STAFF REPORT FOR CALENDAR ITEM NO.: 12
FOR THE MEETING OF: April 11, 2024

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, 2023.

EXPLANATION:

The TJPA Bylaws mandate that TJPA provide the member agencies complete audited financial statements no later than January 1st after the close of Authority's fiscal year. However, due to staffing transitions and vacancies, the audited financials for the fiscal year 2022-23 experienced a delay. Despite this setback, the TJPA met all critical deadlines for audited financial statements submissions to state and federal agencies. Additionally, the Authority fulfilled the Continuing Disclosure Certificate requirement for its bonds and is pleased that the auditor is able to issue an unmodified opinion.

Responsibility for preparing the statements, the data's accuracy, and the presentation's completeness and fairness rests with TJPA management. The fiscal year 2022-23 financial statements are the twentieth set of financial statements since the inception of the TJPA and represent the financial position of the TJPA for the period of July 1, 2022, to June 30, 2023. The objective of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. Maze & Associates conducted an audit of the TJPA's financial statements for the fiscal year ended June 30, 2023, according to Government Auditing Standards, and has issued an unmodified opinion. The Annual Financial Report includes the following required sections:

1. **Independent Auditors' Report**—this report was prepared by the independent auditors, who rendered an unmodified 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 an analysis of the agency's overall financial position.

3. **Basic Financial Statements—**the basic financial statements include a statement of net position, a statement of revenues, expenses, and changes in fund net position, a statement of cash flows, and notes to the statements, which are essential to fully understanding 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 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 Maze & Associates will address the Board at the April 11 meeting and be available to answer any questions.

RECOMMENDATION:
Information only.

ENCLOSURES:
1. Annual Financial Report Fiscal Year Ended June 30, 2023
2. Memorandum on Internal Control and Required Communications for the Year Ended June 30, 2023

Transbay Joint Powers Authority
Annual Financial Report
Fiscal Year Ended June 30, 2023

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TRANSBAY JOINT POWERS AUTHORITY
SAN FRANCISCO, CALIFORNIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

PREPARED BY THE FINANCE DEPARTMENT

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TRANSBAY JOINT POWERS AUTHORITY
Adam Van de Water • Executive Director

April 11, 2024

Board of Directors
Transbay Joint Powers Authority
San Francisco, California

I am pleased to present the Transbay Joint Powers Authority's (TJPA) Annual Financial Report for the fiscal year ending June 30, 2023. This report offers a comprehensive overview of our financial health and the progress of the Transbay Program. It is accompanied by the independent auditors' report prepared by Maze and Associates.

The TJPA prioritizes transparency and accountability in its financial reporting. We have robust internal controls to ensure accurate financial statements. While these controls provide a high level of assurance, complete error elimination cannot be guaranteed.

We are confident the financial information presented herein accurately reflects the TJPA's financial status and performance for the reported fiscal year. The accompanying Management's Discussion and Analysis (MD&A) provides further details.

Governance

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

Overview

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

- Replacing the former Transbay Terminal at First and Mission Streets with the new Transit Center
- Providing the Downtown Rail Extension, an underground rail connection to bring high-speed trains and Caltrain commuter trains into the Transit Center
- Creating a new transit-oriented neighborhood with homes (at least 35 percent affordable), offices, parks, and shops surrounding the new Transit Center

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

Phase 2 includes the Downtown Rail Extension (DTX), rebranded as "The Portal", which will extend Caltrain commuter rail from its current terminus at Fourth and King Streets into the Transit Center and accommodate future high-speed rail service between San Francisco and Los Angeles. It also includes the build-out of the Transit Center's below-grade train station, a pedestrian connector to the Embarcadero BART/Muni Metro station, an intercity bus facility, and a new underground station at Fourth and Townsend Streets.

Highlights of Fiscal Year 2023

The Portal:
During the fiscal year, TJPA adopted the project's construction contract packaging and delivery method upon completion of a project delivery alternatives analysis. A project rebranding effort was completed for external communications adopting "The Portal" with a tag line "Uniting the Bay, Connecting California" for the project, referencing the project's important connection through Caltrain and serving as the northern terminus of the California High Speed Rail system. While in the FTA Project Development Phase (PD) of the Capital Investment Grants program (CIG) the project conducted constructability review, additional cost reduction studies, completed CEQA/NEPA documentation for these cost reduction configuration changes, completed 30% design, and engaged in a Federal Transit Administration (CIG) Risk Workshop whereby TJPA updated the project cost and schedule, and adopted a 20-year financial plan. Completing FTA's CIG requirements under PD, TJPA requested entry to the Engineering Phase of the grant program.

Post-Pandemic Recovery:
The TJPA continued to experience indirect effects of the COVID-19 pandemic, including reduced commercial activity and rents. While the TJPA's primary transit tenants have increased ridership, nearby office occupancies remain low, and the economic recovery in Downtown San Francisco continues to be a concern. Despite the slower economic recovery of downtown than desired, the TJPA is cautiously optimistic that we can capitalize on the positive momentum by attracting new businesses, retaining existing tenants, and bringing additional transit operators into the center.

Phase 1 closeout:
TJPA staff and consultants have been diligently working to reduce the agency's potential financial exposure from legal claims associated with the closeout of phase 1 construction. During the fiscal year, the TJPA Board of Directors approved a budget amendment and used reserves for Phase 1 to fund the closeout of various trade packages under the Webcor/Obayashi JV contract and the continued legal services during mediation of the remaining construction contract claims. The TJPA expects to reach agreements on several more of the outstanding claims in the fiscal year 2024.

Appreciation
I would like to express my sincere gratitude to the Finance staff for their dedication to daily operations and their invaluable contribution to this report.

Sincerely,

Shima Mirzaei
Chief Financial Officer

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TRANSBAY JOINT POWERS AUTHORITY

GOVERNING BOARD

Jeff Gee, *Chair (Peninsula Corridor Joint Powers Board Representative)*
Rafael Mandelman, *Vice Chair (San Francisco Board of Supervisors Representative)*
Elaine Forbes, *Board Member (Office of the San Francisco Mayor Representative)*
Alicia John-Baptiste, *Board Member (San Francisco Board of Supervisors Representative)*
Boris Lipkin, *Board Member (California High Speed Rail Authority Representative)*
Sarah Syed, *Board Member (Alameda-Contra Costa Transit Representative)*
Jeff Tumlin, *Board Member (San Francisco Municipal Transportation Agency Representative)*
Dina El-Tawansy, *Ex officio Board Member (Caltrans Representative)*

