

San Mateo County Transportation Authority

San Carlos, California



Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2023
With Comparative Totals for 2022



SAN MATEO COUNTY
**Transportation
Authority**

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SAN MATEO COUNTY
Transportation
Authority

San Carlos, California

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2023
(With Comparative Totals for 2022)

Prepared by the Finance Division

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San Mateo County Transportation Authority

San Carlos, California

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Introductory

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GFOA Certificate of Achievement

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December 22, 2023

**To the Board of Directors of the San Mateo County
Transportation Authority, and the Citizens of San Mateo County
San Carlos, California**

**Annual Comprehensive Financial Report
Year Ended June 30, 2023**

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the San Mateo County Transportation Authority (Transportation Authority) for the Fiscal Year July 1, 2022, through June 30, 2023. This transmittal letter includes the formal transmittal of the ACFR, a profile of the Transportation Authority, information useful in assessing the government's economic condition, awards, and acknowledgements. Readers desiring an analytical overview of the basic financial statements or the Transportation Authority's financial activities may refer to the Management's Discussion and Analysis in the Financial Section.

Management assumes sole responsibility for the information contained in this report, including its presentation and the adequacy of its disclosures. To the best of our knowledge, this report is complete and reliable in all material respects. To provide a reasonable basis for making this representation, we have established a comprehensive system of internal controls designed to protect the Transportation Authority's assets from loss, to identify and record transactions accurately and to compile the information necessary to produce financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not exceed the likely benefits, the Transportation Authority's internal control system intends to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement.

To test the performance of the internal control system, the Transportation Authority contracted independent auditing services from Eide Bailly LLP, a certified public accounting firm licensed to practice in the State of California. The auditor expressed an opinion that the Transportation Authority's financial statements are fairly stated in all material respects and in compliance with accounting principles generally accepted in the United States. This conclusion is the most favorable kind and is commonly known as an "unmodified" or "clean" opinion.

Organizational Profile

Basic Information

San Mateo County, with a population of over 764,442, is located on a peninsula south of the City and County of San Francisco, bordered on the west by the Pacific Ocean, on the east by San Francisco Bay and on the south by the counties of Santa Clara and Santa Cruz. The voters of San Mateo County approved the creation of the Transportation Authority pursuant to the Bay Area County Traffic and Transportation Funding Act in June 1988. This Measure A vote authorized a one-half cent county-wide sales tax levy. The Transportation Authority programs and allocates sales tax revenues to designated project sponsors that are responsible for delivering a broad spectrum of transportation projects and programs pursuant to a Transportation Expenditure Plan over a period of 20 years. In November 2004, the voters reauthorized the levy of the sales tax with a new publicly developed Expenditure Plan containing transportation programs and projects to be implemented over an additional 25 years beyond the original expiration date of December 31, 2008. The 2004 Transportation Expenditure Plan (TEP) includes six program categories including:

1. Transit
2. Highways
3. Local Streets/Transportation
4. Grade Separations
5. Pedestrian and Bicycle
6. Alternative Congestion Relief Programs

In November 2018, San Mateo County voters approved Measure W, another sales tax measure that provides an additional half-cent transportation sales tax for 30 years to fund countywide transportation and traffic congestion solutions in San Mateo County. The San Mateo County Transit District (District) imposes the tax and administers the investments in the County Public Transportation Systems Program Category in the associated Measure W Congestion Relief Plan, which represents 50% of the proceeds. Measure W also provides that the District may designate the Transportation Authority to administer the other half of the revenues, which it has done. As a result of this designation, the Transportation Authority administers the remaining 50% of Measure W sales tax proceeds in the following five categories:

1. Countywide Highway Congestion Improvements
2. Local Safety, Pothole and Congestion Relief Improvements
3. Grade Separations
4. Bicycle and Pedestrian Improvements
5. Regional Transit Connections

In total, the Transportation Authority programs and appropriates funds for $\frac{3}{4}$ -cent sales tax; half-cent from the sales tax Measure A reauthorized in 2004, and $\frac{1}{4}$ -cent from the Measure W sales tax enacted in 2018.

The 2004 Measure A TEP requires the Transportation Authority to develop and adopt a Strategic Plan and that it be updated at least once every five years. The Measure W TEP, otherwise known as the San Mateo County Congestion Relief Plan, also requires the Transportation Authority to prepare a Strategic Plan with broad-based public outreach. This plan, which was approved in December 2019 by the Transportation Authority Board of Directors, provides the policy guidance for the implementation of both the Measure A and Measure W transportation sales tax programs that the Transportation Authority is tasked with administering over the five years from 2020 to 2024.

Whenever possible, the Transportation Authority seeks to attract matching funds, which grantees provide in the form of state, federal, local, private, and other funds. These efforts have led to effective partnerships with city, county, state, and federal agencies for designing and completing transportation projects.

Interested readers may view the Measure A and Measure W TEPs as well as the Strategic Plan 2020-2024 online at <https://www.smcta.com/about-us/funding-overview> or by contacting:

Executive Officer
San Mateo County Transportation Authority
San Carlos Avenue
1250 San Carlos Avenue P.O. Box 3006
San Carlos, California 94070-1306

Governance

The Transportation Authority is governed by a seven-member Board of Directors with input from a 15-member volunteer Citizens' Advisory Committee (CAC). The Board members are selected as follows:

- The publicly elected County Board of Supervisors appoints two of its members to serve on the Board.
- Local governments participate in a Cities Selection Committee to appoint four Board members, one each to represent the interests of North County, Central County, South County and the cities-at-large.
- The San Mateo County Transit District (District) appoints one Board member.

