STAFF REPORT FOR CALENDAR ITEM NO.: 11
FOR THE MEETING OF: January 10, 2019

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:
Presentation of the audited Annual Financial Report of the Transbay Joint Powers Authority (TJPA) for the fiscal year ended June 30, 2018.

EXPLANATION:
State law, as well as various agreements in place with TJPA funders, requires that TJPA publish complete audited financial statements within six months of the close of each fiscal year. Responsibility for the preparation of the statements, the accuracy of the data, and the completeness and fairness of the presentation rests with TJPA management. The fiscal year 2017-18 financial statements are the fifteenth set of financial statements since the inception of the TJPA and represent the financial position of the TJPA for the period of July 1, 2017 to June 30, 2018. The objective of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. In addition, as a recipient of federal funds, TJPA is required to undergo a Single Audit of Federal Programs. Vavrinek, Trine, Day & Co (VTD) conducted an audit, including the Single Audit, of the TJPA's financial statements for fiscal year ended June 30, 2018 according to Government Auditing Standards, and has issued an unmodified opinion. The Annual Financial Report includes the following required sections:

1. Independent Auditor's Report—this report was prepared by the independent auditors, who rendered an unmodified opinion (formerly unqualified opinion), which is the most favorable opinion an agency can receive in an audit, and means that the financial statements are presented fairly and in accordance with accounting principles generally accepted in the United States of America. In other words, TJPA's financial condition, position, and operations are fairly presented in our financial statements. This is the best type of report an auditee can receive from an external auditor.

2. Management's Discussion and Analysis (MD&A)—this section provides management's objective narrative overview of TJPA's financial activities. It includes comparisons of the current year to the prior year, and analysis of the agency's overall financial position.

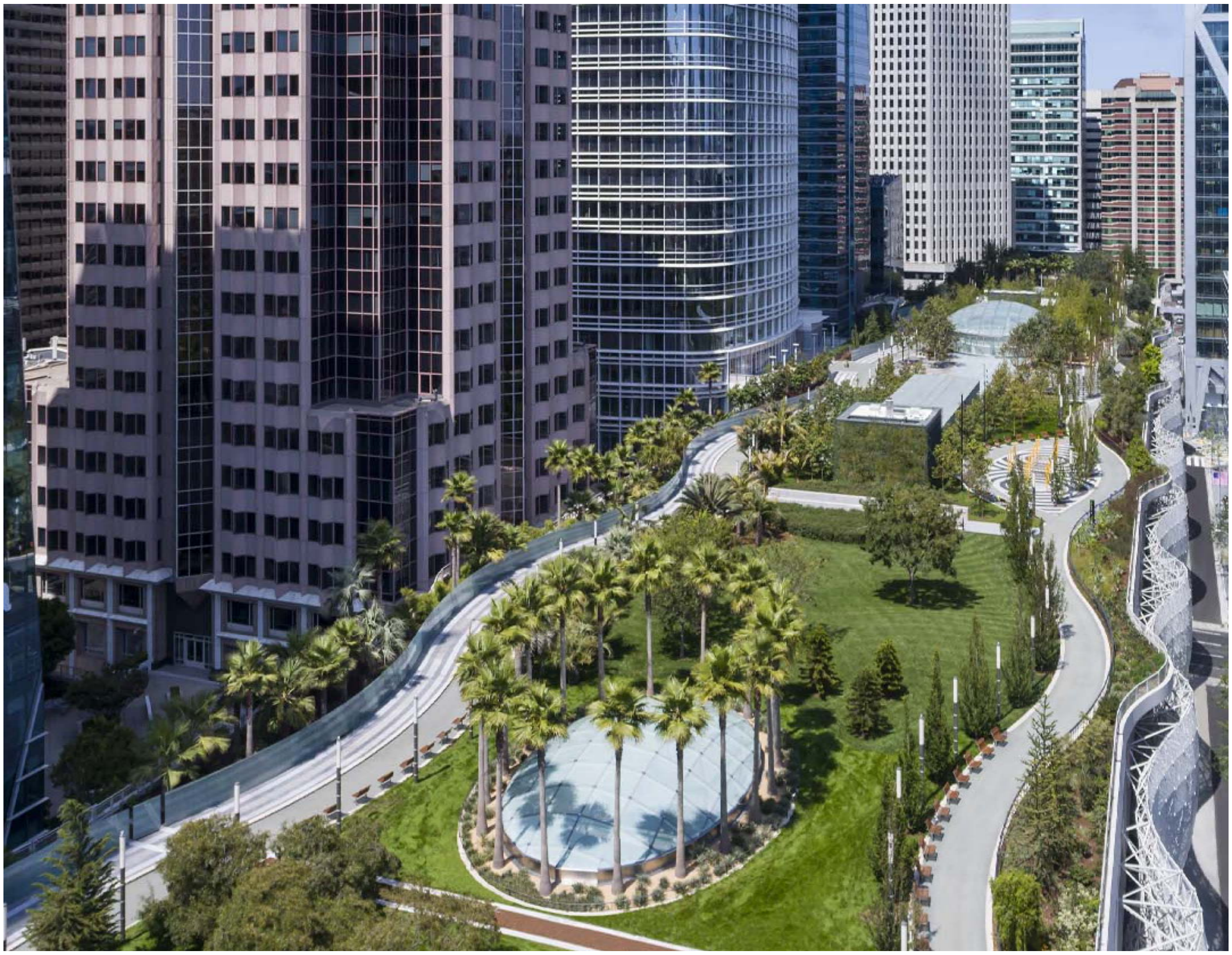
3. Basic Financial Statements—the basic financial statements include a statement of net position; statement of revenues, expenses and changes in fund net position; statement of cash flows; and notes to the statements, which are essential to a full understanding of the data provided.

4. Required Supplementary Information (RSI)—the Governmental Accounting Standards Board (GASB) considers certain information to be an essential part of financial reporting and has established authoritative guidelines for the presentation of this information. Auditors are required to apply certain limited procedures in reviewing RSI. MD&A is RSI, although it is presented before the basic financial statements. TJPA's other RSI is related to pension and other post-employment benefits.

5. Supplementary and Other Information—this includes the Schedule of Expenditures of Federal Awards, and the required auditor reports on internal control and compliance. As in all other years, there were no internal control deficiencies and no management improvement recommendations.

A representative of VTD will address the Board at the January 10 meeting and be available to answer any questions.

RECOMMENDATION:
Information only.



TRANSBAY JOINT POWERS AUTHORITY
SAN FRANCISCO, CALIFORNIA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018

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TRANSBAY JOINT POWERS AUTHORITY
For the Year Ended June 30, 2018

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Transbay Joint Powers Authority
San Francisco, California

Report on the Financial Statements
We have audited the accompanying financial statements of the Transbay Joint Powers Authority (TJPA), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TJPA as of June 30, 2018 and the changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of TJPA's share of the net pension liability and related ratios, schedule of TJPA pension contributions and schedule of changes in net OPEB liability and related ratios and schedule of OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018 on our consideration of the TJPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the TJPA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TJPA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management discussion and analysis ("MD&A") provides a narrative overview of the Transbay Joint Powers Authority's ("TJPA") financial activities for the year ended June 30, 2018, with comparative information for the year ended June 30, 2017. The MD&A section is required by the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 34 and should be read in conjunction with the TJPA's basic financial statements, which follow this section.

TJPA's financial activities are reported based on a twelve-month fiscal year, which starts on July 1 of one calendar year and ends on June 30 of the next calendar year; the fiscal year is named by the calendar year in which the fiscal year ends. Therefore, the basic annual financial statements presented in this report are for fiscal year 2018.

Purpose of the TJPA

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

Financial Highlights

- At the close of the fiscal year, assets and deferred outflows of the TJPA exceeded its liabilities and deferred inflows by $1,948,605,979.
- The City and County of San Francisco ("City") sold the first tranche of Community Facilities District ("CFD") bonds during the fiscal year, to fund the transit center and other infrastructure in the Transit Center District. The issuance of more than $200 million resulted in $146.2 million in proceeds for the Transbay Program, and the TJPA commenced draws shortly after the sale. As of June 30, 2018, $88 million has been drawn by the TJPA.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

TRANSBAY JOINT POWERS AUTHORITY
Management's Discussion and Analysis
(Required Supplementary Information-Unaudited)
For the Year Ended June 30, 2018

Financial Statement Analysis

In accordance with GASB requirements, a comparative analysis of financial data is presented in the following condensed formats to compare amounts from the current fiscal year (2018) to amounts from the prior fiscal year (2017).