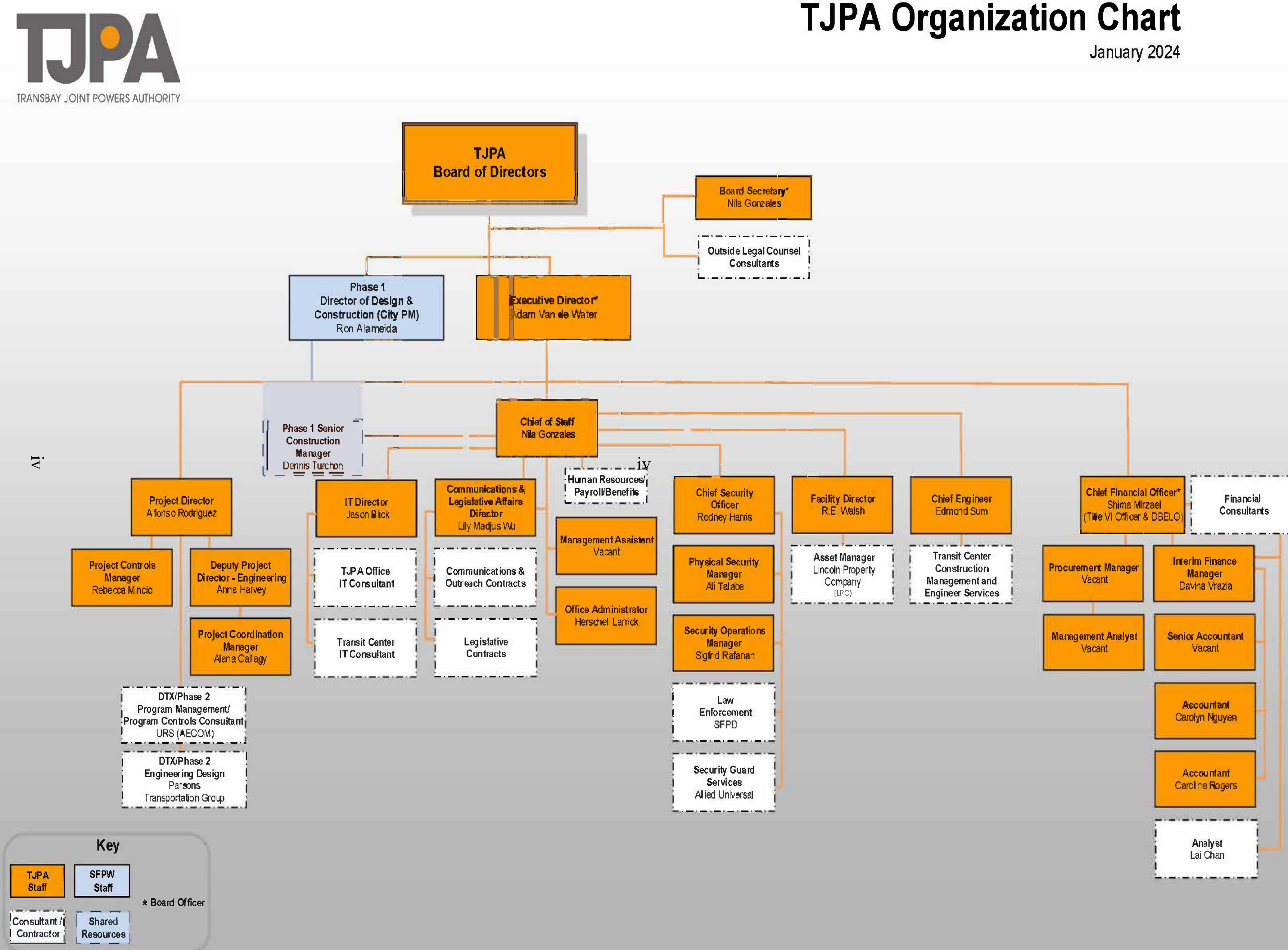
AUTHORITY STAFF

Adam Van de Water, *Executive Director*
Shima Mirzaei, *Chief Financial Officer*
Nila Gonzales, *Secretary*

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

TJPA Organization Chart

January 2024



MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

Board of Directors of the
Transbay Joint Powers Authority
San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Transbay Joint Powers Authority (Authority), California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section listed in the Table of Contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Authority'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 Authority's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
March 27, 2024

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TRANSBAY JOINT POWERS AUTHORITY
Management's Discussion and Analysis
(Required Supplementary Information-Unaudited)
For the Year Ended June 30, 2023

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, 2023, with comparative information for the year ended June 30, 2022. The MD&A section is required by the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 34 and should be read in conjunction with the TJPA's basic financial statements, which follow this section.

The TJPA's financial activities are reported based on a twelve-month fiscal year, which starts on July 1 of one calendar year and ends on June 30 of the next calendar year; the fiscal year is named by the calendar year in which the fiscal year ends. Therefore, the basic annual financial statements presented in this report are for Fiscal Year 2023.

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"), currently known as The Portal, is the second phase ("Phase 2") of the Transbay Program. 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, resulting in a net position of $1,892,290,472 due to recognizing Transbay Transit Center in capital assets.
- TJPA experienced an operating loss of $146,572,463 primarily due to depreciating the transit center as an asset. Additionally, a portion of the operating loss is attributable to the recognition of debt service as operating expenses and reduced revenue from commercial activities and rents due to continued effects of COVID-19 on downtown economy.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

Financial Statement Analysis

In accordance with GASB requirements, a comparative analysis of financial data is presented in the following condensed formats to compare amounts from the current fiscal year (2023) to amounts from the prior fiscal year (2022).

TJPA'S CONDENSED STATEMENTS OF NET POSITION

	2023	2022	Dollar Change	Percent Change
Assets:				
Current and other assets	$ 70,544,463	$ 59,508,620	$ 11,035,843	19%
Restricted assets	114,569,747	161,128,341	(46,558,594)	-29%
Capital assets	2,012,229,625	2,067,052,984	(54,823,359)	-3%
Total assets	2,197,343,835	2,287,689,945	(90,346,110)	-4%
Deferred outflows of resources:				
OPEB related	186,126	133,700	52,426	39%
Pension related	1,225,659	541,216	684,443	126%
Change in fair value of hedging derivative	-	-	-	0%
Total deferred outflow of resources	1,411,785	674,916	736,869	109%
Liabilities:				
Current and other liabilities	21,802,419	36,762,817	(14,960,398)	-41%
Tax allocation bonds	266,683,254	285,527,639	(18,844,385)	-7%
Intergovernmental liability to the City for re-conveyance of State transferred land	4,364,206	4,364,206	-	0%
Total Liabilities	292,849,879	326,654,662	(33,804,783)	-10%
Deferred inflows of resources:				
OPEB related	32,376	66,010	(33,634)	-51%
Pension related	83,059	163,464	(80,405)	-49%
Lease related	13,499,834	14,600,764	(1,100,930)	-8%
Total deferred inflows of resources	13,615,269	14,830,238	(1,214,969)	-8%
Net position:				
Net investment in capital assets	1,737,682,165	1,764,843,209	(27,161,044)	-2%
Restricted				
Construction of Transit Center and DTX	81,672,031	121,991,356	(40,319,325)	-33%
Debt services	39,857,486	40,200,432	(342,946)	-1%
Unrestricted	33,078,790	19,844,964	13,233,826	67%
Total net position	$ 1,892,290,472	$ 1,946,879,961	$ (54,589,489)	-3%

Current assets consisted of cash and equivalents, receivables, and other assets. The $11.0 million net increase in current and other assets resulted from the allocation of Regional Measure 3 (RM3) funds approved by the Metropolitan Transportation Commission (MTC) to cover operating expenses incurred in fiscal years 2020, 2021, 2022, and 2023 and increase revenue from Community Facilities District ("CFDs") 2019B, 2021B, 2022B and Pay-GO bond series.

Restricted assets consisted of restricted cash, investments, and other restricted assets. The $46.5 million net decrease is mainly due to increased activities related to the phase 1 closeout in Fiscal Year 2022-23.

Deferred inflows and outflows consisted of pension-related costs, OPEB-related costs, and lease-related costs.

Total net position on June 30, 2023, includes net investment in capital assets, which is comprised of $2,211,604,475 worth of depreciable capital assets prior to depreciation, construction in progress of $125,359,531, land scheduled to be permanently and temporarily retained by the TJPA of $164,595,641, and permanent easements of $137,374. The construction in progress includes design, construction, construction management, program management, and administrative costs necessary to support the development of the transit center additions (tenant improvements) and DTX.

In addition to the capital asset, $81,672,031 restricted for construction, is a combination of bond proceeds from Tax Allocation Bonds ("TABs") and net tax increment, land sales for the continued construction of the transit center and DTX, and reserves for capital replacements.

TRANSBAY JOINT POWERS AUTHORITY
Management's Discussion and Analysis
(Required Supplementary Information-Unaudited)
For the Year Ended June 30, 2023

TJPA'S CONDENSED STATEMENTS OF CHANGES IN NET POSITION

	2023	2022	Dollar Change	Percent Change
Operating income				
Operating revenues	$ 14,134,575	$ 14,408,741	$ (274,166)	-2%
Operating expenses	(160,707,038)	(156,638,230)	(4,068,808)	3%
Operating income (loss)	(146,572,463)	(142,229,489)	(4,342,974)	3%
Nonoperating revenues (expenses)				
Operating grant revenue	14,672,860	12,150,820	2,522,040	21%
Operating grant expenses	-	-	-	0%
Net Operating grant	14,672,860	12,150,820	2,522,040	21%
Contribution from AC tansit for				
Investment Income (loss)	3,380,808	628,862	2,751,946	438%
Miscellaneous revenues	16,500,000	18,500	16,481,500	89089%
Tax Increment Revenue	28,416,761	26,527,494	1,889,267	7%
CFD impact fee revenue	-	-	-	0%
Land contribution to City & County of San Francisco	-	-	-	0%
Total nonoperating revenues	62,970,429	39,325,676	23,644,753	60%
Income before capital contributions	(83,602,034)	(102,903,813)	19,301,779	-19%
Capital contributions				
Federal government capital grants	-	-	-	0%
Local government capital grants	318,966	7,257,287	(6,938,321)	-96%
Community Facilities District reimbursements	27,059,490	12,545,912	14,513,578	116%
Caltrain Capital Contribution	1,500,000	-	1,500,000	100%
Other capital contributions	134,089	2,575,376	(2,441,287)	-95%
Total capital contributions	29,012,545	22,378,575	6,633,970	30%
Change in net position	(54,589,489)	(80,525,238)	25,935,749	-32%
Net position - Beginning	1,946,879,961	2,027,405,199	(80,525,238)	-4%
Net position - Ending	$ 1,892,290,472	$ 1,946,879,961	$ (54,589,489)	-3%

Operating revenues

The source of Fiscal Year 2022-23 operating revenues of $14.1 million was comprised primarily of Operator contributions, naming rights revenue, lease and rental revenues, Community Benefit District ("CBD") revenue, and advertising revenues combined with cellular antennae licensing agreement revenue for the transit center.