The Board of Directors meets once a month to determine overall policy for the Transportation Authority, take necessary action to allocate Measure A and W funds, and to review the progress of projects and programs funded in accordance with the Transportation Expenditure Plans.

Administration

The work of the San Mateo County Transportation Authority (TA) is staffed by its managing agency San Mateo County Transit District (District). The TA Executive Director is responsible for overseeing the operations of the Transportation Authority, who is also the District Chief Executive Officer/General Manager (CEO/GM). Day-to-day business is conducted by various divisions within the District. The various divisions are further described below, and this organizational structure described here reflects changes made as a result of the 2022 Memorandum of Understanding between Caltrain and its member agencies, including the District. Highlighted below are divisions within the District that also support the work of the TA.

The *Transportation Authority Division* is responsible for oversight of voter-approved Transportation Expenditure Plans and strategic planning as well as project delivery and project oversight.

The *Communications Division* is responsible for customer service, marketing, advertising, public information, media relations, legislative activities, and community outreach.

The *Executive Office* is responsible for directing and overseeing all agency activities and for providing support to the Board of Directors. This office also includes the Safety and Security function.

The *Finance Division* is responsible for financial accounting and reporting, capital and operational budgeting, payroll and vendor disbursements, investments and cash management, debt management, revenue control, purchasing, contract administration, grant administration, financial planning and analysis, and risk management.

The *Information Technology (IT) Division* is responsible for the innovation and technology of the District including but not limited to Cybersecurity, Database Administration, IT Infrastructure, IT Applications and Software, Network Administration, and Systems Administration.

The *People and Culture Group* is responsible for all human resource functions and employee and labor relations. The Civil Rights office is also part of this division.

The *Planning and Development Division* is responsible for the operations and strategic planning functions of the SamTrans system, as well as for the District's sustainability efforts. In addition, the division also oversees real estate transactions and property management.

Component Units

The Transportation Authority is a legally separate and financially independent governmental agency similar to a special district that is not a component unit of the County of San Mateo, or any other entity. This ACFR and the financial statements contained within represent solely the activities, transactions, and status of the Transportation Authority.

Budget

State law requires the Transportation Authority to adopt an annual budget by resolution of the Board of Directors. In the spring preceding the start of each Fiscal Year, staff presents an annual budget based on established agency goals, objectives, and performance measures to the Board of Directors. The Board of Directors monitors budget-to-actual performance through monthly staff reports. The Financial Section of this report includes supplemental schedules that compare actual results on a budgetary basis of accounting to the original and final adopted budgets.

Once adopted, the Board of Directors has the authority to amend the budget. While the legal level of budgetary control is at the entity level, the Transportation Authority maintains more stringent control at division, departmental and line-item levels to serve various needs. Cost center managers monitor budget-to-actual performance on a monthly basis. The Board has delegated the authority to transfer budget amounts between divisions and departments to the Executive Director or his/her designee. However, any increase to the expenditure budget as a whole requires the approval of the Board. In addition, the Transportation Authority uses the encumbrance system to reduce budget balances by issuing purchase orders to avoid over-commitment of resources.

The Transportation Authority employs the same basis of controls and accounting principles for both budgeted and actual revenues and expenditures, except actual proceeds from the sale of capital assets, unrealized investment gains and losses and inter-fund transfers are not included in the budget. Pursuant to procedures established in its enabling legislation, the Transportation Authority establishes an appropriation limit for each annual budget cycle. The appropriation limit for Fiscal Year 2023 was \$860 million.

Financial and Economic Outlook

The Bay Area continued the rebound from the pandemic, but high inflation and massive tech layoffs clouded the Bay Area economy with uncertainty in FY23. The second half of 2022 reflected a year of the highest inflation since early 1980s, which led to concerns of slower economic growth and a possible recession. To combat high and persistent inflation, the Federal Reserves have been taking aggressive interest rate hikes since March 2022. As a result, inflation dipped in June 2023 to its lowest pace in more than 2 years, indicating price increases are cooling amid the Federal Reserve's rate-hiking regime. On employment, despite the massive tech industry layoffs in late 2022 and early 2023, the Bay Area job market powered through with robust job gains in spring 2023, partly thanks to the ascendance of artificial intelligence, and strong job growth in the education, health services, and construction sectors, further underscoring the diversity of the region's economy and its ability to withstand industry-specific turbulence. For the remainder of 2023 and into 2024, the pace of inflation on housing, consumer goods/services and job markets growth remain key factors and can present continued challenges to Bay Area economy.

According to the State of California Employment Development Department (EDD), the unemployment rate in the San Francisco-Redwood City-South San Francisco Metropolitan Area was 3.2 percent in June 2023, up from a revised 2.9 percent in May 2023, and above the year-ago estimate of 2.5 percent. This compares with an unadjusted unemployment rate of 4.9 percent for California and 3.8 percent for the nation during the same period.

The unemployment rate was 3.2 percent in San Francisco County, and 3.1 percent in San Mateo County. Per the EDD, between May 2022 and May 2023, the total number of jobs in the counties of San Francisco and San Mateo increased by 30,600 jobs or 2.6 percent. Between 2022 and 2027, job growth in San Mateo County is expected to average 1% per year.