TJPA'S CONDENSED STATEMENTS OF NET POSITION

	2018	2017	Dollar Change	Percent Change
Assets:				
Current and other assets	$ 31,384,488	$ 21,452,188	$ 9,932,300	46%
Restricted assets	38,522,343	64,355,863	(25,833,520)	-40%
Capital assets	2,232,131,779	1,971,260,481	260,871,298	13%
Total assets	2,302,038,610	2,057,068,532	244,970,078	12%
Deferred outflows of resources:				
OPEB related	30,028	-	30,028	100%
Pension related	802,339	931,853	(129,514)	-14%
Derivative instrument-interest rate cap	-	652,043	(652,043)	n/a
Total deferred outflows of resources	832,367	1,583,896	(751,529)	-47%
Liabilities:				
Current and other liabilities	75,780,242	84,441,235	(8,660,993)	-10%
TIFIA loan payable	156,606,090	86,011,519	70,594,571	82%
Intergovernmental liability to the City for:				
interim COP financing	103,000,000	49,000,000	54,000,000	110%
re-conveyance of State transferred land	18,414,675	18,414,675	-	0%
Total liabilities	353,801,007	237,867,429	115,933,578	49%
Deferred inflows of resources:				
Derivative instrument-interest rate cap	389,744	-	389,744	100%
Pension related	74,247	232,656	(158,409)	-68%
Total deferred inflows of resources	463,991	232,656	231,335	99%
Net Position:				
Net investment in capital assets	1,893,787,267	1,738,442,049	155,345,218	9%
Restricted				
O&M Reserve for transit center	8,950,286	6,256,886	2,693,400	43%
Construction of transit center	15,926,608	52,974,987	(37,048,379)	-70%
Debt service	14,012,765	8,479,968	5,532,797	65%
Unrestricted	15,929,053	14,398,456	1,530,597	11%
Total net position	$ 1,948,605,979	$ 1,820,552,346	$ 128,053,633	7%

Total net position at June 30, 2018 includes net investment in capital assets, which is comprised of construction in progress of $2,027,497,530, land scheduled to be permanently and temporarily retained by the TJPA of $186,082,200, and permanent easements of $137,374. The construction in progress includes construction, construction management, program management, and administrative costs necessary to support the development of the transit center and DTX, as well as information technology costs for website development and labor compliance software.

$14,012,765 of current year net position includes net tax increment funds restricted for debt service, being used to pay the ongoing interest costs of the interim City financing that closed in fiscal year 2017 and otherwise reserved for future debt service on a Federal Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan. An $8,950,286 restriction of total current year net position results from the restriction of the net position of operations for an Operating and Maintenance Reserve. The Operating and Maintenance Reserve can only be used for the operations and maintenance of Program facilities, including the Temporary Terminal, the Transit Center, or the future DTX. The $2,693,400 increase in restricted net position for the operating and maintenance reserve resulted from operating revenues, including the licensing agreement for a neutral host distributed antennae system ("DAS") for cellular networks in the transit center and naming rights revenue for the transit center.

In addition, $15,926,608 is land sales proceeds restricted for construction of the transit center under a cooperative agreement with the State of California ("State"). Total current year net position also includes 15,929,053 in unrestricted net position which is derived from TJPA's non-operating revenues and is to be used for acquisition of capital assets.

The $9,932,300 net increase in current and other assets resulted primarily from a $6,969,721 increase in State of California pooled cash combined with a $2,639,730 increase in grantor receivables outstanding at fiscal year-end. The $25,833,520 decrease in restricted assets resulted primarily from lower investment balances as land sales proceeds are spent down. The changes in deferred outflows of resources and deferred inflows of resources are due to accounting treatment of pension amounts, and the purchase of a derivative instrument to protect against rising interest rates under the interim City financing.

The net decrease of $8,660,993 in current and other liabilities resulted primarily from a $5,063,122 decrease in retainage payable, a $5,174,013 decrease in accounts payable, partially offset by a $1,183,517 increase in intergovernmental payables. In addition, liabilities increased by $124,594,571 with the additional draws on the TIFIA loan and interim City financing.

TRANSBAY JOINT POWERS AUTHORITY
Management's Discussion and Analysis
(Required Supplementary Information-Unaudited)
For the Year Ended June 30, 2018

TJPA'S CONDENSED STATEMENTS OF CHANGES IN NET POSITION

	2018	2017	Dollar Change	Percent Change
Operating income				
Operating revenues	$ 3,349,162	$ 1,493,574	$ 1,855,588	124%
Operating expenses	(8,206,581)	-	(8,206,581)	n/a
Operating income (loss)	(4,857,419)	1,493,574	(6,350,993)	-425%
Nonoperating revenues (expenses)				
Operating grant				
Revenue	7,838,235	4,691,507	3,146,728	67%
Expenses	-	(4,691,507)	4,691,507	-100%
Net operating grant	7,838,235	-	7,838,235	n/a
Investment income	742,343	2,530,620	(1,788,277)	-71%
Rental revenues	-	95,275	(95,275)	-100%
Miscellaneous revenues	881	4,171	(3,290)	-79%
Net tax increment revenue	13,331,888	5,089,445	8,242,443	162%
CFD impact fee revenue	866,000	1,134,000	(268,000)	-24%
CFD bond proceeds	88,108,212	-	88,108,212	n/a
Gain on conveyance of air rights	1,406,685	-	1,406,685	n/a
Total nonoperating revenues	112,294,244	8,853,511	103,440,733	1168%
Income before capital contributions	107,436,825	10,347,085	97,089,740	938%
Capital contributions				
Federal government capital grants	4,952,293	3,490,886	1,461,407	42%
State government capital grants	6,445	2,152,550	(2,146,105)	-100%
Local government capital grants	13,603,080	12,954,138	648,942	5%
Other capital contributions	2,054,992	3,183,317	(1,128,325)	-35%
Total capital contributions	20,616,810	21,780,891	(1,164,081)	-5%
Change in net position	128,053,635	32,127,976	95,925,659	299%
Net position - beginning	1,820,552,344	1,788,424,368	32,127,976	2%
Net position - ending	$ 1,948,605,979	$ 1,820,552,344	$ 128,053,635	7%

Operating revenues
The source of fiscal year 2018 operating revenues of $3,349,162 was comprised of lease revenue from temporary terminal leases and easement leases, advertising revenues, cellular antennae licensing agreement for the transit center, naming rights revenue and Community Benefits District revenue. The increase in operating revenues of $1,855,588 is due mainly to the naming rights revenue. $8,206,581 in operating expenses were incurred in preparing the transit center for full operations and funded from operating revenues.

Nonoperating revenues

The TJPA funds facility management and related operating expenses from a Metropolitan Transportation Commission ("MTC") Regional Measure 2 ("RM-2") operating grant. Total fiscal year 2018 operating grant revenues were $7,838,235. Operating grant expenses are included in operating expense beginning in fiscal year 2018.

The fiscal year 2018 decrease in investment income of $1,788,277 is attributable mainly to lower investment balances as land sales and debt proceeds are spent down on construction. Rental revenues are included in operating revenues beginning in fiscal year 2018. The decrease in miscellaneous revenues is attributable to the inherent variability of revenues earned in this category. The increase in net tax increment revenue of $8,242,443 is due to additional taxed properties coming on the tax rolls, and property values increasing through construction progress. The CFD bond proceeds of $88,108,212 represents a new funding source in fiscal year 2018.

Capital contributions

For the year ended June 30, 2018, the TJPA received $20,616,810 in capital contributions. The continued decrease in capital contributions from prior fiscal years reflects the on-going shift of TJPA's funding sources from capital grants to debt and other sources. Capital contributions were expended on the Transbay Program.

Budgetary Highlights

Quarterly budget-to-actual reports are presented to the TJPA Board of Directors ("TJPA Board") by the TJPA Chief Financial Officer. During the fiscal year, three amendments each to the Capital Budget and Operating Budget were approved. The amendments transferred amounts amongst line items but did not increase total appropriations. The second amendment to the Operating Budget reduced the budget by approximately $2.9 million, taking into account schedule considerations for opening the transit center.

Capital Asset and Debt Administration

Capital assets

The TJPA's investment in capital assets as of June 30, 2018 amounts to $2,232,131,779. This investment in capital assets includes land, easements, and construction in progress. Major capital asset events during the fiscal year included the following:

- The San Francisco Municipal Transportation Agency ("SFMTA") commenced bus service from the transit center bus plaza—on a limited basis in December 2017 and all lines in June 2018—with full transit operations scheduled for service in fiscal year 2019.
- Transit center construction work continued throughout the year, with 5,383,964 craft hours completed through June 2018. The majority of work under all trade packages was completed or nearly complete.
- Construction of the bus ramp from the San Francisco-Oakland Bay Bridge into the transit center was complete, and the bus storage facility underneath Interstate 80 was substantially complete.
- The asset manager, serving as facility manager and leasing agent for the transit center, awarded 36 subcontracts necessary for operations at the transit center, and was ready for the full transition from the temporary terminal to the transit center slated for fiscal year 2019.

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

Long-term debt
At the end of the current fiscal year, TJPA had total debt outstanding of $259,606,090. Of this amount, $156,606,090 was TIFIA loan debt. The remainder of TJPA's debt represents amounts drawn on an interim financing provided by the City. Total debt increased by $124,594,571 during the fiscal year, as grant proceeds decreased while intense construction activity was underway. See Note 5 for more detailed information on TJPA's long-term debt.