Nonoperating revenues

The TJPA funds a portion of facility management, security, Information Technology, and operating expenses of the Transit Center from MTC Regional Measure 2 ("RM-2") and RM-3 operating grants.

The Fiscal Year 2022-23 investment gain of $3.4 million is attributable to increased interest revenue related to the implementation of GASB Statement No.87, and other interests received from investment portfolio.

Capital contributions

For the year ended June 30, 2023, the TJPA received $29,012,545 in capital contributions. The increase in capital contributions from the prior fiscal year is directly attributable to the Community Facilities District ("CFDs") 2019B bond series issued in February 2019 and 2021B series issued in November 2021. In Fiscal Year 2022-23, there is a total of $27.1 million CFD reimbursements of eligible capital expenses for the DTX project.

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, two administrative amendments to the Operating Budget were approved. These amendments transferred amounts amongst line items but did not increase total appropriations. On December 8, 2022, the TJPA Board approved a budget amendment and use of reserves for Phase 1, increasing the total authorized amount by $20.6 million to fund continued legal services addressing construction claims and closeout of various trade packages under the Webcor/Obayashi JV Contract

Capital Asset and Debt Administration

Capital assets

The TJPA's investment in capital assets as of June 30, 2023, amounts to $2.0 billion. This investment in capital assets includes land, easements, information technology, transit center, tenant improvements, equipment and construction in progress. Major capital asset events during the fiscal year included the following:

- With the completion of construction activities at the transit center, construction-related activities remaining are construction contract close-out and claims resolutions.
- With three full years of operations, the transit center is a depreciable capital asset with a useful life of 5-50 years. As such, it has been depreciated by $475 million.

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

<u>Long-term debt</u>

At the end of the current fiscal year, the TJPA had total debt outstanding of $266.7million. All of the debt is due to the 2020 tax allocation bonds that refinanced the $186 million of TIFIA loan debt. See Note 5 for more detailed information on the TJPA's long-term debt.

Next Year's Budgets

The TJPA Board approved the Fiscal Year 2024 budgets on June 8, 2023.

The Operating budget totals $27.6 million in revenues and expenses. Approximately a third of the revenues will be provided by RM-2 and RM-3 operating funds. The remainder will be covered through transit center revenues and contributions from the Primary Tenants of the transit center, AC Transit and SFMTA. Expenses include a facility management contract, and other expenses directly related to the transit center such as security, operations, and maintenance at the transit center totaling $27.6 million.

The Debt Service Budget totals $17.9 million for debt payments and reserves due to the Series 2020 tax allocation bonds.

The TJPA's Fiscal Year 2023 Capital Budget of $160.6 million anticipates expenses for Phase 1 close-out, Phase 2 (DTX) design, oversight and real estate acquisition, Tenant Improvement construction, and capital maintenance, repair and replacement. Budgeted revenues will be provided primarily by the following sources: 2020 tax allocation bond proceeds, bond proceeds from Transit Center CFD special tax, RM-3 capital funds, State of California Transit and Intercity Rail Capital Program (TIRCP) funds, 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 interest income and reimbursements.

The main components of the Capital Budget are DTX engineering and real estate acquisition of $136.7 million, Phase 1 construction close-out of $17.5 million, and Tenant Improvement construction activities in the transit center of $2.4 million.

The Fiscal Year 2024 budgets are explained in detail in the Staff Reports which were submitted with the Fiscal Year 2024 budget presentations, and can be found on the TJPA website for the May 11 and June 8, 2023 TJPA Board meetings.

Request for Information

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

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BASIC FINANCIAL STATEMENTS

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Transbay Joint Powers Authority
Statement of Net Position
June 30, 2023

Assets:	
Current assets:	
Cash and equivalents	
Cash in banks	$ 13,656,075
Cash in State of California pool	7,233,400
Total cash and cash equivalents	20,889,475
Receivables:	
Metropolitan Transportation Commission	9,036,599
San Francisco County Transportation Authority	228,944
AC Transit	108,505
Federal Transit Administration	1,014,917
Accounts receivable	23,703,132
Total receivables	34,092,097
Other current assets:	
Prepaid items	686,917
Security deposits held by others	1,365
Total other current assets	688,282
Total current assets	55,669,854
Noncurrent assets:	
Restricted assets:	
Cash	3,100,250
Restricted cash for construction of the Transit Center	195,664
Cash in State of California pool	37,794,893
Investments	73,478,940
Total restricted assets	114,569,747
Other noncurrent assets:	
Interest receivable	137,531
Lease receivable	14,737,078
Total other noncurrent assets	14,874,609
Capital assets, nondepreciable:	
Land	164,595,641
Permanent easements	137,374
State transferred land to be re-conveyed to the City and County of San Francisco	4,364,206
Construction in progress:	
Caltrain Downtown Extension	114,489,029
Parcel F	1,238,455
Transbay Transit Center	9,140,018
Tenant Improvements	492,029
Total nondepreciable capital assets	294,456,752
Capital assets, depreciable:	
Information technology	11,716,527
Transbay Transit Center	2,145,162,829
Tenant Improvements	54,029,536
Equipment	695,583
Less: Accumulated depreciation	(493,831,602)
Total depreciable capital assets	1,717,772,873
Total noncurrent assets	2,141,673,981
Total assets	**2,197,343,835**
Deferred outflows of resources:	
OPEB related	186,126
Pension related	1,225,659
Total deferred outflows of resources	**1,411,785**

See accompanying notes to the financial statements

Transbay Joint Powers Authority
Statement of Net Position
June 30, 2023

Liabilities:	
Current liabilities:	
Accounts, contracts and intergovernmental payables	13,208,786
Accrued payroll	6,040
Retainage payable	3,164
Accrued interest payable	2,859,664
Unearned revenue	43,610
Deposits payable	469,753
Tax allocation bonds	3,500,000
Total current liabilities	20,091,017
Noncurrent liabilities:	
State transferred land to be reconveyed	4,364,206
Tax allocation bonds	266,683,254
Compensated absences, accrued vacation	220,470
Net pension liability	1,397,929
Net OPEB liability	93,003
Total noncurrent liabilities	272,758,862
Total liabilities	**292,849,879**
Deferred inflows of resources:	
OPEB related	32,376
Pension related	83,059
Lease related	13,499,834
Total deferred inflows of resources	**13,615,269**
Net position:	
Net investment in capital assets	1,737,682,165
Restricted:	
Construction of Transit Center	81,672,031
Debt Service	39,857,486
Unrestricted	33,078,790
Total net position	**$ 1,892,290,472**

See accompanying notes to the financial statements

Transbay Joint Powers Authority

Statement of Revenues, Expenses and Changes in Fund Net Position

For the Year Ended June 30, 2023

Operating revenues:		
Neutral host distributed antennae system revenue	$	58,585
Naming rights revenue		3,376,526
Community Benefits District revenue		1,408,711
Reimbursements from others		922,404
Lease revenue		2,764,034
Other rental revenue		595,295
Advertising revenue		337,903
Operator contributions:		
SFMTA		1,190,800
AC Transit		3,389,200
Miscellaneous revenue		91,117
Total operating revenues		**14,134,575**
Operating expenses:		
Personnel services		2,636,750
Materials and supplies		151,784
Utilities		1,306,543
Debt service		8,699,466
Other expenses		77,460
Facility management		1,227,141
Security		7,624,050
Insurance		2,194,893
Maintenance		6,061,065
Marketing & wayfinding		807,982
Park expenses		1,712,577
Depreciation expense		128,207,327
Total operating expenses		**160,707,038**
Operating loss		**(146,572,463)**
Nonoperating revenues and expenses:		
Operating grant revenue		14,672,860
Investment income		3,380,808
Miscellaneous revenues		16,500,000
Net tax increment revenue		28,416,761
Total nonoperating revenues and expenses		**62,970,429**
Income before capital contributions		**(83,602,034)**
Capital contributions:		
Local government capital grants:		
Regional Measures, bridge tolls		318,966
Community Facilities District reimbursements		27,059,490
Caltrain capital contribution		1,500,000
Other capital contributions		134,089
Total capital contributions		**29,012,545**
Change in net position		(54,589,489)
Net position, beginning of year		1,946,879,961
Net position, end of year	**$**	**1,892,290,472**