According to the 2022 San Mateo County Economic Forecast, the San Mateo County population is expected to steadily decline over the 2022 and 2027 period, mainly due to the high home prices in California and as a result, residents in the region have demonstrated a history of relocating to alternative areas with more affordable conditions. The housing market in San Mateo has been declining since the peak of inflation in 2022. In June 2023, San Mateo home prices were down 4.1% compared to last year, selling for a median home price of \$1.4 million. Overall, the housing market in San Mateo County is expected to remain strong, but the pace of growth is expected to slow down due to the high home prices.

San Francisco and the neighboring San Mateo County technology sector has weathered waves of industry layoffs began in late 2022 and has recovered 38% of job losses since May after months of painful job cuts, partly thanks to developments in artificial intelligence, which is expected to account for much of the job growth in the sector. The median household income of San Mateo County in 2022 was \$141,426, a 12% increase from 2019, partially driven by the high inflation in 2021 and 2022, placing San Mateo County among the most affluent regions of California. The Professional and Business Service sector in San Mateo County remains strong despite tech layoffs in late 2022 and early 2023, as most workers are quickly re-hired at other companies, leaving the unemployment rate only slightly higher than last year.

Transportation Authority Programs and Initiatives

The goal of the Transportation Authority is to administer the proceeds from the voter approved Measures A and Measure W to fund a broad spectrum of projects and programs to meet San Mateo County's growing transportation needs. Long-term financial planning is crucial to accomplish this goal, and to ensure funds are expended in the most efficient and effective manner possible.

As noted previously, both Measure A and Measure W require the adoption of a Strategic Plan. The current plan, Strategic Plan 2020-2024, was adopted in December 2019, and can be viewed at <https://www.smcta.com/about-us/strategic-plan-2020-2024>. The plan establishes a framework of policies to guide the decision-making process of prioritizing transportation projects and programs consistent with the goals and objectives of the Transportation Expenditure Plan and Countywide Transportation Plan.

Below are highlights of the programs currently supported by Measures A and W.

Grade Separations

The 2004 Measure A TEP provides 15 percent of sales tax revenue dedicated toward improving safety at railroad crossings and relieving local traffic congestion. In addition, Measure W dedicates two and a half percent of sales tax revenue to augment the grade separation program. Due to the high cost of constructing railroad grade separations, the Transportation Authority Board limited the 2004 Measure A funding to four pipeline projects on a first-come-first-served basis. In addition, there is a set-aside of no more than \$5 million towards planning activities for grade separations beyond the four pipeline projects. As of June 2023, \$133.3 million of Measure A funds have been allocated toward grade separations. No Measure W funds have been allocated to grade separations at this point.

Notable recent projects supported by Measure A include:

- Completion of Redwood City Caltrain grade separations study.
- Ongoing final design of the Broadway Grade Separation Project in the City of Burlingame.
- Ongoing preliminary engineering and environmental clearance of the South Linden Street and Scott Avenue Grade Separation Project in the City of South San Francisco and City of San Bruno.

Accessible Services

Accessible Services are becoming an even more critical component of providing mobility options for county residents. Four percent of the 2004 Measure A TEP is provided to SamTrans for their annual Paratransit budget, providing an essential lifeline for the county's mobility-impaired population.

Shuttles

Four percent of the 2004 Measure A TEP supports commuter and community shuttle programs in San Mateo County. To date, the Measure A program has allocated over \$36.1 million in funding for shuttle operations. The TA extended the current 2-year shuttle funding cycle by an additional year through FY2023 to provide ongoing support to a combination of 28 commuter and community shuttles due in part to changes accompanying the comprehensive operational analysis of the SamTrans fixed route network concluded in the summer of 2022.

Alternative Congestion Relief

The Transportation Authority funds alternative congestion relief (ACR) programs aimed at reducing single occupancy vehicles (SOV) trips on congested freeways and busy city streets. These customized programs target both infrastructure problems and personal driving habits. ACR programs have an incremental but discernible impact on reducing traffic congestion and improving air quality in San Mateo County and the San Francisco Bay region. One percent of Measure A proceeds are set aside for this category.

To date the Transportation Authority has provided a portion of its ACR funding to Commute.org, which serves seventeen cities. Commute.org is a joint powers authority in San Mateo County, and its mission is to reduce the number of vehicle miles traveled (VMT) by commuters to decrease congestion, improve the environment, and enhance quality of life. The Transportation Authority made an allocation of \$578,400 in support of Commute.org's Fiscal Year 2023 work plan. Commute.org's work plan concentrates on four primary activities:

- Employer outreach and support services.
- Employer-based shuttle program administration.
- Commuter outreach and incentive programs.
- Development of public/private partnerships to reduce congestion.

Four percent of the Measure W Highway Congestion Improvements Category issued to fund Transportation Demand Management (TDM)/ACR programs, which is equivalent to one percent of the total Measure W program. In August 2022, the Board of Directors allocated \$4.4 million for 19 projects, Commute.Org FY23 & FY24 operations, and the Countywide TDM Monitoring program.

Pedestrian and Bicycle Programs

Three (3) percent of the 2004 Measure A TEP and five (5) percent of Measure W funds are available for the Pedestrian and Bicycle Program. The purpose of the program is to fund specific projects to encourage and improve walking and bicycling conditions. The 2004 Transportation Expenditure Plan and the Measure W Congestion Relief Plan include a list of candidate pedestrian and bicycle candidate improvement projects.