Next Year's Budgets

The TJPA Board approved the fiscal year 2019 budgets on June 14, 2018. The main component of the TJPA's fiscal year 2018 $169.8 million Capital Budget is the completion of construction of the new transit center. Approximately $131 million is budgeted for construction activities and $4 million for construction management. The TJPA has also budgeted approximately $21 million for DTX preliminary engineering in fiscal year 2019.

The TJPA's fiscal year 2019 budget anticipates that most of the revenues to pay for these expenditures will be provided by the following sources: proceeds from CFD bonds, unspent proceeds from TJPA debt (prior bank loan, TIFIA loan, and interim financing from the City), land sales proceeds, the funding identified in the expenditure plan approved by the voters for the half cent sales tax for transportation in San Francisco ("Prop K"), and to a lesser extent the bridge toll increases approved in Regional Measures 1 and 2 and AB1171 ("RM-1", "RM-2" and "AB1171"), and grants from the Federal Transit Administration ("FTA").

The approved fiscal year 2019 Capital Budget shows revenues in two categories–committed and planned. Committed revenues are the planned drawdowns of grants that were already allocated, or land sales and debt proceeds already received at the time the TJPA Board approved the 2019 fiscal year budget, and planned revenues include sources that have pending applications with funding partners or applications that are anticipated to be submitted and approved during the fiscal year. This is explained in detail in the staff reports which were submitted with the fiscal year 2019 budget presentations and can be found on the TJPA website for the May 10 and June 14, 2018 TJPA Board meetings.

The fiscal year 2019 Operating Budget was also approved June 14, 2018, and totals $33,157,050 in revenues and expenses. Expenses include a facility management contract, operating support for Alameda-Contra Costa Transit District ("AC Transit"), and parking control officers for short duration of operations at the temporary terminal. The budget also includes estimated costs for security, operations, and maintenance at the transit center. Nearly a quarter of the revenues will be provided by RM-2 operating funds. The remainder will be covered through transit center revenues, and contributions from the Primary Tenants of the transit center, AC Transit and SFMTA.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Transbay Joint Powers Authority, 201 Mission Street, Suite 2100, San Francisco, California 94105.

BASIC FINANCIAL STATEMENTS

TRANSBAY JOINT POWERS AUTHORITY
Statement of Net Position
June 30, 2018

Assets:	
Current assets:	
Cash and equivalent	
Cash in banks	$ 983,450
Restricted for operations and maintenance of the Transit Center	190,248
Restricted for construction of the Transit Center	240,546
Cash in City and County of San Francisco pool	4,984,907
Cash in City and County of San Francisco pool, restricted for operations and maintenance of the Transit Center	5,041,034
Cash in State of California pool	7,407,265
Cash in State of California pool, restricted for operations and maintenance of the Transit Center	3,844,397
Total cash and cash equivalents	22,691,847
Receivables:	
Federal government	765,976
Metropolitan Transportation Commission	4,646,520
San Francisco County Transportation Authority	2,722,287
City and County of San Francisco	15,925
Accounts receivable	447,375
Total receivables	8,598,083
Other current assets:	
Prepaid items	55,000
Security deposits held by others	7,936
Total other current assets	62,936
Total current assets	31,352,866
Noncurrent assets:	
Restricted assets:	
Cash	823,378
Investments	35,907,506
Interest receivable	141,715
Interest rate cap	1,649,744
Total restricted assets	38,522,343
Net OPEB asset	31,622
Capital assets, nondepreciable:	
Land	186,082,200
Permanent easements	137,374
State transferred land to be re-conveyed to the City and County of San Francisco	18,414,675
Construction in progress:	
Information technology	177,965
Transit Center	1,965,452,685
Caltrain Downtown Extension	61,866,880
Total nondepreciable capital assets	2,232,131,779
Total noncurrent assets	2,270,685,744
Total Assets	**2,302,038,610**
Deferred Outflows of Resources:	
OPEB related	30,028
Pension related	802,339
Total Deferred Outflows of Resources	**832,367**

(Continued on next page)

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

TRANSBAY JOINT POWERS AUTHORITY
Statement of Net Position (Continued)
June 30, 2018

Liabilities:	
Current liabilities:	
Accounts, contracts and intergovernmental payables	33,709,976
Accrued payroll	92,453
Retainage payable	38,373,925
Intergovernmental payables-related parties	
Caltrans	4,902
City and County of San Francisco	1,720,913
AC Transit	602,102
Accrued interest payable	187,892
Unearned revenue	83,848
Deposits payable	48,822
Total current liabilities	74,824,833
Noncurrent liabilities:	
USDOT TIFIA loan payable	156,606,090
City and County of San Francisco interim financing	103,000,000
State transferred land to be reconveyed	18,414,675
Compensated absences, accrued vacation	222,517
Net pension liability	732,892
Total noncurrent liabilities	278,976,174
Total Liabilities	**353,801,007**
Deferred Inflows of Resources:	
Derivative instrument-interest rate cap	389,744
Pension related	74,247
Total Deferred Inflows of Resources	**463,991**
Net Position:	
Net investment in capital assets	1,893,787,267
Restricted:	
O&M Reserve for Transit Center	8,950,286
Construction of Transit Center	15,926,608
Debt Service	14,012,765
Unrestricted	15,929,053
Total Net Position	**$ 1,948,605,979**

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

TRANSBAY JOINT POWERS AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2018

Operating Revenues:	
Neutral host distributed antennae system revenue	$ 1,250,000
Naming rights revenue	1,010,000
Community Benefits District revenue	357,285
Lease revenue	453,394
Rental revenues	225,764
Advertising revenue	52,719
Total operating revenues	**3,349,162**
Operating Expenses:	
Payroll and related	452,158
Office supplies	2,607
Office furniture	15,580
Miscellaneous equipment	316,493
Community & public relations	103,106
AC Transit incremental operating and maintenance costs	1,950,000
Facility Management	1,567,211
Security	1,011,043
Utilities	944
Parking Control Officers	130,084
Insurance	238,514
Maintenance	573,561
Janitorial	220,197
Marketing & leasing	537,032
Digital content management & wayfinding	821,211
Park management & administration	186,160
Park maintenance & programming	80,680
Total operating expenses	**8,206,581**
Operating Loss	**(4,857,419)**
Nonoperating Revenues and Expenses:	
Operating grant revenue	7,838,235
Investment income	742,343
Miscellaneous revenues	881
Net tax increment revenue	13,331,888
Community Facilities District impact fee revenue	866,000
Community Facilities District bond proceeds	88,108,212
Gain on sale of easement	1,406,685
Total nonoperating revenues	**112,294,244**
Income Before Capital Contributions	**107,436,825**
Capital Contributions:	
Federal government capital grants	4,952,293
State government capital grants	6,445
Local government capital grants:	
Regional Measures, bridge tolls	2,503,154
Proposition K, half cent sales tax	11,099,926
Other capital contributions	2,054,992
Total Capital Contributions	**20,616,810**
Change in Net Position	128,053,635
Net Position, Beginning of Year	1,820,552,344
Net Position, End of Year	**$ 1,948,605,979**

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

TRANSBAY JOINT POWERS AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows from Operating Activities:		
Cash receipts from Temporary Terminal lease revenue	$	454,307
Cash receipts from rental revenues		225,764
Cash receipts from Temporary Terminal advertising revenue		52,719
Cash receipts from Transit Center neutral host distributed antennae system revenues		1,250,000
Cash receipts from Transit Center naming rights revenue		1,010,000
Cash receipts from Community Benefits District revenue		357,285
Cash payments to employees for salaries and benefits		(168,794)
Cash payments to suppliers for goods and services		(7,817,486)
Other receipts (payments)		212,206
Net cash used for operating activities		(4,423,999)
Cash Flows from Noncapital Financing Activities:		
Operating grant		7,377,435
Deposits received (paid)		15,922
Net cash provided by noncapital financing activities		7,393,357
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital debt		124,594,571
Federal government capital grants received		4,311,035
State government capital grants received		6,777
Local government capital grants received		13,150,852
Other capital contributions received		1,839,657
Net tax increment revenue received		13,331,888
Community Facilities District impact fee revenue received		866,000
Community Facilities District bond revenue received		88,108,212
Proceeds from sale of air rights easement		1,406,685
Acquisition of capital assets		(270,905,661)
Net cash used for capital and related financing activities		(23,289,984)
Cash Flows from Investing Activities:		
Purchases of investment securities		(254,985,087)
Proceeds from maturities of investment securities		280,461,362
Investment income received		684,985
Net cash provided by investing activities		26,161,260
Net Increase in Cash and Cash Equivalents		5,840,634
Cash and Cash Equivalents, Beginning of Year		17,674,591
Cash and Cash Equivalents, End of Year	**$**	**23,515,225**
Cash and Cash Equivalents, End of Year:		
Cash and cash equivalents, unrestricted	$	22,691,847
Cash and cash equivalents, restricted		823,378
Cash and cash equivalents, end of year	**$**	**23,515,225**