See accompanying notes to the financial statements

Transbay Joint Powers Authority

Statement of Cash Flows

For the Year Ended June 30, 2023

Cash flows from operating activities:		
Cash receipts from rental revenues	$	595,295
Cash receipts from Transit Center neutral host distributed antennae system revenues		58,585
Cash receipts from Transit Center naming rights revenue		3,376,526
Cash receipts from Community Benefits District revenue		1,408,711
Cash receipts from lease revenue		2,093,204
Cash receipts from operator contributions		4,580,000
Cash payments to employees for salaries and benefits		(2,427,618)
Cash payments to suppliers for goods and services		(31,173,076)
Other receipts (payments)		(3,846,438)
Net cash used for operating activities		(25,334,811)
Cash flows from noncapital financing activities:		
Net tax increment revenue received		28,416,761
Operating grant		14,672,860
Deposits received (paid)		2,460
Net cash provided by noncapital financing activities		43,092,081
Cash flows from capital and related financing activities:		
Local government capital grants received		318,966
Community facilities district reimbursements received		27,059,490
Other capital contributions received		1,634,089
Acquisition of capital assets		(63,751,921)
Principal payments on long-term debt		(15,140,000)
Interest payments on long-term debt		(8,699,466)
Net cash used for capital and related financing activities		(58,578,842)
Cash flows from investing activities:		
Purchases of investment securities		(68,079,672)
Proceeds from maturities of investment securities		110,977,790
Net cash used for investing activities		42,898,118
Net Increase in Cash and Cash Equivalents		2,076,546
Cash and Cash Equivalents, Beginning of Year		59,903,736
Cash and cash equivalents, end of year	**$**	**61,980,282**
Cash and cash equivalents, end of year:		
Cash and cash equivalents, unrestricted	$	20,889,475
Cash and cash equivalents, restricted		41,090,807
Cash and cash equivalents, end of year	**$**	**61,980,282**

(Continued on next page)

See accompanying notes to the financial statements

Transbay Joint Powers Authority

Statement of Cash Flows

For the Year Ended June 30, 2023

Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	$	(146,572,463)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		128,207,327
Accounts receivables		(5,029,655)
Decrease in prepaid items and deposits		492,489
Increase in refundable deposits		185
(Decrease) in interest receivables		63,748
(Decrease) in lease receivable and related deferrals		(734,578)
Increase (decrease) in:		
Pensions, OPEB and related deferrals		323,087
Accrued payroll		(143,653)
Unearned revenue		(168,207)
Accounts payable		(1,802,789)
Compensated absences		29,698
Net cash provided by (used for) operating activities	$	(25,334,811)
Supplemental disclosures of cash flow information		
Noncash capital financing activities:		
Acquisition of capital assets on accounts	$	-
Noncash investing activities:		
Net change in fair market value of investments and loss on sale of investments	$	3,380,808

See accompanying notes to the financial statements

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NOTE 1 – ORGANIZATION

In April 2001, the City of San Francisco ("the City"), Alameda - Contra Costa Transit District ("AC Transit"), and the Peninsula Corridor Joint Powers Board ("PCJPB") entered into an agreement creating the Transbay Joint Powers Authority ("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, currently known as The Portal, as Phase 2. Phase 1 was completed in Fiscal Year 2020. Phase 2 is at approximately a 30 percent design level; final design and construction will commence when the required revenues and financing have been secured.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

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

The TJPA distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. In fiscal year 2023, the principal operating revenues of the TJPA are comprised of operator contributions, revenues from neutral host distributed antennae system, naming rights, rentals and leases and the Community Benefits District reimbursements ("CBD"). Operating expenses for the TJPA include the cost of operations and administrative expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, impact fees, net tax increment revenue, as well as investment. 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, 2023, the total amount of unearned revenue is $43,610 which is primarily from prepaid rent from various tenants.

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, 2023, the total amount of prepaid items is $686,917.

Security Deposits Payable

The TJPA may require deposits from tenants of TJPA-owned rental property. Deposits may also be required from adjacent property developers for temporary leasing of access 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Board-approved Capitalization Policy for Capital Assets, 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 – soil hazardous materials; land surveys; cost to remove or demolish a building or structure existing at the time of acquisition; and site preparation; and reconstruction of property of others (rails, utilities, parking lots, fencing, and landscaping) 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.

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:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position-Net investment in capital assets

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, 2023, the TJPA has $270,183,254 in debt related to acquisition of capital assets and obligations to rec-convey State-transferred land in the amount of $4,364,206. Total invested in capital assets net of related debt is $1,737,682,165.

Net Position-Restricted

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, 2023 is as follows:

Net position - restricted		
Restricted for construction	$	81,672,031
Restricted for debt service		39,857,486
Total restricted net position	$	121,529,517

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, 2023, unrestricted net position is $33,078,790.

Pensions and OPEB

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Leases

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment.

Lessor – The Authority is a lessor for a noncancellable lease of a building. The Authority recognizes a lease receivable and a deferred inflow of resources in the Statement of Net Position.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-Based Information Technology Arrangements

A subscription is defined as a contract that conveys control for the right to use another entity's subscription-based information technology software as specified in the contract for a period of time in an exchange or exchange-like transaction. The Agency will record significant subscription liabilities and intangible right-to-use subscription assets with a net present value exceeding 1% of the Authority's total assets at fiscal year-end.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Governmental Accounting Board Statement

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* - In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Statement is effective for the reporting periods beginning after June 15, 2022, or fiscal year 2023. As part of the implementation of this Statement, the Authority established a threshold for reporting subscriptions with a net present value exceeding 1% of the Authority's total assets at fiscal year-end and determined that none of its subscriptions were required to be recorded.

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 debt covenants, agreements, including the 2003 Cooperative Agreement with the State and for the deposit of various types of revenues and debt proceeds.

The TJPA's cash held in the State investment pool is considered to be cash and cash equivalents because it has the same characteristics as a demand deposit. The TJPA's investments in the pool may be deposited or withdrawn without notice or penalty. Because the TJPA's short-term position in the pool is considered to be a demand deposit, the TJPA does not record any allocated share of unrealized gains or losses. Investments held in the State Pool at June 30, 2023, are as follows:

Account Name	State Pool
Equity in pooled cash and investments	$ 45,028,293

LAIF is not registered with the Securities and Exchange Commission. LAIF is a voluntary program created by statute as an investment alternative for California's local governments and special districts. Oversight for LAIF is provided by the Local Investment Advisory Board ("LIAB"), consisting of five members appointed by the California State Treasurer.

Additional information regarding LAIF is available online at www.treasurer.ca.gov/pmia-laif/laif.asp.

All investments below are reported at cost, rather than fair value because the difference between the cost and market value was insignificant.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The Authority's cash and investments consist of the following as of June 30, 2023:

Type	Value	Percent of Total Portfolio
Restricted Cash and Pooled Investments		
Cash	$ 3,295,914	2%
Money Market Funds	25,606,367	19%
Restricted Investments		
U.S. Treasury Obligations	47,872,573	35%
Local Agency Investment Fund	37,794,893	28%
Total restricted cash and investments	114,569,747	85%
Local Agency Investment Fund	7,233,400	5%
Cash in banks	13,656,075	10%
Total Cash and Investments	$ 135,459,222	100%

Fair Value Hierarchy

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

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

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

Level 3 inputs are unobservable and should be developed using the best information available under the circumstances; TJPA does not have any Level 3 investments at June 30, 2023. TJPA's fair value measurements would be categorized as follows at June 30, 2023:

- U.S. Treasury Obligations are Level 1, valued using quoted market prices
- U.S. Agency Obligations are Level 2, valued using matrix pricing techniques
- Money Market Funds are measured at amortized cost

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

TJPA's investments in the State investment pool is 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 of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2023 for each investment type as provided by Moody's investment rating system:

Investment Type	Aaa	AAAm	Not Rated	Total
Local Agency Investment Fund	$ -	$ -	$ 45,028,293	$ 45,028,293
Money Market Funds	-	25,606,367	-	25,606,367
U.S. Treasury Obligations	47,872,573	-	-	47,872,573
Total Investments	$ 47,872,573	$ 25,606,367	$ 45,028,293	$ 118,507,233

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The are no instances of concentration risk as of June 30, 2023.