Funding considerations are made through a call for projects where project review committees evaluate applications and review the projects based on a set of criteria that were approved as part of the adoption of the Strategic Plan. In December 2022, the Board of Directors allocated \$21.9 million for 25 projects selected through the 2022 Cycle 6 Pedestrian and Bicycle Program Call for Projects. Through June 30, 2023, the Transportation Authority has allocated \$57.2 million to pedestrian and bicycle projects and programs.

Notable bicycle and pedestrian projects milestones include:

- Completed construction of the City of Belmont Ralston Avenue Corridor Improvement Project – Segment 3.
- On-going support for feasibility studies for the South San Francisco Junipero Serra/ Westborough Boulevard and Atherton El Camino Real projects.
- On-going support for Half Moon Bay’s Pacific Coast Bikeway Project.
- On-going support for the construction of the Redwood Avenue Pedestrian Improvements project in Redwood City.
- On-going support for the planning and design phases of the East Bayshore Road Pedestrian Improvements project in East Palo Alto.
- On-going support for planning and promotions Vision Zero safety efforts in Daly City and Redwood City.

Highway Program

The 2004 Measure A TEP provides 27.5 percent of the annual one-half -cent sales tax receipts for highway projects, while Measure W added another 22.5 percent of the new one-half cent sales tax approved by voters in 2018 for these types of projects. In June 2020, the Transportation Authority adopted an updated Short-Range Highway Plan and companion Capital Improvement Program to help guide highway program investment decisions for the next 10 years. In December 2021, the Board of Directors allocated \$113.9 million to highway project sponsors to make specific project investments which are anchored to the goals of Measure A and the Core Principles of Measure W. The following are examples of the types of projects funded under the highway program:

- Roadway safety improvements.
- Highway throughput enhancements.
- Interchange reconstruction.
- Highway ramp modification.
- Travel pattern forecasts.
- Travel time information system.
- Applying technology to help better manage traffic.

Notable street and highway projects milestones include:

- Opening northern segment of the U.S. 101 Express Lanes Project from Whipple Avenue to I-380.
- Ongoing design for the U.S. 101/SR92 Area Improvement Project.
- Ongoing final design for the U.S. 101/Woodside Road Interchange Project.
- Ongoing environmental clearance for U.S. 101 managed lanes north of I-380.

In 2019, as co-sponsors of the San Mateo U.S. 101 Express Lanes Project, the Transportation Authority and City/County of Association of Governments of San Mateo County (C/CAG) jointly created the San Mateo County Express Lanes Joint Powers Authority (SMCELJPA). The SMCELJPA Board is comprised of six members, including three members each from the TA and C/CAG Boards. The new agency is the owner of the San Mateo County Express Lanes, and is responsible for administration, operations, and management of the facility.

In mid-2020, the TA Board took action to authorize a loan to SMCELJPA of up to \$100 million in support of the construction of the San Mateo U.S. 101 Express Lanes Project, which has a project cost of \$581 million. In addition to the \$100 million loan, the project also has funding sources that include State, Regional, and Federal grants, as well as \$53 million in private sector funds. The Transportation Authority and SMCELJPA entered into a loan agreement, and the SMCELJPA pledged to pay the \$100 million loan from future toll revenues in the coming years.

The facility was delivered in two phases. The southern segment between the Santa Clara County Line and Whipple Avenue in Redwood City (Phase I) began operation on February 11, 2022. The northern segment between Whipple Avenue and I-380 (Phase II) began operation on Friday, March 3, 2023. Now completed, Phases I and II of the Express Lanes project provide a combined 22 miles of managed lanes in each direction on the U.S. 101 Corridor within San Mateo County.

Ferry

The 2004 Measure A TEP stipulates that two percent of sales tax revenue be dedicated to San Mateo County ferry services. The purpose of the program is to fund specific projects related to capital projects that support ferry service in South San Francisco and Redwood City. However, operating funds are not an eligible use of the funds. The two eligible cities agreed to a 50/50 funding share split of this revenue. Measure A funds were used toward the construction of the South San Francisco Ferry terminal, which opened in 2012. To date, a total of \$12.6 million has been allocated toward ferry projects from Measure A. The program is currently supporting the planning and design of a second terminal in South San Francisco and the environmental phase of a new terminal at the Port of Redwood City.

Notable recent projects supported by Measure A:

- On-going feasibility study for a second ferry terminal in South San Francisco.
- Ongoing preliminary engineering and environmental clearance for the Redwood City Ferry Terminal.

Local Streets/Transportation Programs

The 2004 Measure A TEP requires the Transportation Authority to allocate 22.5 percent to local cities and San Mateo County for various transportation-related improvements according to a formula based on population and number of road-miles. The Measure W Congestion Relief Plan also dedicates 10 percent of that tax revenue to this category. During Fiscal Year 2023, local agencies received \$35.2 million from both Measures and recipients of these funds primarily use them for street rehabilitation projects.

Regional Transit Connections

Ten percent of Measure W will be invested in infrastructure and services that are designed to improve transit connectivity between the County and the rest of the nine-county Bay Area region. Investments from this category will be prioritized based on a project's ability to reduce congestion and enhance mobility options by connecting the County to the rest of the region, and a project's support through public-private partnership. This program is somewhat unique in that it can fund a variety of transit modes. In March 2023, the Board of Directors authorized staff to proceed with preparation of a study and Capital Improvement Program that will guide the competitive selection process for the Regional Transit Connections Program. The study is expected to be completed in Fall 2024.