(Continued on next page)

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

TRANSBAY JOINT POWERS AUTHORITY
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2018

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating loss	$	(4,857,419)
Adjustments to reconcile operating income to net cash provided by operating activities		
Miscellaneous revenues		881
(Increase) decrease in:		
Accounts receivables		12,100
Prepaid items		24,160
Increase in refundable deposits		(184)
Increase (decrease) in:		
Pensions, OPEB and related deferrals		72,409
Accrued payroll		13,885
Unearned revenue		912
Accounts payable		244,154
Compensated absences		65,103
Net cash provided by (used for) operating activities	$	(4,423,999)
Supplemental disclosures of cash flow information		
Noncash capital financing activities:		
Acquisition of capital assets on accounts payable, contracts payable, intergovernmental payables, retainage payable and accrued liabilities	$	71,864,185
Acquisition of capital assets from capital debt	$	126,243,076

NOTE 1 - ORGANIZATION

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

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

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

Based upon the TJPA Board's adopted implementation plan, the Transbay Program is divided into two phases: the design and construction of the transit center, including the core-and-shell of the rail levels, as Phase 1, and the design and construction of the DTX as Phase 2. Phase 1 will be complete in fiscal year 2019. Phase 2 is at approximately a 30 percent design level; final design and construction will commence when the required revenues and financing have been secured.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

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

The TJPA distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. In fiscal year 2018, the principal operating revenues of the TJPA are comprised of revenues from neutral host distributed antennae system, naming rights, rentals and leases, CBD and advertising. Operating expenses for the TJPA include the cost of operations and administrative expenses. Any revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Unearned Revenue
Resource inflows that do not yet meet the criteria for revenue recognition are recorded as unearned revenue. Capital contribution revenue from the TJPA's expenditure-driven grants and from other contributors such as adjacent property developers or tenants is recognized only when qualifying expenditures are incurred or the rental period begins. At June 30, 2018, the total amount of unearned revenue is $83,848.

Prepaid Items
Resource outflows that do not yet meet the criteria for expenditure recognition, in that they benefit a future fiscal period, are recorded as prepaid items. At June 30, 2018, the total amount of prepaid items is $55,000.

Security Deposits Payable
The TJPA may require deposits from tenants of TJPA-owned rental property, the temporary terminal, and, in the future, the transit center. Deposits may also be required from adjacent property developers for temporary leasing of access easements. At June 30, 2018, the TJPA had a deposits payable of $48,822, comprised of $8,900 for a rental property, $24,000 for a temporary terminal operating lease, and $15,922 from developers for three easements.

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

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

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

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

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

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

Capital Contributions

The TJPA receives expenditure-driven restricted capital grants from the federal, state and local governments. Capital grants and contributions from external sources are recognized as capital contributions earned when the related allowable expenditures are incurred. Details for the various active federal government direct and pass-through capital grants are presented in the *Schedule of Expenditures of Federal Awards* ("SEFA"). Details on local and state grants are presented in Note 9.

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

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

Net Position

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

<u>Net Position-Net investment in capital assets</u>

This component of net position consists of capital assets, net of related debt and of accumulated depreciation (when applicable), reduced by obligations to re-convey State-transferred land. At June 30, 2018, the TJPA has $252,377,959 in debt related to acquisition of capital assets, and $18,414,675 recorded as an intergovernmental liability to the City for re-conveyance of State-transferred land. In addition, the TJPA had retention and accounts payable related to acquisition of capital assets in the amount of $67,551,878. Total invested in capital assets net of related debt is $1,893,787,267.

<u>Net Position-Restricted</u>

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

Restricted net position at June 30, 2018 is as follows:

O&M reserve for transit center	$ 8,950,286
Restricted for construction	15,926,608
Restricted for debt service	14,012,765
Total restricted net position	$ 38,889,659

Net Position-Unrestricted
This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets". At June 30, 2018, unrestricted net position is $15,794,992.

Operating and Maintenance Reserve
The net position of the Temporary Terminal and Transit Center is restricted pursuant to the September 29, 2008 TJPA Board of Directors-approved comprehensive Lease and Use Agreement that controls AC Transit's bus operations in the Temporary Terminal and future operations in the transit center. The net position of the Temporary Terminal is restricted for the Operating and Maintenance Reserve for Program facilities and is not available for construction of the transit center or the DTX. At June 30, 2018, net position of $8,950,286 is restricted for the Operating and Maintenance Reserve.

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

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

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

TJPA's cash held in the City and State investment pools is considered to be cash and cash equivalents because it has the same characteristics as a demand deposit. The TJPA's investments in the pools may be deposited or withdrawn without notice or penalty. Because the TJPA's short-term position in these pools is considered to be a demand deposit, the TJPA does not record any allocated share of unrealized gains or losses. TJPA cash held in the City and State pools on June 30, 2018, for $10,025,941 and $11,251,662, respectively.

Account Name	City Pool	State Pool
Equity in pooled cash and investments	$ 4,984,907	$ 7,407,265
Restricted cash for O & M	5,041,034	3,844,397
Total	$ 10,025,941	$ 11,251,662

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

As of June 30, 2018, the TJPA had investments of $35,907,506 in U.S. Treasury notes, U.S. Treasury bills, U.S. Agency notes, negotiable certificates of deposit and money market funds, all considered highly liquid with a term to maturity at purchase of less than one year. Accordingly, all investments below are reported at cost, rather than fair market value because the difference between the cost and market value was insignificant:

Type	Value	Credit Ratings S&P	Percent of Total Portfolio
Cash Equivalents			
Negotiable certificates of deposit	$ 8,750,000	N/A	15%
Money market mutual funds	4,875,034	AAAm	8%
Investments			
U.S. Agency notes	1,495,093	A-1	3%
U.S. Treasury notes	18,788,316	N/A	32%
U.S. Treasury bills	1,999,063	N/A	3%
Total investments	35,907,506		60%
Cash and pooled investments	23,515,225	N/A	40%
Total Portfolio	$ 59,422,731		100%

TJPA would categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

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

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

Level 3 inputs are unobservable and should be developed using the best information available under the circumstances; TJPA does not have any Level 3 investments at June 30, 2018. TJPA's fair value measurements would be categorized as follows at June 30, 2018:

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

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

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

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. There were no investments in any single issuer that exceeded 5% of the total investment portfolio.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. California Government Code limits investments in U.S. Treasury Obligations, commercial paper, and negotiable certificates of deposit to a maximum maturity of five years, 270 days, and five years, respectively, which helps to mitigate this risk since the prices of fixed- income securities with a longer time to maturity tend to be more sensitive to changes in interest rates. At June 30, 2018, TJPA had a series of investments in U.S. Treasury notes and bills that matured by January 31, 2019; U.S. Agency notes that matured by August 31, 2018; and negotiable certificates of deposit with the latest maturity at January 7, 2019.

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

Custodial credit risk for investments is the risk that, in the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2018, $22,282,472 of U.S. Treasuries and Agencies were held by the same broker-dealer (counterparty) that was used to purchase the securities.

NOTE 4 - CAPITAL ASSETS

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

Capital Asset Activity for the Fiscal Year Ended June 30, 2018:

	Beginning of Fiscal Year	Current Year Acquisitions	Current Year Dispositions	End of Fiscal Year
Capital assets not being depreciated:				
Land	$ 186,082,200	$ -	$ -	$ 186,082,200
Permanent easements	137,374	-	-	137,374
State transferred land to be re-conveyed to the City	18,414,675	-	-	18,414,675
Construction in progress:				
Information technology	165,965	12,000	-	177,965
Transbay Transit Center	1,709,023,869	256,428,816	-	1,965,452,685
Caltrain Downtown Extension	57,436,398	4,430,482	-	61,866,880
Total capital assets not being depreciated	$ 1,971,260,481	$ 260,871,298	$ -	$ 2,232,131,779

Land Acquisition
The total land value at June 30, 2018 of $186,082,200 is made up of 32 parcels of land acquired by purchase, eminent domain, or transfer from the State over the life of the Program. The additional costs included in the land value are primarily for demolition of the old terminal and bus ramps, relocation assistance and loss of goodwill for relocated businesses, appraisals, surveying, environmental remediation and monitoring, garage easement interests, and title and closing costs. No property was acquired during the year ended June 30, 2018.

Land Acquisition Summary:

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

TJPA is scheduled to permanently retain title to 29 parcels valued at $164,595,641. The TJPA will hold title to the remaining three parcels with a land value of $20,628,720 for a temporary period. These three parcels are needed only during the construction of the transit center and the operation of the Temporary Terminal and then will be conveyed to the City or OCII, along with an additional four parcels transferred by the State, with a value of $18,414,675, when no longer needed for Temporary Terminal operations. In the fiscal year the TJPA transfers parcels to the City or OCII, the TJPA will record a loss on conveyance of land for the total land value of seven parcels: the three parcels acquired by the TJPA, plus the additional costs of $857,839 associated with these three parcels, and the four former State-owned parcels to be conveyed.