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.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity as of June 30, 2023:

	Investment Maturities (in years)		
Investment Type	Less than 1 year	1 - 5 years	Total
Local Agency Investment Fund	$ 45,028,293	$ -	$ 45,028,293
Money Market Funds	25,606,367	-	25,606,367
U.S. Treasury Obligations	41,022,300	6,850,273	47,872,573
Total Investments	$ 111,656,960	$ 6,850,273	118,507,233
Cash in banks and on hand			16,951,989
Total Cash and Investments			$ 135,459,222

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, 2023, $47,872,573 of U.S. Treasury Obligations were held by an affiliated company to the 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, information technology, transit center, tenant improvements, equipment, 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, Transit Center Data Network and Audio Visual Equipment and Systems. 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.

NOTE 4 – CAPITAL ASSETS (Continued)

Depreciation is provided using the straight-line method for assets other than land and construction in process. Estimated useful lives are as follows:

Information Technology	5 years
Transbay Transit Center	5-50 years
Caltrain Downtown Extension	25 years
Tenant Improvements	15 years
Equipment	5-10 years

Capital Asset Activity for the fiscal year ended June 30, 2023 is as follows:

	Beginning of Fiscal Year	Current Year Acquisitions	End of Fiscal Year
Capital assets not being depreciated:			
Land	$ 164,595,641	$ -	$ 164,595,641
Permanent easements	137,374	-	137,374
State transferred land to be re-conveyed to the City	4,364,206	-	4,364,206
Construction in progress:			
Caltrain Downtown Extension	93,596,214	20,892,815	114,489,029
Parcel F	1,229,470	8,985	1,238,455
Transbay Transit Center	-	9,140,018	9,140,018
Tenant Improvements	-	492,029	492,029
Total capital assets not being depreciated	263,922,905	30,533,847	294,456,752
Capital assets being depreciated:			
Information Technology	11,716,527	-	11,716,527
Transbay Transit Center	2,103,906,121	41,256,708	2,145,162,829
Tenant Improvements	52,436,123	1,593,413	54,029,536
Equipment	695,583	-	695,583
Total capital assets being depreciated	2,168,754,354	42,850,121	2,211,604,475
Less accumulated depreciation for:			
Information Technology	(7,029,917)	(2,343,306)	(9,373,223)
Transbay Transit Center	(352,399,047)	(122,659,086)	(475,058,133)
Tenant Improvements	(5,824,011)	(3,078,205)	(8,902,216)
Equipment	(371,300)	(126,730)	(498,030)
Total accumulated depreciation	(365,624,275)	(128,207,327)	(493,831,602)
Net capital assets being depreciated	1,803,130,079	(85,357,206)	1,717,772,873
Total capital assets, net	$ 2,067,052,984	$ (54,823,359)	$ 2,012,229,625

NOTE 4 – CAPITAL ASSETS (Continued)

Land Acquisition

The total land value at June 30, 2023 of $164,595,641 is made up of 29 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, 2023.

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 value to be retained	29	$ 141,101,348	$ 23,494,293	$ 164,595,641

TJPA is scheduled to permanently retain title to 29 parcels valued at $164,595,641. The TJPA will hold title to one remaining parcel transferred by the State, with a value of $4,364,206, for a temporary period; it will then be conveyed to the City or OCII when no longer needed for the Transbay Program. The fiscal year in which the TJPA transfers the parcels to the City or OCII, the TJPA will remove the liability related to the one former State-owned parcel.

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

	Total Transferred From the State		Scheduled To be Retained		Scheduled To be Transferred To City/OCII For Sale	
	No.	Value	No.	Value	No.	Value
FY 2009	4	$ 16,683,315	0	$ -	4	$ 16,683,315
FY 2011	14	72,007,574	9	53,186,468	5	18,821,106
FY 2013	0	(6,985,999)	0	(6,985,999)	0	-
FY 2014	1	7,476,962	0	-	1	7,476,962
FY 2015	0	-	0	-	0	-
FY 2016	0	-	0	-	0	-
FY 2017	0	-	0	-	0	-
FY 2018	0	-	0	-	0	-
FY 2019	0	-	0	-	0	-
FY 2020	0	-	0	-	0	-
FY 2021	0	-	0	-	0	-
FY 2022	0	-	0	-	0	-
FY 2023	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					(9)	$ (38,617,177)
Remaining State Parcels to be transferred to the City/OCII					1	4,364,206
Total land scheduled to be transferred to the City/OCII					1	$ 4,364,206

NOTE 4 – CAPITAL ASSETS (Continued)

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, 2023, 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, 2023, the TJPA held title to one land parcel valued at $4,364,206 which is temporarily needed by the TJPA only for the construction of the Transbay Program. Upon completion of the construction period, this parcel is 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 Transbay Program 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, 2023, the total value of the land to be re-conveyed to the City recorded in these liability and capital asset accounts is $4,364,206. 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

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

Contract Commitments

At year end, the TJPA had contract commitments of $20,484,773 for construction, design, engineering, planning and administrative costs.

NOTE 5 – LONG TERM OBLIGATIONS

The changes in long-term obligations for the year ended June 30, 2023 are as follows:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Amount due within one year
Accrued compensated absences	$ 190,772	$ 29,698	$ -	$ 220,470	$ -
Total compensated absences	190,772	29,698	-	220,470	-
Senior Tax Allocation Bonds					
Series 2020A	187,745,000	-	-	187,745,000	-
Premium - Series 2020A	35,528,970	-	(2,319,783)	33,209,187	-
Series 2020A-T	22,685,000	-	(1,955,000)	20,730,000	2,750,000
Subordinate Tax Allocation Bonds					
Series 2020B Bonds	38,745,000	-	(13,185,000)	25,560,000	750,000
Premium - Series 2020B	3,353,669	-	(414,602)	2,939,067	-
Total bonds	288,057,639	$ -	$ (17,874,385)	270,183,254	$ 3,500,000
Less Current Portion	2,530,000			3,500,000	
Long Term Portion	$ 285,527,639			$ 266,683,254	

As of June 30, 2023, TJPA does not have any lines of credit.

2020 Tax Allocation Bonds (Green Bonds)

On June 25, 2020, the TJPA issued tax allocation bonds in the amount of $271,205,000 comprised of $189,480,000 Senior Tax Allocation Bonds Series 2020A (Tax-Exempt) (Green Bonds) (the "Senior 2020A Bonds"), $28,355,000 Senior Tax Allocation Bonds Series 2020A-T (Federally Taxable) (Green Bonds) (the "Senior 2020A-T Bonds), and $53,370,000 Subordinate Tax Allocation Bonds Series 2020B (Tax-Exempt) (Green Bonds) (the "Subordinate 2020B Bonds") (together the "2020 Bonds"). The TJPA is designating the 2020 Bonds as "Green Bonds" that finance environmentally beneficial projects. The particular capital improvements that the TJPA has defined as "Green Projects" in connection with the 2020 Bonds are part of the development of Phase 1 and Phase 2 of the Transbay Program. In addition to financing a portion of the costs related to the construction of Phase 1 and Phase 2 of the Transbay Program, the proceeds of the 2020 Bonds were also used to refinance the TIFIA Loan, to fund a debt service reserve for the Senior 2020A and Senior 2020A-T Bonds and a debt service reserve for Subordinate 2020B Bonds, and to pay costs of issuance of the 2020 Bonds. The Senior 2020A Bonds and Subordinate 2020B Bonds, both tax exempt, bear interest at a rate of 5%, except for certain Subordinate 2020B turbo bonds (the "2020B Turbo Bonds"), which bear interest at a rate of 2.4%. The Senior 2020A-T Bonds bear interest at a rate ranging from 1.9% - 4.1%. Principal payments are payable annually on October 1, commencing on October 1, 2020. Interest on the 2020 Bonds are payable semiannually on April 1 and October 1 of each year, commencing October 1, 2020.

