| Change in California per capita income | 1.00900 | |
| Population Adjustment Factor: | | |
| Population change in Sacramento County | 1.06318 | |
| Auditor computed limitation | | 245,944,139 |
| Variance | | $ 0 |

SACRAMENTO TRANSPORTATION AUTHORITY
MEMORANDUM OF UNDERSTANDING

**MEASURE A**
**ONGOING ANNUAL PROGRAMS**

This Memorandum of Understanding is made as of________________, 2018, by and between the **Sacramento Transportation Authority**, a local transportation authority formed pursuant to the provisions of Public Utilities Code 180000 et seq., hereinafter called "Authority", and the **~~County of Sacramento~~name of entity**, hereinafter called "Entity."



**THE PARTIES AGREE AS FOLLOWS:**

1. Purpose. The purpose of this Memorandum of Understanding (MOU) is to provide for the allocation by the Authority of sales tax revenue for Ongoing Annual Programs and the expenditure thereof by Entity.

2. Definitions. Unless the context otherwise requires, as used in this MOU, the following terms shall have the following meanings:

   a. "Act" means the Local Transportation Authority and Improvement Act set forth in the provisions of the Public Utilities Code commencing with Section 180000.

   b. "Board" means the Governing Board of the Sacramento Transportation Authority.

   c. "Ongoing Annual Programs" means the following programs established by ~~New~~ Measure A and included in the Measure A Expenditure Plan: ~~as defined in attachment B~~ ~~:~~
      - City Street and County Road Maintenance
      - Traffic Control and Safety Program
      - Safety, Streetscaping, Pedestrian and Bicycle Facilities
      - Transit Operations and Safety
      - Neighborhood Shuttle System
      - Transportation-Related Air Quality Program

   d. "Distribution Factor" means the percentage of Formula-Based program sales tax revenue to be allocated to Entity, set by the Board on an annual basis through the budget process and based on the Ordinance requirement that funding to the County and cities for Ongoing Annual Programs be distributed based 75% on relative population and 25% on total maintained street/road mileage.

   e. "Measure A"~~" or "New Measure A"~~ or "Ordinance" means Sacramento Transportation Authority Ordinance No. STA 04-01.

3. Revenue Allocations. The amount of sales tax revenue allocated to ~~each~~ Entity for each of the Ongoing Annual Programs shall be determined~~Board approved~~ annually as part of the Authority's budget process by the Board and based on ~~gross~~ net Measure A sales tax revenues ~~projections~~, requirements of the Ordinance, and, where applicable, the Distribution Factor. ~~Gross Measure A revenues for FY 2016-17 are estimated to be **$114,061,318**~~.

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**Comment [T1]:** We should consider revising the definition for Ongoing Annual Programs. The bullet points do not include "transit operations and safety" which SRTD falls under, "Neighborhood Shuttle" which has unique criteria, and "transportation-related air quality program" which is specific to SMAQMD… Just referring to attachment B "Definitions of Eligible Expenditures" might be a better approach.

**Comment [BW2]:** Referring to the Eligible Expenditures document would be overly broad since it includes capital expenditures.

**Comment [T3]:** Consider revising – this does not apply to Isleton, Galt, SRTD, SMAQMD, Neighborhood Shuttel… Or identify the entities it does apply to – County and Cities of Sacramento, Citrus Heights, Elk Grove, Folsom, and Rancho Cordova.

BB: Correct. We would just delete this section (d) for MOU's with any of those entities.

**Comment [BW4]:** Ok, but is there a separate MOU for each entity's SCTMFP allocation? We just have an agreement on operating protocols with SCTMFP entities.

**Comment [BW5]:** There's no specific requirement that the Board make these allocation decisions as part of the budget process. We can continue that practice, but why hold ourselves to it when it's not required?

**Comment [BW6]:** Based on the comment in your email, do you want to delete this sentence from the template? I would like to eliminate item #3.

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4. In the event that STA subsequently concludes that total revenues for Ongoing Annual Programs in any fiscal year are likely to be less than originally estimated, ~~STA shall give notice to Entity of the expected change.~~ Entity will be required to adjust its annual expenditures for Ongoing Annual Programs accordingly.

~~4.~~5. Disbursements. Allocations of sales tax revenue for Ongoing Annual Programs shall be disbursed monthly as funds are received from the State Board of Equalization ~~(currently monthly)~~.

~~5.~~6. Entity Obligations.

a. Allocations for each Ongoing Annual Program shall be expended by Entity only for purposes that are consistent with this MOU and the attached Definitions of Eligible Expenditures.

b. Entity shall keep a separate account for each Ongoing Annual Program. Interest earned on unexpended funds in each account shall be retained in the account and expended only on qualified expenditures for that Program.

c. The use and expenditure of Measure A sales tax revenue by Entity shall be in full compliance with the provisions of the Act, the Ordinance, applicable resolutions of the Board, this MOU, and all other applicable contractual and legal requirements.

d. Entity shall file a pavement and bridge maintenance system report with the Authority on a biennial basis. ~~with the Authority regarding~~The report shall be due by December 31 and summarize the progress in maintaining local streets and roads.

e. Entity shall file with the Authority an annually updated five-year program~~expenditure plan~~ for expenditure~~use~~ of the sales tax revenue allocations~~funds~~. This report is due annually by March 31.