Land transferred from the State by fiscal year and Land scheduled to be transferred to the City or OCII:

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

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

Land parcels transferred from the State which are scheduled to be retained by the TJPA are recorded as a capital contribution and included as a component of the land capital asset account. At June 30, 2018, the value of the land transferred from the State which is scheduled to be retained by the TJPA is $46,200,469 according to the described valuation methodology.

At June 30, 2018, the TJPA held title to seven land parcels valued at $39,901,234 which are temporarily needed by the TJPA only for the construction of the Transbay Program—three acquired by purchase and four via transfer from the State. Upon completion of the construction period, these parcels are scheduled to be transferred to the City or OCII for future sale.

Land parcels transferred from the State which are scheduled to be re-conveyed to the City or OCII upon completion of the new transit center are recorded as an intergovernmental liability to the City and as State-transferred land to be re-conveyed to City capital asset account. At June 30, 2018, the total value of the land to be re-conveyed to the City recorded in these liability and capital asset accounts is $18,414,675.
In the fiscal year the TJPA transfers the parcels to be re-conveyed to the City or OCII, the TJPA will record the liquidation of the intergovernmental liability to the City and accordingly reduce the State-transferred land capital asset account.

Future Transfers of State Parcels
One remaining State parcel is scheduled to be transferred to the TJPA when required for construction purposes or development. One parcel is scheduled to be transferred directly from the State to the City or OCII and will not be recorded in the TJPA's accounting records. One parcel that had been planned for transfer is no longer required and will be retained by the State.

Contract Commitments
At year end, the TJPA had contract commitments of $80,952,144 for construction, design, engineering, planning and administrative costs.

NOTE 5 - LONG TERM OBLIGATIONS AND DERIVATIVE INSTRUMENT

The TJPA has outstanding debt from direct borrowings, totaling $259,606,090 as of June 30, 2018:

Obligation	Final Maturity Date	Interest Rate	Balance at June 30
TIFIA loan	2051	4.57%	$ 156,606,090
Interim City financing	upon repayment	1-month LIBOR plus margin	103,000,000
		Total long-term obligations	$ 259,606,090

TIFIA Loan
The federal TIFIA program provides loans, loan guarantees and standby lines of credit to transportation infrastructure projects throughout the country. TJPA reached financial close on a $171,000,000 TIFIA loan in January 2010 for Phase 1 transit center construction. TIFIA commenced disbursements of the loan in fiscal year 2017. Draws totaled $149,377,959 at June 30, 2018. Interest is added to the loan balance for the first two years; the TJPA accrued $7,228,131 through June 30, 2018. Repayment will commence when amortization begins in 2025. Interest payments will commence in 2020, two years after the substantial completion of the transit center.

Pledged Revenues

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

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

Annual Debt Service:

(Dollars in Thousands)

Year Ending June 30:	Principal	Accreted Interest	Interest	Total
2019	$ -	$ -	$ -	$ -
2020	-	-	4,294	4,294
2021	-	-	8,553	8,553
2022	-	-	8,541	8,541
2023	-	-	8,542	8,542
2024-2028	13,098	1,218	41,744	56,060
2029-2033	22,726	2,114	36,994	61,834
2034-2038	28,499	2,651	30,684	61,834
2039-2043	35,723	3,322	22,788	61,833
2044-2048	44,781	4,165	12,888	61,834
2049-2051	26,173	2,434	1,974	30,581
Total	$ 171,000	$ 15,904	$ 177,002	$ 363,906

As of June 30, TJPA's principal amount not drawn totaled $21,622,041.

Interim City Financing

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

TJPA is expected to secure a long-term take-out of the financing in approximately 5-9 years if any City financing remains outstanding.

The COPs are sold based on a variable rate of one-month London Interbank Offer Rate ("LIBOR") plus an applicable margin. The one-month LIBOR rate is the rate in effect each month and is set at the end of the prior month. TJPA was required by the TIFIA lender to enter into an interest rate cap that caps the 1-month LIBOR portion of the variable interest rate (excluding the margin) at 1.75%. The interest is paid as Base Rental on a quarterly basis, and a commitment fee for the unused amount of Wells Fargo capacity of 20 basis points (0.20%) is paid as Additional Rental quarterly as well. The interest rate at June 30, 2018, was 2.542%. The Base and Additional Rental amounts paid or accrued for fiscal year 2018 are as follows:

Quarter Ended	Principal	Rate	Base Rental	Additional Rental
Sep-17	$ 80,000,000	1.797%	$ 297,648	$ 48,472
Dec-17	103,000,000	1.921%	454,665	32,594
Mar-18	103,000,000	2.224%	563,645	28,500
Jun-18	103,000,000	2.542%	633,060	28,817
Total	$ 103,000,000		$ 1,949,018	$ 138,383

Note: Base Rental includes payments received of $71,578 under the interest rate cap.

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

The changes in long-term obligations for the year ended June 30, 2018 are as follows:

	Beginning of Fiscal Year	Current Year Additions	Current Year Decreases	End of Fiscal Year
Loans payable				
TIFIA loan	$ 86,011,519	$ 70,594,571	$ -	$ 156,606,090
Interim City financing	49,000,000	54,000,000	-	103,000,000
Accrued compensated absences	157,414	65,103	-	222,517
Total long-term obligations	$ 135,168,933	$ 124,659,674	$ -	$ 259,828,607

TJPA does not have any unused lines of credit.

Derivative Instrument - Interest Rate Cap

TJPA purchased an interest rate cap as a hedge against rising interest rates under the interim City financing, as required by the TIFIA lender. The Interest Rate Cap Agreement limits TJPA's variable interest rate exposure by providing that SMBC Capital Markets, Inc., as cap provider counterparty, will make monthly payments to TJPA to the extent that the one-month LIBOR rate exceeds 1.75%. The interest rate cap has a notional amount that started at $25,000,000 and stepped up incrementally to $162,000,000, and then back down to $146,000,000 as of June 30, 2018. The cap is in effect through July 1, 2020.

TJPA paid $1,260,000 for the interest rate cap and the fair value was $1,649,744 at June 30, 2018. The fair value of the cap is derived from the Dodd Frank Regulatory Daily Mark value provided by SMBC Capital Markets, Inc.; the fair value exceeded cost by $389,744, which was recorded as a deferred inflow of resources on the Statement of Net Position. The interest rate cap was determined to be effective, meaning that the derivative significantly reduces an identified financial risk and hedge accounting is used.

Credit Risk
Credit risk is the risk that a counterparty will not fulfill its obligations. The maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted is $1,649,744 which is the fair value of the interest rate cap at year-end. To minimize TJPA's exposure to credit risk, the Interest Rate Cap Agreement requires that if the cap provider is downgraded below A/A2/A then the cap provider must transfer collateral to TJPA equal to 100% of the mark to market value of the cap or obtain a replacement counterparty that meets the rating requirements. If the cap provider is downgraded below A-/A3/A-, the cap provider must obtain a replacement counterparty that meets the rating requirements. At June 30, 2018, the counterparty was rated A/A1/A.

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

NOTE 6 - RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS

A. Pension Plan

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

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

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

Contributions

The contribution requirements of plan members are established by State statute, and the employer contribution rate is actuarially established and may be amended by CalPERS. PEPRA members are required to contribute 6.25% of their annual covered salary, and Classic members are required to contribute 7% of their annual covered salary. TJPA pays this required contribution on behalf of Classic employees, amounting to $121,171 for the year ended June 30, 2018. For fiscal year 2018, the actuarially determined employer contribution rate was 8.921% of covered payroll costs for Classic employees, amounting to $154,424, and 6.533% for PEPRA employees, amounting to $28,316. The employer contribution, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, TJPA employer contributions that are included in the calculation of net pension expense were $182,740.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

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

At June 30, 2018, TJPA reported a liability of $732,892 for its proportionate share of the net pension liability. The net pension liability was measured by CalPERS as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. TJPA's proportion of the net pension liability was based on a projection of TJPA's long-term share of contributions to the pension plan relative to the projected contributions of all participating local governments, actuarially determined. TJPA's proportionate share of the net pension liability for the plan as of June 30, 2017 and 2018 was as follows:

Proportion - June 30, 2017	0.0164%
Proportion - June 30, 2018	0.0186%
Change - Increase (Decrease)	0.0022%

The annual pension expense is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for the deferred recognition of actual contributions and items such as investment gains and losses, changes in actuarial assumptions, and changes in plan benefits. For the year ended June 30, 2018, TJPA recognized a net pension expense of $134,061. At June 30, 2018, TJPA also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 182,740	$ -
Differences between actual and expected experience	1,449	(20,755)
Changes in assumptions	179,746	(13,706)
Contributions in excess of employer share	92,764	-
Changes in proportion	304,989	(39,786)
Net differences between projected and actual earnings on pension plan investments	40,651	-
Total	$ 802,339	$ (74,247)