NOTE 5 – LONG TERM OBLIGATIONS (Continued)

The annual debt service requirements are shown below for the above debt issues:

Senior Series 2020A Tax-Exempt Bonds

Year Ending June 30:	Principal	Interest
2024	$ -	$ 9,387,250
2025	-	9,387,250
2026	3,330,000	9,304,000
2027	3,500,000	9,133,250
2028	3,675,000	8,953,875
2029-2033	21,315,000	41,749,875
2034-2038	29,360,000	35,630,750
2039-2043	43,935,000	26,363,625
2044-2048	56,080,000	13,920,750
2049-2050	26,550,000	1,343,750
	187,745,000	$ 165,174,375
Plus: Unamortized Bond Premium	33,209,187	
Total	$ 220,954,187	

Senior Series 2020A-T Taxable Bonds

Year Ending June 30:	Principal	Interest
2024	$ 2,750,000	$ 647,592
2025	3,545,000	572,660
2026	1,030,000	516,994
2027	1,055,000	485,337
2028	1,090,000	446,942
2029-2033	6,085,000	1,607,403
2034-2037	5,175,000	396,596
Total	$ 20,730,000	$ 4,673,524

Subordinate Series 2020B Tax-Exempt Bonds

Year Ending June 30:	Principal	Interest
2024	$ 750,000	$ 1,178,910
2025	935,000	1,136,785
2026	1,130,000	1,085,160
2027	1,185,000	1,027,285
2028	1,245,000	966,535
2029-2033	7,225,000	3,809,175
2034-2038	9,210,000	1,764,550
2039-2040	3,880,000	98,830
	25,560,000	$ 11,067,230
Plus: Unamortized Bond Premium	2,939,067	
Total	$ 28,499,067	

NOTE 5 – LONG TERM OBLIGATIONS (Continued)

Pledged Revenues

The TJPA receives net tax increment revenues generated by certain former State-owned parcels sold for development and committed to the TJPA, pursuant to a pledge agreement with the City and OCII. The net tax increment revenue that is received by TJPA and income derived from permitted investments ("Pledged Revenues") is pledged as security under the 2020 Bonds. Pledged Revenues are only available for debt service of the 2020 Bonds, and certain other specified uses as set forth in the 2020 Bonds indenture of trust between the TJPA and the trustee (e.g., funding of the 2020 Bonds debt service reserve funds if required, payment of administrative expenses up to a cap), until the 2020B Turbo Bonds are repaid in full, which occurred on October 1, 2023. In accordance with the indenture of trust, following repayment in full of the 2020B Turbo Bonds, on each October 2 excess Pledged Revenues remaining after higher priority payments are made, including the payment of 2020 Bonds debt service, is available to the TJPA for design and construction of the Transbay Program and/or any lawful purpose. The 2020 Bonds current final maturity date of the 2020 Bonds is October 1, 2049.

Under the pledge agreement, all net tax increment attributable from the former State-owned parcels, and any interest thereon, is pledged to the TJPA for costs associated with the construction and design of Phase 1 and Phase 2 of the Transbay Program. Net tax increment excludes (a) charges for City administrative charges, fees, or costs, (b) the portion of the tax increment revenues that OCII is required by law to set-aside for affordable housing, and (c) pass-through payments to taxing entities. Under the terms of the pledge agreement, the pledge of net tax increment remains in effect for 45 years after the effective date of the ordinance adopting the Transbay Redevelopment Plan, which termination date would occur no earlier than June 21, 2050.

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 service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2w Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 6 – RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

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").

Participants in the pension plan include 13 active employees, 12 inactive/separated employees, and 10 retirees.

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 6.750% 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 $97,918 for the year ended June 30, 2023. For Fiscal Year 2022-2023, the actuarially determined employer contribution rate was 10.87% of covered payroll costs for Classic employees, amounting to $152,052, and 7.47% for PEPRA employees, amounting to $131,908. 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, 2023, TJPA employer contributions that are included in the calculation of net pension expense were $377,670.

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.

NOTE 6 – RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

At June 30, 2023, TJPA reported a liability of $1,397,929 for its proportionate share of the net pension liability. The net pension liability was measured by CalPERS as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 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, 2022 and 2023 was as follows:

Proportion - June 30, 2022	0.0064%
Proportion - June 30, 2023	0.0299%
Change - Increase (Decrease)	0.0235%

For the year ended June 30, 2023, the TJPA recognized pension expense of $511,812. At June 30, 2023, TJPA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 377,670	$ -
Differences between actual and expected experience	28,073	(18,804)
Changes in assumptions	143,247	-
Difference in actual contributions and net projected contributions	-	(64,255)
Changes in proportion	420,606	-
Net differences between projected and actual earnings on pension plan investments	256,063	-
Total	$ 1,225,659	$ (83,059)

Of the $1,225,659 total deferred outflows of resources, $377,670 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, 2024. 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:	Annual Amortization
2024	$ 259,892
2025	222,698
2026	125,725
2027	156,615
Total	$ 764,930

NOTE 6 – RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2022, the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2021 total pension liabilities were based on the following actuarial methods and assumptions for all benefit tiers:

Actuarial Assumptions

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	(1)
Investment Rate of Return	6.9% (2)
Mortality	Derived using CalPERS Membership Data for all Funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 6.90%. The projection of each cash flows used to determine the discount rate for the Plan assumed the contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 6 – RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the expected real rates of return by asset class:

Asset Class (a)	Assumed Asset Allocation	Real Return (a) (b)
Global Equity - Cap-Weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed security	5.0%	0.50%
Investment grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100%	

(a) An expected inflation of 2.30% used for this period.
(b) Figures are based on the 2021 Asset Liability Management study.

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 6.90%, 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 (5.90%)	Discount Rate (6.90%)	Discount Rate +1 (7.90%)
Net pension liability	$ 2,595,311	$ 1,397,929	$ 412,782

NOTE 6 – RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2023, TJPA reported a payable of $10,439 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

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, 2023, the TJPA and participating employees made contributions to the STARS Plan totaling $39,490 and $151,371, respectively. At June 30, 2023, TJPA had a payable of $10,439 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 $151 per month per employee in calendar year 2023 and $157 in 2024. 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. The total OPEB liability was determined based on an actuarial valuation date of June 30, 2021 and measurement date of June 30, 2022.

NOTE 6 – RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

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 2023, TJPA did not accrue a payable 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, 2023 was $511,103.

Employees Covered

At the June 30, 2021 actuarial valuation date, the TJPA had thirteen active employees and two retirees receiving benefits.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.10%. 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 asset. 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	23%
Fixed Income	51%
Global Real Estate (REITS)	14%
Treasury Inflation Protected Securities	9%
Commodities	3%
	100%

NOTE 6 – RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

Net OPEB Liability

The changes in TJPA's net OPEB liability is as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2022	$ 494,193	$ 503,857	$ (9,664)
Changes for the year:			
Service cost	29,994	-	29,994
Interest	28,878	-	28,878
Plan experience	-	-	-
Contribution - employer	-	41,106	(41,106)
Net investment income	-	(53,927)	53,927
Changes of Assumptions	30,846	-	30,846
Benefit payments	(7,740)	(7,740)	-
Administrative expense	-	(128)	128
Net changes	81,978	(20,689)	102,667
Balance at June 30, 2023	$ 576,171	$ 483,168	$ 93,003

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 2021 actuarial valuation used the following actuarial methods and assumptions:

Discount rate	5.10%
Inflation	2.50%
Payroll growth	3.00%
Healthcare cost trend rate	5.6% in 2023, trending down to 4% in 2076

NOTE 6 – RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Change in Discount Rate

The following presents the net OPEB liability 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 Liability at 1% increase	$	27,812
Net OPEB Liability at Current Rate		93,003
Net OPEB Liability at 1% decrease		171,769

Sensitivity of the Net OPEB Liability to Change in Healthcare Costs

The following presents the net OPEB liability 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	$	187,177
Net OPEB Liability at Current Rate		93,003
Net OPEB Liability at 1% decrease		16,744

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 9.6 years.

OPEB Expense (Income) and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023, the TJPA recognized OPEB expense of $49,068. As of the fiscal year ended June 30, 2023, the TJPA reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to measurement date	$ 32,461	$ -
Assumption changes	41,516	(4,034)
Differences between expected and actual experience	66,834	(28,342)
Net differences between projected and actual earnings on plan investments	45,315	-
Total	$ 186,126	$ (32,376)

NOTE 6 – RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

For the Fiscal Year Ending June 30	Annual Amortization
2024	$ 18,130
2025	18,972
2026	19,285
2027	25,695
2028	7,380
Thereafter	31,827
Total	$ 121,289

NOTE 7 – LEASES

Leases as Lessor

The transit center is comprised of 96,772 square feet of retail space, currently divided into 59 retail spaces. As of June 30, 2023, 31 leases have been executed, which correlates to leasing rates of 53% of the retail spaces and 78% of the retail square footage.

	Total	Total Executed	% Executed
Square Footage	96,772	75,480	78%
Number of Retail Spaces	59	31	53%
Average Annual Rent	$3.7M	$1.7M	46%

As part of the Authority's implementation of Governmental Accounting Standards Board Statement No. 87, *Leases,* in fiscal year 2022, the Authority determined only one lease met the threshold for capitalizing the lease as discussed below.