Caltrain

The 2004 Measure A TEP established a category to help subsidize San Mateo County's share of the Peninsula Corridor Joint Powers Board (JPB) annual operating and capital funding needs. The JPB provides public transit services via its Caltrain railroad over a 77-mile right of way extending from San Francisco in the north to Gilroy in the south. Projects funded include:

- Safety improvements
- Planning studies to support new capital projects and operations
- State of good repair projects for:
 - Rail and associated civil structures
 - Bridges
 - Signal and communications
 - Facilities
 - Vehicles

Notable recent projects supported by Measure A include:

- Completion of a new South San Francisco Caltrain station.
- Successful decommissioning of the Atherton Station to help eliminate holdout rules along the corridor.
- Ongoing construction for the Peninsula Corridor Electrification project.

Awards and Acknowledgments

The staff and contracted firms of the Transportation Authority bring an effective combination of skill, experience, and dedication to carrying out the Transportation Authority's mission. Together, they plan, develop, and finance the creation of a modern, coordinated multimodal transportation system offering convenient access to the many attributes of the Bay Area and beyond. Although we expect sales tax growth to be modest, the Transportation Authority expects the continued enthusiasm and dedication of its transit professionals to meet the transportation challenges of the future.

The Government Finance Officers Association (GFOA) recognized the Transportation Authority's Fiscal Year 2022 Annual Comprehensive Financial Report for excellence in financial reporting and the Certificate of Achievement appears immediately following this transmittal letter. To be awarded a certificate, a report must be easy to read and efficiently organized, while satisfying both generally accepted accounting principles and applicable legal requirements. We believe our Fiscal Year 2023 ACFR also meets the requirements for a Certificate of Achievement, and we will submit it to the GFOA for evaluation. We would like to thank our independent audit firm, Eide Bailly LLP for its timely and expert guidance in this matter.

An annual comprehensive financial report requires the dedicated effort of many individuals working together as a team. We extend our grateful recognition to all the individuals who assisted in both the preparation of this report and the processing of financial transactions throughout the Fiscal Year. Finally, we wish to thank the Board of Directors for their interest and support in the development and maintenance of a reliable financial management and reporting system.

Respectfully,



April Chan
Executive Director



Kate Jordan Steiner
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**San Mateo County Transportation Authority
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

RICO E. MEDINA, CHAIR

CARLOS ROMERO, VICE CHAIR

EMILY BEACH

NOELIA CORZO

JULIA MATES

RAY MUELLER

MARK NAGALES

EXECUTIVE DIRECTOR

April Chan

DEPUTY GENERAL MANAGER/CEO

David Santoro

EXECUTIVE OFFICERS

Kate Jordan Steiner – Chief Financial Officer

David Olmeda – Chief Operating Officer, Bus

Casey Fromson – Chief Communications Officer

Nate Kramer – Chief People & Culture Officer

Mehul Kumar – Chief Information & Technology Officer

Peter Skinner – Executive Officer, Transportation Authority

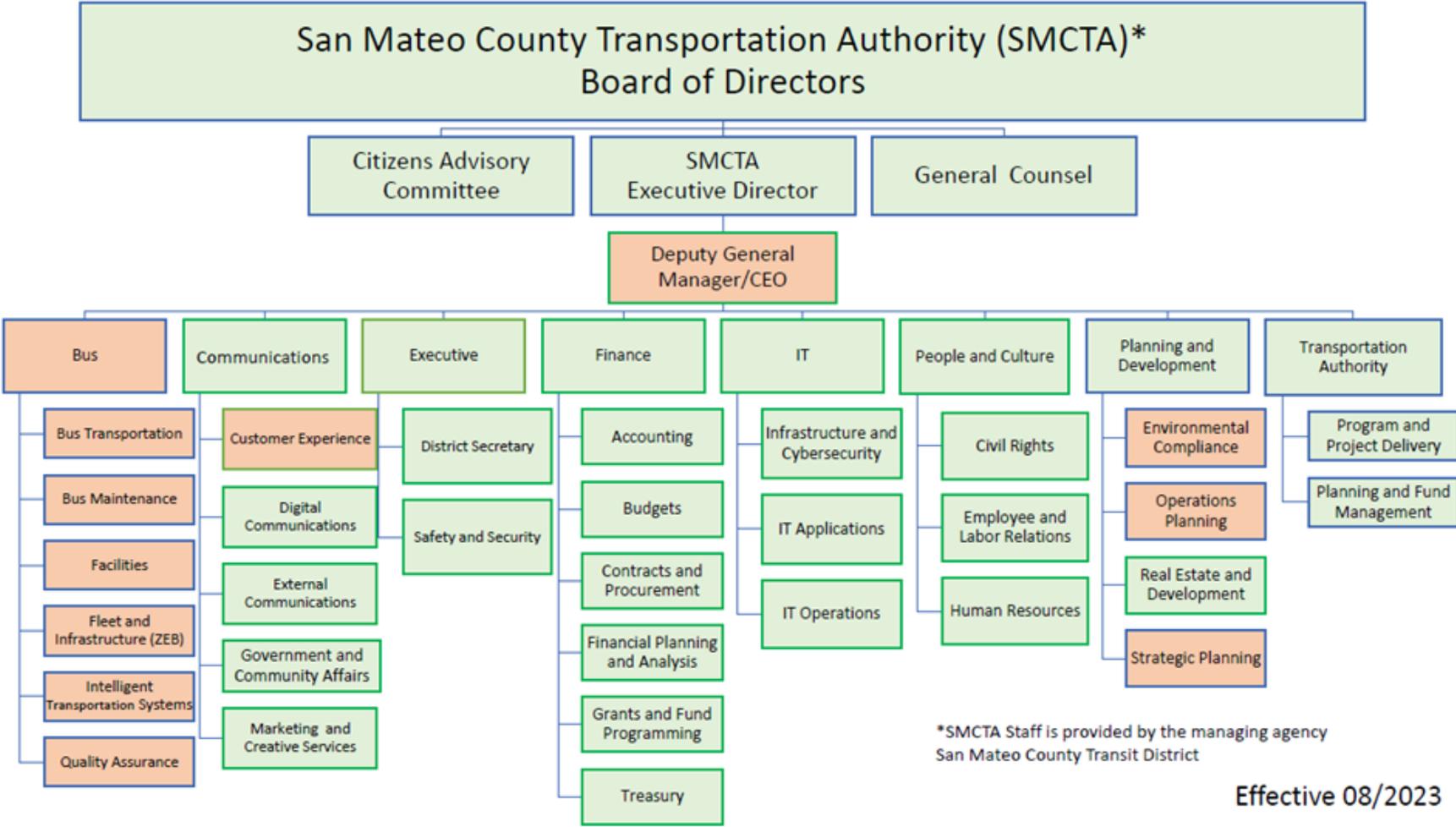
Josh Mello – Executive Officer, Planning & Development