~~e.~~f. Maintenance of Effort. Entity shall file with the Authority an annual report with an accounting of discretionary local (non-Measure A) transportation expenditures. This report is due annually by December 31 for the prior fiscal year.

6. Entity Certifications

a. Maintenance of Effort. Entity certifies that it is currently in compliance, and will remain in compliance ~~throughout the term of this Contract~~, with the maintenance of effort requirements set forth in the Ordinance:

i. Entity shall continue to make local (non-federal, non-state, non-Measure A) transportation expenditures consistent with baseline performance standards adopted by the STA Governing Board.

ii. Entity shall continue to impose its local (non-SCTMFP) transportation mitigation fees at rates that are not less than the local transportation mitigation fees imposed by Entity during Fiscal Year 2008-2009 unless supported by a Fee Study adopted by the City Council.

**Comment [BW7]:** I would like to retain this provision just for protection from any claim that we were committed to a prior estimate.
This is not a requirement under the ordinance. If we take out #3 then this section does not make sense (i.e.subsequent to what?). In addition, it creates additional trivial workload that does not provide any meaningful benefit. Can we eliminate it?

BB: Subsequent to the Budget approval. Because the figures provided in the Final Budget are still estimates, correct?

**Comment [BW8]:** Do we do this on a reimbursement basis?
This is all done formulaically – not on a reimbursement basis.
I guess the MOU doesn't require it. (See 6.b.) The Ordinance doesn't expressly require it either.

**Comment [BW9]:** I only want to use this term for STA's Expenditure Plan.

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b. Sacramento Countywide Transportation Mitigation Fee Program (SCTMFP). Entity certifies that it is implementing the SCTMFP in accordance with STA Resolution STA-06-0006 and the SCTMFP Agreement on Operating Protocols.

7. Reporting. Within 30 days after each calendar quarter, Entity shall submit quarterly status reports in approved STA format for each Ongoing Annual Program for which Entity receives funding. Reports shall include:

- Amount of funds received
- Amount of funds expended
- Specific listing of expenditures made, including type of expenditure, quantity of work accomplished, and location of work accomplished, if applicable
- Anticipated use of any unexpended funds and anticipated timeline for expenditure of any unexpended funds.

8. Audits. Annual audits of the Measure A program will be performed by an independent auditor and reviewed by the Independent Taxpayer Oversight Committee (ITOC). As part of that audit, Entity expenditures will also be audited. Expenditures found to be in noncompliance with this MOU shall be disqualified and an amount equal to the noncompliant expenditure(s) may be withheld from future ~~payments~~allocations.

9. Designation of Measure A Manager. Entity shall designate a Measure A program manager who shall be the responsible Entity representative ~~of Entity~~ to Authority staff in connection with administration of this MOU.

10. Signs. When a *capital* project is completed and open for public use, Entity shall post reflective signage stating that the project was funded with Measure A funds. See attachment A for an example of the signage.

11. Indemnity and Hold Harmless. Entity shall indemnify and save harmless the Sacramento Transportation Authority, its officers, employees, and agents, and each and every one of them, from and against all actions, damages, costs, liability, claims, losses, and expenses of every type and description to which any or all of them may be subjected, by reason of or resulting from, directly or indirectly, the performance of this MOU by Entity whether or not caused in part by passive negligence of a party indemnified hereunder. The foregoing shall include, but not be limited to, any attorney fees reasonably incurred by Authority.

12. Noncompliance. Noncompliance by Entity with the Measure A Ordinance or the terms of this MOU may result in:

- Withholding or suspension of future revenue allocations;
- Requirement to repay all or a portion of a prior revenue allocation;
- Deduction from future allocation(s) as necessary to make repayment for expenditures outside the scope of the Ordinance or this MOU.

Imposition of any of these measures must first be approved by the STA Board.

13. This MOU shall take effect at the time both Parties have signed and executed the MOU where indicated below, and shall remain in effect for a term of five (5) years following the effective date.

**Comment [BW10]:** Mandatory audit requirement for member entities in the Exp Plan.

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14. The Parties may mutually agree to amend the terms of this MOU in a signed writing approved by the Parties' duly authorized boards or representative.

15. This MOU shall supersede prior MOU's between the Parties respecting Measure A allocations for STA member entities for Ongoing Annual Programs.

The parties promise and agree to abide by the terms of this Memorandum of Understanding as set forth above.

SACRAMENTO TRANSPORTATION AUTHORITY

By: ______________________________

Norman K. Hom
~~Principal Administrator~~Executive Director

Dated: **~~August 11~~~~December~~ X, 201~~8~~6~~7~~**

~~COUNTY OF SACRAMENTO~~Entity

By: ______________________________
Designated Measure A Manager

______________________________
Printed Name

______________________________
Title

Attachment: Definitions of Eligible Expenditures