On December 27, 2019, the Authority began leasing building space to a tenant with monthly payments ranging from $120,778 - $177,774 through September 1, 2036. As of June 30, 2023, the lease receivable and deferred inflows of resources related to the lease amounted to $14,737,078 and $13,499,834, respectively. During fiscal year 2023, the Authority recognized $1,018,855 in lease revenue, $1,165,059 in interest revenue, and $727,655 in lease receivable write-off expenses due to rent relief provided by the Authority to the tenant. The deferred inflow of resources associated with this lease will be recognized as revenue over the lease term.

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	$ 25,000	$ 10,000,000
Auto Liability	25,000	10,000,000
Property Coverage	1,000	1,000,000,000
Boiler and Machinery Coverage	1,000	100,000,000
Uninsured/Underinsured Motorist:		
Bodily Injury	-	1,000,000
Property Damage	25,000	10,000
Employees & Public Officials:		
Errors and Omissions Liability	25,000	10,000,000
Employee Benefits Liability	25,000	10,000,000
Employment Practices Liability	25,000	10,000,000
Employee & Public Official Dishonesty	-	1,000,000
Personal Liability for Board Members	500	500,000
Cyber Liability	50,000	2,000,000
Pollution Liability	250,000	2,000,000

The property insurance noted above covers the Temporary Terminal, leased property, and other miscellaneous TJPA property. For the above package, 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 the bylaws of SDRMA. The TJPA's annual contribution for the fiscal year ended June 30, 2023 was $733,464.

In addition, the TJPA purchased an excess liability policy to provide additional coverage of $5,000,000. There was a reduction in coverage for this policy over the prior year of $5,000,000. The premium for the fiscal year ended June 30, 2023 for this policy was $98,449. There is no deductible under this policy. The TJPA does not maintain earthquake insurance coverage.

The TJPA maintains property insurance for the Transit Center (including a supplemental endorsement for terrorism under the Terrorism Risk Insurance Act) with FM Global with a limit of $1,000,000,000. The deductible for this policy is $250,000. The premium for the fiscal year ended June 30, 2023 was $1,362,749.

The TJPA also maintains workers' compensation insurance in compliance with statutory limits. The premiums for the fiscal year ended June 30, 2023 for this coverage were $25,983.

The TJPA also holds a public officials bond (as required under the TJPA Bylaws for the Chief Financial Officer) placed in 2023, for $462.

NOTE 9 – RELATED PARTY TRANSACTIONS

Note 9 identifies agencies of State and local government that appoint members to the TJPA Board of Directors. The TJPA also purchases goods and services from some of these TJPA Board Member Agencies and these Agencies are therefore considered to be related parties to the TJPA. Below is a summary of goods and services purchased by the TJPA from these related parties during the fiscal year ended June 30, 2023.

A. City and County of San Francisco

During the year ended June 30, 2023, the City provided services including management and administration to the TJPA totaling to $5,628,495.

Services were provided by the following organizations/departments:

SF Tax Collector	$	346,212
Department of Public Works		53,739
Office of Economic and Workforce Development		332,441
Department of Technology		18,678
Police Department		2,666,330
Public Utilities Commission		1,745,957
Department of Public Health		2,478
San Francisco Municipal Transaction Agency		462,530
San Francisco Fire Department		130
Total	$	5,628,495

Included in the payment to the SF Tax Collector, the Community Benefit District special assessments of $235,413 were paid to the San Francisco Tax Collector during the fiscal year. Also, at June 30, 2023, 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).

The City, through the San Francisco Municipal Transportation Agency (SFMTA), oversees transit, streets, and taxis in the City. Under a 2018 Transit Center Lease, SFMTA has made the transit center a point of destination/departure for a portion of SFMTA's public transportation operations. The lease is for a three year term plus three options to extend for one year each. The lease addresses payments SFMTA will make for its share of operating and maintenance costs at the transit center, should operating expenses exceed revenues. The lease allows for subtenant agreements, where subtenants can be allocated a share of SFMTA's operating and maintenance costs.

NOTE 9 – RELATED PARTY TRANSACTIONS (Continued)

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 transit center is 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 transit center through at least the year 2050. The Agreement sets forth all the rights and obligations of the parties with respect to the facility. 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. Additionally, the Agreement allows for subtenant agreements, where subtenants can be allocated a share of the primary tenant's operating and maintenance costs.

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

During the year ended June 30, 2023, Caltrans completed design review and construction support services to the TJPA Bus Storage and no further activities were provided as of June 30.

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.

D. Peninsula Corridor Joint Powers Board (Caltrain)

During the year ended June 30, 2023, Caltrain provided services to the TJPA, including information sharing, design, and operational input, and other coordination, regarding the delivery of the Downtown Rail Extension and TJPA paid Caltrain for those services.

E. California High Speed Rail Authority (CHSRA)

As of June 30, 2023, the California High-Speed Rail Authority (CHSRA) does not provide services to the TJPA and TJPA has not reported any amounts due to or from CHSRA.

NOTE 10 – CONTINGENT LIABILITIES

A. Due from Grantors

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

B. Pollution Remediation

TJPA has conducted pollution remediation activities as a matter of course in its demolition and construction. The expenditures associated with these activities are capitalized as costs to prepare property for use. As such, the TJPA capitalizes remediation outlays as incurred and does not record a pollution remediation liability.

Life-to-date remediation expenditures through June 30, 2023 total $17,545,459 and are associated with the following project components:

Temporary Terminal	$	948,283
Transit Center		15,071,322
Bus Storage Facility		1,524,846
Caltrain Downtown Extension		1,008
Total	$	17,545,459

C. COVID-19 Pandemic

The TJPA continued to experience indirect effects of the COVID-19 pandemic, including reduced commercial activity and rents. While the TJPA’s primary transit tenants have increased ridership, nearby office occupancies remain low, and the economic recovery in Downtown San Francisco continues to be a concern. Despite the slower economic recovery of downtown than desired, the TJPA is cautiously optimistic that we can capitalize on the positive momentum by attracting new businesses, retaining existing tenants, and bringing additional transit operators into the center.

NOTE 10 – CONTINGENT LIABILITIES (Continued)

D. Phase 1 Construction Close Out, Claims and Litigation

On October 16, 2018, Webcor/Obayashi Joint Venture (WOJV) filed a lawsuit against the TJPA alleging that the TJPA caused delays and additional costs to WOJV on the transit center construction project due to (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. WOJV has asserted causes of action for breach of contract, declaratory of relief, and prompt payment penalties, and seeks damages of at least $140 million. In a series of related action, various subcontractors have asserted claims against WOJV for breach of contract and, in turn, WOJV has asserted claims for indemnity and contribution against the TJPA. The TJPA denies WOJV's allegations. In 2018, the TJPA filed a cross-complaint, as amended, against WOJV for breach of contract, indemnity, declaratory relief, and negligence. Subsequently, amended complaints and cross-complaints have been filed by various Trade Subcontractors. In FY 2023, a settlement was reached with all parties to the litigation and the TJPA paid $25,152,752 for a complete release of claims against it.

As of June 30, 2023, the TJPA has engaged in mediation and dispute resolution proceedings related to certain certified contract claims.

E. Insurance Proceeds Recovery

The TJPA was named as a defendant in lawsuits filed by the homeowners' association, the Millennium Tower Association Lawsuit. The parties participated in confidential mediation, and reached a global settlement in October 2020, resolving all litigations involving the TJPA. The TJPA sought reimbursement of a portion of the TJPA's legal fees and costs it incurred related to the Millennium Tower Association Lawsuit. The TJPA and the insurance carriers reached a settlement and TJPA was reimbursed in the amount of $1,056,258.