Of the $802,339 total deferred outflows of resources, $182,740 resulting from TJPA employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Total Deferred Outflows (Inflows)
2019	$ 246,148
2020	189,242
2021	134,097
2022	(24,135)
2023	-
Total	$ 545,352

Actuarial Assumptions
The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.25%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Expenses

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation was based on the results of a 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%, down from 7.65% in 2017 due to change in assumptions. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

	Discount Rate -1 (6.15%)	Discount Rate (7.15%)	Discount Rate +1 (8.15%)
Net pension liability	$ 1,325,387	$ 732,892	$ 242,177

Payable to the Pension Plan

At June 30, 2018, TJPA reported a payable of $14,380 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

B. Defined Contribution Retirement Plan

TJPA participates in the California Public Agencies Self-Directed Tax-Advantaged Retirement System Plan (the "STARS Plan"), which provides retirement benefits for employees of the member public agencies. The STARS Plan includes a deferred compensation plan in accordance with Internal Revenue Code Section 457(b), whereby employees may elect to defer portions of their compensation in a self-directed investment plan for retirement, and a defined contribution plan in accordance with Internal Revenue Code Section 401(a), whereby TJPA matches employee contributions up to two percent of the employee's base annual salary. All employees are eligible for plan participation. Plan assets are invested in each individual's name with a deferred compensation plan provider. The STARS Plan deferred compensation and defined contribution assets are not reflected in these financial statements. Each of the STARS Plan's participants directs the investments of their separate accounts. Employer contributions vest immediately. Distributions are made upon the participant's termination, retirement, death or total disability. During the year ended June 30, 2018, the TJPA and participating employees made contributions to the STARS Plan totaling $35,025 and $134,184, respectively. At June 30, 2018, TJPA had a payable of $8,252 for the outstanding amount of contributions to the defined contribution plan required for the fiscal year.

C. Other Post-Employment Benefits

Plan Description and Benefits Provided
TJPA contracts with CalPERS under the Public Employees' Medical and Hospital Care Act ("PEMHCA"), which provides healthcare insurance programs for both active and retired employees of public employer contracting agencies. TJPA has a program in place to partially pay CalPERS medical insurance premiums for eligible retiring employees. Retiree benefit provisions are established and amended through agreements between TJPA and its employees; at a minimum TJPA will contribute the amount required by PEMHCA, which is $133 per month per employee in calendar year 2018 and $136 in 2019. Participating retirees pay the difference between the benefit they receive and the monthly premium. Medical insurance premiums for retiree's spouses or dependents are not covered under these agreements, nor are dental or vision premiums. The plan does not issue a separate financial report.

Contribution
TJPA joined the California Employers' Retiree Benefit Trust ("CERBT"), an irrevocable trust established under Internal Revenue Code Section 115 to fund other post-employment benefits ("OPEB"), in fiscal year 2016. CERBT, an agent multiple-employer plan, is administered and managed by CalPERS and issues a financial report available on the CalPERS website. For fiscal year 2018, TJPA contributed $24,569 to CERBT. TJPA participates in the CERBT Strategy 3 portfolio, the most conservative of the three available investment strategies, and the ending trust balance at June 30, 2018 was $307,338.

Employees Covered
At the June 30, 2017 valuation date, the TJPA had 12 active employees and one retiree receiving benefits.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that the TJPA contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Net OPEB Asset

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Asset
Balance at June 30, 2017	$ 200,126	$ 240,535	$ (40,409)
Changes for the year:			
Service cost	25,486	-	25,486
Interest	13,518	-	13,518
Changes in benefit terms	-	-	-
Differences between actual and expected experience	-	10,149	(10,149)
Changes in assumptions	-	-	-
Contribution - employer	-	20,195	(20,195)
Contribution - member	-	-	-
Net investment income	-	-	-
Benefit payments	(640)	(640)	-
Administrative expense	-	(127)	127
Net changes	38,364	29,577	8,787
Balance at June 30, 2018	$ 238,490	$ 270,112	$ (31,622)

Actuarial Assumptions

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

Discount rate	6.00%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increases	3.25%, used only to allocate cost of benefits between service years
Investment rate of return	6.00%
Mortality rates	MacLeod Watts Scale 2017 applied generationally
Healthcare cost trend rate	8.00% in FY18, trending down to 5.00% in FY25 and later

Sensitivity of the Net OPEB Liability to Change in Discount Rate

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

Net OPEB Asset at 1% increase	$	63,751
Net OPEB Asset at Current Rate		31,622
Net OPEB Liability at 1% decrease		(7,452)

Sensitivity of the net OPEB liability to change in healthcare costs

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

Net OPEB Liability at 1% increase	$	(37,599)
Net OPEB Asset at Current Rate		31,622
Net OPEB Asset at 1% decrease		76,842

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB
For the fiscal year ended June 30, 2018, the TJPA recognized OPEB expense of $1,046. As of fiscal year ended June 30, 2018, the TJPA reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 26,135	$ -
Net differences between projected and actual earnings on plan investments	3,893	-
Total	$ 30,028	$ -

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

Year	Deferred outflows (inflows) of resources
June 30	
2019	$ 973
2020	973
2021	973
2022	974
Total	$ 3,893

NOTE 7 - LEASES

The TJPA leases office space under an operating lease which expires during fiscal year 2021. Total costs for this lease were $726,144 for the year ended June 30, 2018. These costs represent direct Program management costs related to the transit center and DTX and as such are capitalized as part of accumulated Program costs.

In May 2017 the TJPA entered into an airspace lease agreement with the State of California for the property under Interstate 80 between Third, Second, Perry and Stillman streets for the construction and operations of the Bus Storage Facility. The term of the lease is 25 years. In August 2018, with the completion of construction and commencement of operations of the Bus Storage Facility, AC Transit became responsible for the lease costs under a sublease with TJPA. Payments for this lease made for the fiscal year ending June 30, 2018 were $315,893.

The future minimum lease payments for these leases are as follows:

	TJPA Office Lease	Bus Storage Facility Lease
2019	$ 731,806	$ 24,885
2020	753,761	-
2021	579,899	-
	$ 2,065,466	$ 24,885

NOTE 8 - RISK MANAGEMENT

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

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

There were no reductions in insurance coverage from the previous year. The TJPA pays an annual contribution, determined by the Board of Directors of SDRMA, and any additional amounts which the SDRMA Board of Directors deems necessary in accordance with bylaws of SDRMA. The TJPA's annual contribution for the fiscal year ended June 30, 2018 was $170,244.

In addition, the TJPA purchased an excess liability policy to provide additional coverage of $10,000,000. The premium for the fiscal year ended June 30, 2018 for this policy was $105,264. There is no deductible under this policy. The TJPA does not maintain earthquake insurance coverage.

The TJPA maintains workers' compensation insurance in compliance with statutory limits. The premiums for the fiscal year ended June 30, 2018 for this coverage were $17,763. TJPA also holds a public officials bond renewed in December 2016 with a two-year term for $875.

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

NOTE 9 - LOCAL AND STATE CAPITAL REVENUE FUNDING AGREEMENTS

A. MTC Revenues

RM-1

The RM-1 funds from MTC are derived from Regional Measure 1, approved by California voters in 1989, which authorized toll increases on all state-owned bridges in the northern and southern bay area bridge groups. In June 2001, the San Francisco Municipal Transportation Agency received two RM-1 funding allocations totaling $1,400,000 on the TJPA's behalf to provide preliminary planning and preliminary design services for the Transbay Terminal and Caltrain Downtown Extension project. The SFMTA passed through the $1,400,000 to TJPA and the funds were disbursed during the fiscal years ended June 30, 2002 through 2005. The MTC-approved RM-1 allocations direct to TJPA total $53,000,000 which has been fully expended as of the end of fiscal year 2016.

RM-2

On March 2, 2004, voters approved RM-2, which increased the state-owned bridge toll in the San Francisco Bay Area by $1.00 for each vehicle. RM-2 assigns the administrative duties and responsibilities associated with this additional toll revenue to the MTC. The additional toll revenues are earmarked for transportation projects within the region that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors and are incorporated into the Regional Traffic Relief Plan, which is also administered by the MTC. The MTC-approved RM-2 allocations total $150,000,000 of which $149,427,862 has been expended leaving an unexpended balance of $572,138 which was appropriated for the fiscal year ending June 30, 2019.

AB 1171

MTC's Resolution 3434 includes AB 1171 funds for the Transbay Program. This source results from the adoption of AB 1171 Bridge Toll Funds by the California legislature for a plan to fund the cost of seismic retrofit of Bay Area toll bridges. The Program is eligible for these funds under a provision that makes the money available to projects consistent with the purposes of the voter-approved RM-1 program. The MTC-approved AB 1171 allocations total $150,000,000 of which $149,064,665 has been expended leaving an unexpended balance of $935,335 which was appropriated for the fiscal year ending June 30, 2019.