Dora Seamans – Executive Officer, District Secretary/Executive Administration

GENERAL COUNSEL

Hanson Bridgett LLP

Joan Cassman, Esq.



SAN MATEO COUNTY, CALIFORNIA



Table of Credits

The following individuals contributed to the production of the Fiscal Year 2023 Annual Comprehensive Financial Report:

Finance:	Chief Financial Officer	Kate Jordan Steiner
	Director, Accounting	Annie To
	Manager, Budget	Jeannie Chen
	Director, Treasury	Connie Mobley-Ritter, MBA CTP
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	Senior Manager	Joe Escobar, CPA CGFM

Financial

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Required Supplementary Information

Supplementary Information



Independent Auditor's Report

To the Board of Directors of the
San Mateo County Transportation Authority
San Carlos, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and the general fund of the San Mateo County Transportation Authority (Transportation Authority) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Transportation Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Transportation Authority, as of June 30, 2023, and the respective changes in financial position 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Transportation Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements 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 the 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 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 Transportation 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.

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 GAAS 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 a 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 GAAS 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 Transportation 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 Transportation 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.

Prior-Year Comparative Information

We have previously audited the financial statements of the Transportation Authority as of and for the year ended June 30, 2022, and we expressed unmodified opinions on the respective financial statements of the governmental activities and the general fund in our report dated October 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Transportation Authority's basic financial statements. The Schedule of Expenditures of Capital Projects from Inception to Date is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Capital Projects from Inception to Date is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory section and statistical sections, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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 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 December 22, 2023 on our consideration of the Transportation 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 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 Transportation Authority's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Menlo Park, California
December 22, 2023



Management's Discussion and Analysis
June 30, 2023

San Mateo County Transportation Authority

This discussion and analysis of the Transportation Authority's financial position addresses the Transportation Authority's activities for the fiscal year ended June 30, 2023, with comparisons to the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the transmittal letter contained in the introductory section and with the statements and related notes contained in the financial section.

Financial Highlights

- The assets and deferred outflows of resources of the Transportation Authority exceeded its liabilities and deferred inflows of resources at June 30, 2023 by \$673.5 million (net position). Of this amount, \$11.7 million represents net investment in capital assets and \$661.8 million represents restricted net position, which is restricted to congestion management programs.
- The Transportation Authority's total net position increased by \$113.0 million. Expenses in the public transit projects and streets and highways projects decreased by \$67.9 million.
- As of June 30, 2023, the Transportation Authority's governmental fund reported a balance of \$761.8 million, an increase of \$113.0 million in comparison with the prior year. The whole amount represents restricted fund balance for Congestion Management including Measure A and Measure W projects.

Overview of the Financial Statements

The Financial Section of this report presents the Transportation Authority's basic financial statements in three components: government-wide financial statements, fund financial statements, and notes to the financial statements. Other supplementary information also appears in addition to the financial statements.

Government-wide Financial Statements

The *Statement of Net Position* presents total assets and total liabilities with the difference between the two reported as net position. Changes in net position over time provide an indicator of whether the financial position of the government is improving or deteriorating.

The *Statement of Activities* reports on the change in net position during the year. It includes a comparison between direct expenses and related revenues for each program or function. Direct expenses are those specifically associated with and clearly identifiable with a particular program or function. The *Statement of Activities* matches revenues from charges to customers for goods and services to the program and functional expenses with which the revenues are directly related. Revenues not classified as program or functional, such as sales tax, are presented separately as general revenues. The Transportation Authority reports all changes in net position as soon as underlying events occur, regardless of the timing of the related cash flows. Thus, some revenues and expenses reported in the *Statement of Activities* result in cash flows in a future period.

Fund Financial Statements

A *fund* is a set of accounts used to control resources segregated for specific activities or objectives. Funds classified as *major* are reported individually on the financial statements. The Transportation Authority reports one major fund only. The Transportation Authority uses fund accounting to ensure compliance with various legal requirements, such as the annually adopted budget. Accordingly, certain financial schedules in this report provide a comparison between budgeted and actual amounts.