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REQUIRED SUPPLEMENTARY INFORMATION

TRANSBAY JOINT POWERS AUTHORITY
Required Supplementary Information
For the Year Ended June 30, 2023

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

Measurement date	June 30, 2022[1]	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Proportion of the net pension liability	0.0299%	0.0064%	0.0239%	0.0213%	0.0188%
Proportionate share of the net pension liability	$ 1,397,929	$ 121,267	$ 1,010,880	$ 851,768	$ 708,735
Covered payroll	$ 2,977,425	$ 2,230,533	$ 2,205,113	$ 2,163,436	$ 1,852,299
Proportionate share of the net pension liability as a percentage of its covered payroll	46.95%	5.44%	45.84%	39.37%	38.26%
Plan fiduciary net position as a percentage of the total pension liability	76.68%	88.29%	85.70%	85.65%	75.26%

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

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

Changes of Benefit Terms and Assumptions

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

TRANSBAY JOINT POWERS AUTHORITY
Required Supplementary Information
For the Year Ended June 30, 2023

SCHEDULE OF PENSION CONTRIBUTIONS

	FY 2023*	FY 2022	FY 2021	FY 2020	FY 2019
Actuarially determined contribution	$ 377,670	$ 335,239	$ 250,258	$ 236,895	$ 180,519
Contributions in relation to the actuarially determined contribution	(377,670)	(335,239)	(250,258)	(236,895)	(180,519)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,493,927	$ 2,977,425	$ 2,230,533	$ 2,205,113	$ 2,163,436
Contributions as a percentage of covered payroll	10.81%	11.26%	11.22%	10.74%	8.34%

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Actuarially determined contribution	$ 182,740	$ 174,875	$ 174,033	$ 254,524	$ 228,308
Contributions in relation to the actuarially determined contribution	(182,740)	(174,875)	(174,033)	(254,524)	(228,308)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,852,299	$ 1,932,209	$ 2,215,123	$ 2,125,171	$ 2,087,405
Contributions as a percentage of covered payroll	9.87%	9.05%	7.86%	11.98%	10.94%

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

TRANSBAY JOINT POWERS AUTHORITY

Required Supplementary Information
Agent Multiple Employer Plan
For the Year Ended June 30, 2023

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

	FY 2023[1]	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Total OPEB liability						
Service cost	$ 29,994	$ 39,971	$ 38,807	$ 29,063	$ 26,314	$ 25,486
Interest	28,878	21,972	18,916	18,126	15,841	13,518
Differences between actual and expected experience	-	84,422	-	(49,734)	-	-
Changes in assumptions	30,846	(5,096)	-	11,644	16,402	-
Benefit payments	(7,740)	(5,994)	(1,650)	(1,735)	(1,566)	(640)
Net changes	81,978	135,275	56,073	7,364	56,991	38,364
Total OPEB liability - beginning	494,193	358,918	302,845	295,481	238,490	200,126
Total OPEB liability - ending	$ 576,171	$ 494,193	$ 358,918	$ 302,845	$ 295,481	$ 238,490
Fiduciary net position						
Contribution - employer	$ 41,106	$ 39,972	$ 38,957	$ 26,987	$ 26,135	$ 20,195
Net investment income	(53,927)	56,339	22,271	22,097	12,817	10,149
Benefit payments	(7,740)	(5,994)	(1,650)	(1,735)	(1,566)	(640)
Administrative expense	(128)	(146)	(174)	(66)	(141)	(127)
Other expense	-	-	-	-	(358)	-
Net changes	(20,689)	90,171	59,404	47,283	36,887	29,577
Total OPEB liability - beginning	503,857	413,686	354,282	306,999	270,112	240,535
Total OPEB liability - ending	$ 483,168	$ 503,857	$ 413,686	$ 354,282	$ 306,999	$ 270,112
Plan net OPEB liability (asset) - ending	$ 93,003	$ (9,664)	$ (54,768)	$ (51,437)	$ (11,518)	$ (31,622)
Plan fiduciary net position as a percentage of the total OPEB liability	84%	102%	115%	117%	104%	113%
Covered-employee payroll	$ 2,977,425	$ 2,230,534	$ 2,228,339	$ 2,163,436	$ 1,852,299	$ 1,932,209
Plan net OPEB liability as a percentage of covered-employee payroll	3.12%	-0.43%	-2.46%	-2.38%	-0.62%	-1.64%

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

TRANSBAY JOINT POWERS AUTHORITY
Required Supplementary Information
Agent Multiple Employer Plan
For the Year Ended June 30, 2023

SCHEDULE OF OPEB CONTRIBUTIONS

	FY 2023[1]	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Actuarially determined contribution	$ 32,461	$ 41,106	$ 39,972	$ 38,957	$ 26,987	$ 26,135
Contributions in relation to the actuarially determined contribution	(32,461)	(41,106)	(39,972)	(38,957)	(26,987)	(26,135)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,493,927	$ 2,977,425	$ 2,230,534	$ 2,228,339	$ 2,163,436	$ 1,852,299
Contributions as a percentage of covered payroll	0.93%	1.38%	1.79%	1.75%	1.25%	1.41%

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

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TRANSBAY JOINT POWERS AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED JUNE 30, 2023

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TRANSBAY JOINT POWERS AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

For The Year Ended June 30, 2023

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MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors
Transbay Joint Powers Authority
San Francisco, California

In planning and performing our audit of the basic financial statements of the Transbay Joint Powers Authority (Authority) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
March 27, 2024

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MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We have cited them here to keep you informed of developments.

EFFECTIVE FISCAL YEARS 2022, 2023 and 2024:

GASB 99 – *Omnibus 2022*

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument

- Clarification of provisions in Statement No. 87, *Leases,* as amended, related to the determination of the lease term, classification of a lease as a short term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives

- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset

- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements,* related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short term SBITA, and recognition and measurement of a subscription liability

- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt

- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)

- Disclosures related to nonmonetary transactions

- Pledges of future revenues when resources are not received by the pledging government

GASB 99 – *Omnibus 2022 (Continued)*

- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* as amended, related to the focus of the government-wide financial statements

- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

- Terminology used in Statement 53 to refer to resource flows statements.

The Requirements of this Statement are Effective as Follows:

The requirements in paragraphs 26–32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

The requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by individual topic.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2023/24:

GASB 100 – *Accounting for Changes and Error Corrections*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2024/25:

GASB 101 – *Compensated Absences*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Recognition And Measurement

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

Notes To Financial Statements

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

GASB 101 – *Compensated Absences (Continued)*

How the Changes in this Statement Will Improve Financial Reporting

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

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REQUIRED COMMUNICATIONS

To the Board of Directors
Transbay Joint Powers Authority
San Francisco, California

We have audited the basic financial statements of the Transbay Joint Powers Authority (Authority) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 25, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Accounting Policies – Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year, except as follows:

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 91 – ***Conduit Debt Obligations***
GASB 94 – ***Public-Private and Public-Public Partnerships and Availability Payment Arrangements***
GASB 96 – ***Subscription-Based Information Technology Arrangements***
GASB 99 – ***Omnibus 2022, paragraphs 11-25 [modify if some of the para's are/are not implemented]***

Unusual Transactions, Controversial or Emerging Areas – We noted no transactions entered into by the Authority's during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates – Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

> *Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net pension liability and deferred outflows/inflows of resources are disclosed in Note 6 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the Authority. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Liabilities and OPEB-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net OPEB liability and deferred outflows/ inflows of resources are disclosed in Note 6 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the Authority. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Fair Value of Investments: The Authority's cash and investments held at June 30, 2023 as measured by fair value are disclosed in Note 3 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2023. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2023.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Directors.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in a management representation letter dated March 27, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were not engaged to report on the Introductory Section which accompany the financial statements, but are not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

Maze & Associates

Pleasant Hill, California
March 27, 2024

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Independent Auditor Presentation

For fiscal year ended June 30, 2023

Transbay Joint Powers Authority

Whitney Crockett, CPA
Partner

Annual Audit (pg. 1 to 3)

- Background:
  - Independent of TJPA
  - Conducted according to auditing standards generally accepted in the USA
- Result:
  - **Unmodified (i.e.. Clean) Opinion**

MAZE & ASSOCIATES

Financial Highlights (pgs. 7 to 8)

- Statement of Net Position
  - $1.9B Net Position at June 30, 2023
  - $54M decrease from prior year largely due to:
    - Capital asset balance decrease (depreciation expense reduces net book value of capital assets)
    - Decrease of restricted assets due to increased activities related to the phase 1 closeout

MAZE & ASSOCIATES

Financial Highlights (pgs. 9 to 10)

- Statement of Revenues, Expenses and Change in Net Position
  - Operating (loss) increased by $4.3M, or about 3%
  - Nonoperating revenue increased by $23.6M, or about 60%
  - Capital contributions increased by $6.6M, or about 30%

MAZE & ASSOCIATES

Memorandum on Internal Control and Required Communications

- Material Weakness: None
- Significant Deficiency: None
- Other Matters: GASB Pronouncements
- Required Communications:
  - No disagreements with management
  - No issues with accounting estimate and assumptions
  - No reason to believe the scope was limited
  - No second opinion

MAZE & ASSOCIATES

QUESTIONS?

MAZE
& ASSOCIATES

"We are in the business to help our clients succeed"