B. SFCTA Prop K Revenues

On November 4, 2003, the voters approved Prop K, which imposes one-half of one percent of additional sales and use tax to be used for the planning, maintenance and rehabilitation of, and improvement to, the City's multi-modal transportation system. The SFCTA is responsible for allocating, administering and overseeing the expenditures of Prop K. The SFCTA-approved allocations total $195,360,378 of which $193,884,028 has been expended leaving an unexpended balance of $1,476,350. The unexpended balance was appropriated for the fiscal year ending June 30, 2019.

C. SMCTA Measure A Revenues

In June of 1988, San Mateo County voters approved Measure A, which established a program to fund transportation projects by an increase in sales tax of 0.5%. The SMCTA is an independent agency formed to administer the proceeds of the sales tax increase. The SMCTA-approved sales tax allocations total $23,359,514 and the funds were disbursed during the fiscal years ending June 30, 2006 through June 30, 2013.

D. AC Transit Revenues

In September 2011, AC Transit passed through two security grants from the Federal Emergency Management Agency and two security grants from the California Emergency Management Agency ("Cal-EMA") totaling $7,697,323. In January 2013, AC Transit passed through an additional security grant from Cal-EMA totaling $2,149,588. In February 2014, AC Transit passed through another security grant from Cal-EMA totaling $2,149,596. In February 2015, a Proposition 1B, or Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Program grant from Caltrans in the amount of $21,164,990 was passed through, and in fiscal year 2016 AC Transit notified TJPA of two additional Cal-EMA grants to be passed through totaling $4,296,855. In fiscal year 2017, AC Transit passed through another Cal-EMA grant in the amount of $2,152,543. These pass-throughs are being credited towards AC Transit's required capital contribution under the Lease and Use Agreement (see Note 10) and are for construction. Of the $39,617,008 allocated thus far, $39,473,919 has been expended leaving an unexpended balance of $143,088 which was appropriated for the fiscal year ending June 30, 2019.

E. State of California Revenues

RTIP

In January 2007, the State and the TJPA entered into a Program Master Agreement for future planned State financial allocations of Regional Transportation Improvement Program ("RTIP") funds for locally administered rail and transit projects. Pursuant to the Master Agreement, program supplements are entered into subject to all of the terms and conditions of the Master Agreement. The State-approved program supplements total $10,153,000, and the funds were disbursed during the fiscal years ending June 30, 2008 through June 30, 2013.

Cal-EMA

A portion of the AC Transit revenue discussed above is six grants totaling $15,053,946 being passed through from Cal-EMA, which was fully expended as of June 30, 2018.

PTMISEA

A portion of the AC Transit revenue discussed above is for a Public Transportation Modernization, Improvement, and Service Enhancement Account ("PTIMSEA") grant totaling $21,164,990 being passed through from Caltrans. $21,021,901 has been expended, leaving an unexpended balance of $143,089 which was appropriated for the fiscal year ending June 30, 2019.

NOTE 10 - RELATED PARTY TRANSACTIONS

Note 10 identifies agencies of State and local government that appoint members to the TJPA Board of Directors. The TJPA also purchases goods and services from some of these TJPA Board Member Agencies and these Agencies are therefore considered to be related parties to the TJPA. Below is a summary of goods and services purchased by the TJPA from these related parties during the fiscal year ended June 30, 2018.

A. City and County of San Francisco

During the year ended June 30, 2018, the City provided services including management, administration, permitting and inspection of construction; traffic engineering; transit center power connections, and legal assistance to the TJPA. Such services totaled $2,538,722, with $1,720,913 due to the City at June 30. Services were provided by the following organizations/departments:

Office of the City Attorney	$ 963
Department of Public Works	939,508
Department of Technology	11,921
Municipal Transportation Agency	948,952
Planning Department	1,525
Public Utilities Commission	944
San Francisco Arts Commission	634,504
Tax Collector	405
Total	$ 2,538,722

In addition, Community Benefit District special assessments of $73,525 were paid to the San Francisco Tax Collector during the fiscal year, and $2,093,916 was paid to the Office of the Controller for Base and Additional Rental (see Note 5). Also, at June 30, 2018, the TJPA held title to land parcels which are temporarily needed by the TJPA only for the construction of the Transbay Program. Upon completion of the construction period, these parcels will be transferred to the City or OCII (see Note 4).

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

AC Transit provides bus services between Alameda and Contra Costa counties and the City and County of San Francisco. Under the Program, the temporary terminal and the transit center are the point of destination/departure for AC Transit's bus services in San Francisco. On September 29, 2008, the TJPA Board of Directors approved a comprehensive Lease and Use Agreement that controls AC Transit's bus operations at the temporary terminal and the transit center through at least the year 2050. The Agreement sets forth all the rights and obligations of the parties with respect to the two facilities. It addresses payments AC Transit will make for its share of operating and maintenance costs at the transit center should operating expenses exceed revenues, as well as its contribution in the sum of $57,000,000 (discounted to 2011 dollars) to the capital cost of the new transit center (see Note 9). The Agreement also addressed incremental payments that TJPA would make to AC Transit to cover the increased costs to AC Transit of operating out of the temporary terminal. The Agreement allows for subtenant agreements, where subtenants can be allocated a share of the primary tenant's operating and maintenance costs. For the fiscal year ended June 30, 2018, expenses incurred by the TJPA to reimburse AC Transit for its incremental operating and maintenance costs at the temporary terminal totaled $1,950,000 and the TJPA reported $602,102 due to AC Transit at June 30, 2018.

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

Caltrans provides design review and construction support services to the TJPA, and leases the site of the Bus Storage Facility to TJPA. Such services and lease payments totaled $328,860 during the year ended June 30, 2018, and the TJPA reported $4,902 due to Caltrans at June 30. The agreements with Caltrans require the TJPA to provide, within the total agreement amounts, payment for revolving invoice reserves. The payment of these deposits totals $55,000, which the TJPA has recorded as prepaid items.

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

As of June 30, 2018, the California High-Speed Rail Authority ("CHSRA") does not provide services to the TJPA and TJPA has not reported any amounts due to or from CHSRA.

NOTE 11 - CONTINGENT LIABILITIES

A. Due from Grantors

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

B. Pollution Remediation

TJPA has conducted pollution remediation activities as a matter of course in its demolition and construction. The expenditures associated with these activities are capitalized as costs to prepare property for use. As such, the TJPA capitalizes remediation outlays as incurred and does not record a pollution remediation liability. Life-to-date remediation expenditures through June 30, 2018 total $17,545,458 and are associated with the following project components:

Temporary Terminal	$	948,283
Transit Center		15,071,322
Bus Storage Facility		1,524,845
Caltrain Downtown Extension		1,008
Total	$	17,545,458

NOTE 12 - SUBSEQUENT EVENTS

A. Temporary closure of the transit center

Following a ribbon-cutting ceremony on August 10, 2018 and a public grand opening celebration on August 11, 2018, the TJPA's transit center, generally located at 425 Mission Street in San Francisco, officially opened for operations on August 12, 2018.

On September 25, 2018, construction crews discovered a fissure in the bottom flange of a steel girder in the ceiling of the third-level Bus Deck on the eastern side of the transit center near Fremont Street. Further inspections revealed a second fissure through half of the lower flange on a separate girder parallel to the first near the same location at Fremont Street. The portion of the transit center over First Street has the same structural design as Fremont Street, however no fissures have been found over First Street. The discovery prompted temporary closure of the facility as a safety measure out of an abundance of caution after conferring with design engineers and contractors. As a result of the fissures, project contractors have implemented a temporary shoring system at Fremont and First streets and structural engineers are designing a proposed permanent reinforcement fix.

The TJPA and the Metropolitan Transportation Commission ("MTC") have agreed that MTC will facilitate a panel of technical experts to participate in an independent review of the temporary shoring system and the proposed permanent reinforcement fix, the TJPA's findings with respect to the cause of the fissures, and such other related matters, as appropriate. The affected area is currently undergoing testing to determine the cause of the fissures; that testing, as well as the work of the peer review panel, is on-going.

The TJPA's nearby temporary terminal facility, generally located at Howard and Main streets in San Francisco, has been recommissioned for transit operations until the transit center reopens. The TJPA has not yet announced a date when the transit center will reopen.

In July 2018, the San Francisco County Transportation Authority ("SFCTA") allocated certain Proposition K local transportation sales tax funds to the TJPA to advance funding for the design of Phase 2 of the Transbay Program, the Caltrain Downtown Extension ("DTX"). In November 2018, as a result of the discovery of the fissures and litigation filed in October 2018 by the TJPA's Construction Manager/General Contractor, Webcor/Obayashi Joint Venture, the SFCTA suspended the previously approved funding agreement for the DTX until certain conditions are met. Those conditions include an evaluation by the San Francisco City Controller's Office of the TJPA's management and delivery of the transit center; a review by the SFCTA of alternative oversight and governance models for the management and delivery of the DTX, in addition to the SFCTA's previously scoped task to advise on project delivery methods for the DTX; and further action by the SFCTA.