The Transportation Authority classifies all of its funds as *governmental*. Unlike the *government-wide* financial statements discussed above, the financial statements for *governmental funds* focus on the inflows, outflows and balances of spendable resources, rather than net position. This information is useful for evaluating the Transportation Authority's current financing requirements.

The Transportation Authority has only one General Fund:

- The *General Fund* which accounts for the proceeds of the one-half cent county sales tax and the TA's share of the half cent Measure W sales tax. These funds are legally restricted to expenditures for specific transportation improvement projects authorized in an initiative approved by San Mateo County voters. These initiatives are referred to as *Measure A and Measure W* and the list of eligible projects can be found in the *Measure A Transportation Expenditure Plans and Measure W Congestion Relief Plan*.

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to fully understand the *government-wide* and *fund* financial statements. These notes begin immediately following the financial statements to which they refer.

Other Information

This report also presents certain *required supplementary information* concerning compliance with the Transportation Authority's annual budget for the *General Fund* which is the Transportation Authority's main operating fund and the equivalent of a *general fund*. This information and associated notes immediately follow the *financial statements* and their accompanying notes.

Government-wide Financial Analysis

At June 30, 2023, total assets were \$799.3 million, an increase of \$105.0 million or 15.1% from June 30, 2022. Cash and investments comprise \$649.8 million of this amount. With \$125.6 million in total liabilities and \$0.3 million in deferred inflows of resources, the Transportation Authority is in an excellent position to meet its obligations for current construction projects. As of the end of Fiscal Year 2023, existing encumbrances and expected future costs combined for current construction projects are estimated to total \$255.1 million.

Capital assets of \$11.7 million in 2023, changed slightly from \$11.9 million as of June 30, 2022.

The Transportation Authority does not record the capital assets created by the construction projects it finances on its own accounting books since these assets are of value only to the local government units to which the Transportation Authority's grants were made. For more information on capital assets, please refer to Note #5- Capital Assets of the *Notes to the Financial Statements*.

San Mateo County Transportation Authority
Management's Discussion and Analysis
June 30, 2023

	Governmental Activities	
	(in thousands)	
	2023	2022
Assets		
Current and other assets	\$ 787,590	\$ 682,495
Capital assets	11,743	11,864
Total assets	799,333	694,359
Liabilities		
Other liabilities	125,573	133,345
Total liabilities	125,573	133,345
Deferred Inflows of resources		
Deferred inflows related to leases	279	524
Net Position		
Net investment in capital assets	11,743	11,864
Restricted	661,738	548,626
Total net position	\$ 673,481	\$ 560,490

Total assets increased by \$105.0 million or 15.1% to \$799.3 million. Total liabilities decreased by \$7.8 million or 5.8% to \$125.6 million. Deferred inflows of resources decreased by \$0.2 million or 46.8% to \$0.3 million.

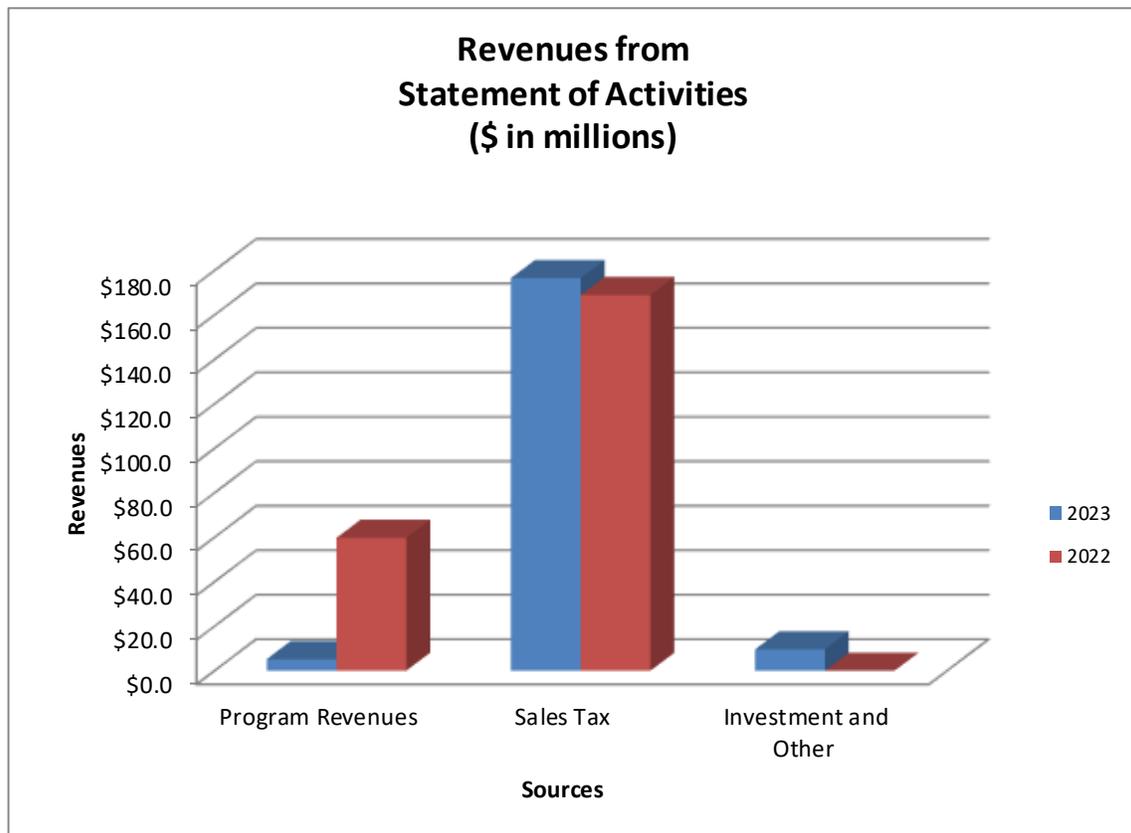
Net position increased by \$113.0 million or 20.2% to \$673.5 million, at June 30, 2023, as a result of total revenues exceeding total expenses in 2023.