B. Pending litigation

On October 16, 2018, Webcor/Obayashi Corporation, a Joint Venture ("Webcor"), filed a lawsuit against the TJPA alleging that the TJPA caused delays and additional costs to Webcor on the Project due to, among other items, (a) late delivery of defective design documents, (b) delay and extension of the bidding process resulting from re-scoping and re-bidding of certain critical trade packages, (c) conversion of several trade packages from a bid-build basis to design-build basis, (d) enhancement and expansion of a Risk and Vulnerability Assessment, (e) failure by the TJPA to grant full access to the Project site when required, (f) delayed responses to RFIs and Change Order Requests by the TJPA and/or its design team, (g) TJPA directed code compliance decisions, and (h) failure by the TJPA to timely close out the Project. Webcor has asserted causes of action for breach of contract and declaratory relief and seeks damages of at least $140 million and interest.

On December 14, 2018, the TJPA filed a general denial in response to the Webcor lawsuit, denying all responsibility for the damages asserted by Webcor against the TJPA. The TJPA also filed a cross-complaint against Webcor alleging that Webcor breached its contractual obligations by (a) failing to timely and properly coordinate, supervise and schedule the work of its Trade Subcontractors, (b) failing to timely enforce the Project's Buy America requirements, (c) misusing the RFI process, (d) submitting late, inaccurate and incomplete submittals for the Work, (e) installing non-conforming work, (f) staffing the Project with inexperienced personnel, (g) failing to properly utilize the CM/GC Contingency, (h) failing to timely and properly certify claims, and (i) failing to timely perform its close-out obligations. The TJPA alleges that Webcor's breaches resulted in substantial additional costs to the TJPA, including but not limited to liquidated damages in excess of $7.7 million, and the delayed Substantial Completion and Final Completion of the Project.

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REQUIRED SUPPLEMENTARY INFORMATION

TRANSBAY JOINT POWERS AUTHORITY
Required Supplementary Information
For the Year Ended June 30, 2018

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

Measurement Date	June 30, 2017[1]	June 30, 2016	June 30, 2015	June 30, 2014[2]
Proportion of the net pension liability	0.0186%	0.0025%	0.0022%	0.0068%
Proportionate share of the net pension liability	$732,892	$569,938	$394,755	$423,396
Covered payroll	$1,852,299	$1,932,209	$2,215,123	$2,087,405
Proportionate share of the net pension liability as a percentage of its covered payroll	12.91%	10.52%	7.41%	20.28%
Plan fiduciary net position as a percentage of the total pension liability	75.39%	75.87%	79.89%	83.03%

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

[2] TJPA covered payroll figure for fiscal year 2014 is the figure used by CalPERS in its GASB 68 valuation report for that fiscal year, versus the actual pensionable earnings reported by TJPA, as displayed in the next schedule.

TRANSBAY JOINT POWERS AUTHORITY
Required Supplementary Information
For the Year Ended June 30, 2018

SCHEDULE OF TJPA PENSION CONTRIBUTIONS

	FY 2018[1]	FY 2017	FY 2016[2]	FY 2015	FY 2014	FY 2013
Actuarially determined contribution	$ 182,740	$ 174,875	$ 174,033	$ 254,524	$ 228,308	$ 194,665
Contributions in relation to the actuarially determined contribution	(182,740)	(174,875)	(174,033)	(254,524)	(228,308)	(194,665)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,163,436	$ 1,852,299	$ 1,932,209	$ 2,215,123	$ 2,125,171	$ 1,976,776
Contributions as a percentage of covered payroll	8.45%	9.44%	9.01%	11.49%	10.74%	9.85%

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

[2] TJPA covered payroll figure for fiscal year 2016 is the amount for Classic employees only, as the PEPRA employees that commenced employment in fiscal year 2016 will not be included in the GASB 68 valuation report provided by CalPERS until the fiscal year 2017.

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

TRANSBAY JOINT POWERS AUTHORITY
Required Supplementary Information
For the Year Ended June 30, 2018

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

	FY 2018[1]
Total OPEB liability	
Service cost	$ 25,486
Interest	13,518
Changes in benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions	-
Benefit payments	(640)
Net changes	38,364
Total OPEB Liability - Beginning	200,126
Total OPEB Liability - Ending	$ 238,490
Total OPEB liability	
Contribution - employer	$ 20,195
Contribution - member	10,149
Net investment income	-
Benefit payments	(640)
Administrative expense	(127)
Net changes	29,577
Total OPEB Liability - Beginning	240,535
Total OPEB Liability - Ending	$ 270,112
Plan Net OPEB Liability (Asset) - Ending	$ (31,622)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	113%
Covered Employee Payroll	$2,163,436
Plan Net OPEB Liability as a Percentage of Covered-Employee Payroll	-1.46%

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

TRANSBAY JOINT POWERS AUTHORITY
Required Supplementary Information
For the Year Ended June 30, 2018

SCHEDULE OF OPEB CONTRIBUTIONS

	FY 2018[1]
Actuarially determined contribution	$ 26,135
Contributions in relation to the actuarially determined contribution	(26,135)
Contribution deficiency (excess)	-
Covered payroll	$ 2,163,436
Contributions as a percentage of covered payroll	1.21%

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

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SUPPLEMENTARY INFORMATION

TRANSBAY JOINT POWERS AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Program Description	Federal CFDA Number	Grant Number	Program Award	EXPENDITURES - FEDERAL SHARE Cumulative through June 30, 2017	July 1, 2017 through June 30, 2018	Cumulative through June 30, 2018	REVENUES - FEDERAL SHARE Cumulative through June 30, 2017	July 1, 2017 through June 30, 2018	Cumulative through June 30, 2018
U.S. DEPARTMENT OF TRANSPORTATION									
Direct Grant									
Federal Transit Formula Grants	20.500	CA-04-0140	$ 7,885,080	$ 7,149,323	$ 349,256	$ 7,498,579	$ 7,149,323	$ 349,256	$ 7,498,579
Total Federal Transit Cluster			7,885,080	7,149,323	349,256	7,498,579	7,149,323	349,256	7,498,579
Direct Grant									
Alternatives Analysis	20.522	CA-39-0009	1,240,000	1,210,690	-	1,210,690	1,210,690	-	1,210,690
Direct Grant									
Highway Planning and Construction Grant:									
General Capital Assistance	20.205	CA-70-X011	24,459,002	24,367,495	14,970	24,382,465	24,367,495	14,970	24,382,465
General Capital Assistance	20.205	CA-95-X321	6,000,000	-	4,588,067	4,588,067	-	4,588,067	4,588,067
Total Highway Planning and Construction Cluster			30,459,002	24,367,495	4,603,037	28,970,532	24,367,495	4,603,037	28,970,532
Direct Grant									
Transportation Infrastructure Finance and Innovation Act Program	20.223	20081007A	171,000,000	84,797,959	64,580,000	149,377,959	84,797,959	64,580,000	149,377,959
Total Transportation Infrastructure Finance and Innovation Act Program			171,000,000	84,797,959	64,580,000	149,377,959	84,797,959	64,580,000	149,377,959
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			210,584,082	117,525,466	69,532,293	187,057,759	117,525,466	69,532,293	187,057,759
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			$ 210,584,082	$ 117,525,466	$ 69,532,293	$ 187,057,759	$ 117,525,466	$ 69,532,293	$ 187,057,759

See note to Schedule of Expenditures of Federal Awards

NOTE 1 – GENERAL

The Schedule of Expenditures of Federal Awards (the "Schedule") presents the current fiscal year and life-to-date activity of all direct and pass-through federal award programs of the Transbay Joint Powers Authority (the "TJPA") that were active or closed out during fiscal year 2018. The TJPA has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 – BASIS OF ACCOUNTING

The Schedule is presented using the accrual basis of accounting.

NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

NOTE 4 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The TJPA executed a TIFIA loan agreement with the United States Department of Transportation in an amount not to exceed $171,000,000 to finance a portion of permanent terminal center. Total TIFIA loan proceeds expended during the fiscal year ended June 30, 2018 totaled $64,580,000, and the outstanding loan payable at June 30, 2018 is $149,377,959 with additional accrued interest for $7,228,131.

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OTHER REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Board of Directors
Transbay Joint Powers Authority
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transbay Joint Powers Authority (TJPA), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the TJPA's basic financial statements, and have issued our report thereon dated December 31, 2018.

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

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

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

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 31, 2018

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

Board of Directors
Transbay Joint Powers Authority
San Francisco, California

Report on Compliance for Each Major Federal Program
We have audited Transbay Joint Powers Authority (TJPA)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of TJPA's major Federal programs for the year ended June 30, 2018. TJPA's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, the TJPA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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

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

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

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 31, 2018

TRANSBAY JOINT POWERS AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards:	
Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
CFDA No. 20.223	Transportation Infrastructure Finance and Innovation Act
CFDA No. 20.205	Highway Planning and Construction Cluster
Dollar threshold used to distinguish between Type A and Type B programs	$1,822,209
Auditee qualified as low-risk auditee?	Yes

Section II Financial Statement Findings

No matters were reported.

Section III Federal Award Findings and Questioned Costs

No matters were reported.