	Governmental Activities	
	(in thousands)	
	2023	2022
Revenues		
Program revenues		
Charges for services	\$ 1,589	\$ 1,872
Operating grants/contributions	3,658	57,879
General revenues		
Sales tax	176,627	169,024
Investment earnings (loss) and others	9,622	(15,528)
Total revenues	191,496	213,247
Expenses		
Public transit	27,304	32,257
Streets and highways	47,559	110,507
Others, including debt related	3,642	2,324
Total expenses	78,505	145,088
Change in net position	112,991	68,159
Net position - beginning	560,490	492,331
Net position - ending	\$ 673,481	\$ 560,490

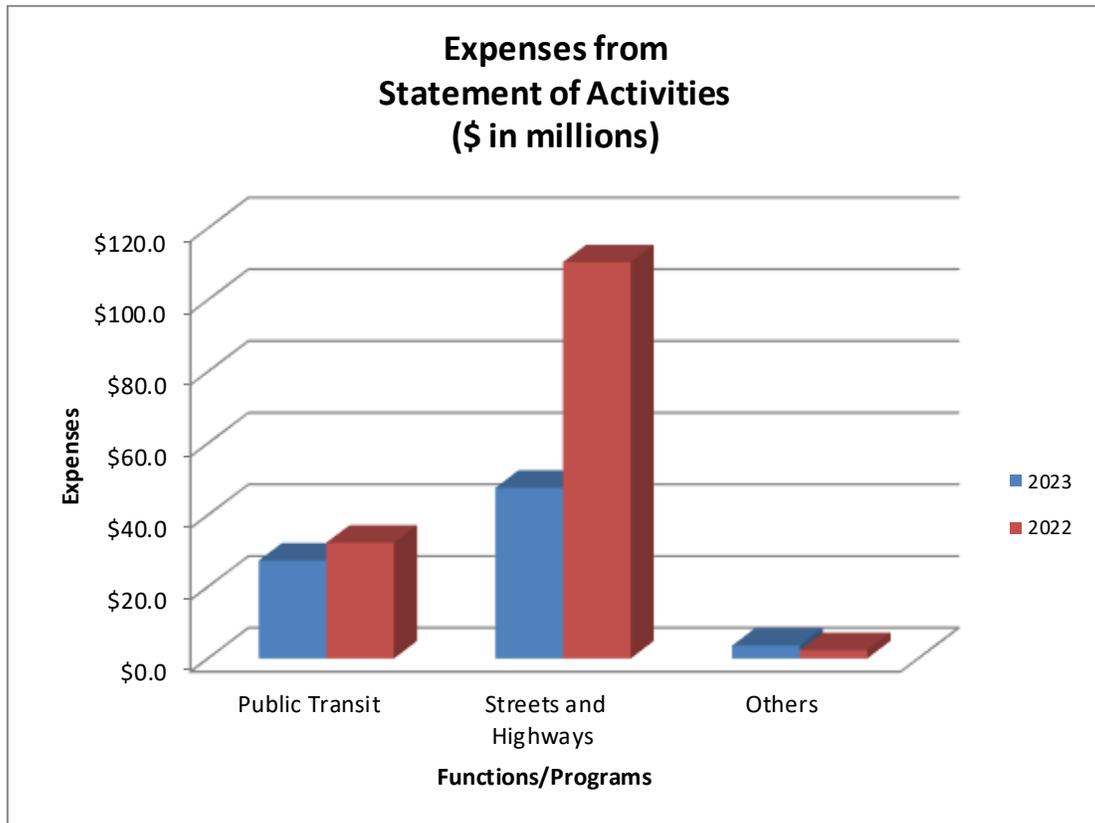
Governmental Activities

Total expenses for governmental activities were \$78.5 million in 2023, a decrease of \$66.6 million or 45.9% compared to 2022. The functional components of total expenses are public transit (34.8%), streets and highways (60.6%) and other programs, including debt payments (4.6%). The following are the highlights of the Transportation Authority's governmental activities:

- Sales tax revenue increased by \$7.6 million or 4.5% to \$176.6 million in 2023 from 2022.
- Investment income and other revenues had a net income of \$9.6 million in 2023, compared to \$15.5 million net loss in 2022.



- Expenses for public transit projects in 2023 decreased by \$5.0 million or 15.4% to \$27.3 million compared to 2022. The decrease was mainly due the South San Francisco Station project completion in 2022.
- Spending for streets and highways in 2023 decreased by \$62.9 million or 56.9% to \$47.6 million compared to 2022 mainly due to Express Lanes on U.S. 101 from the San Mateo/Santa Clara County line to I-380 project completion in March 2023. The decrease was partially offset by more distributions to local entities as a result of increases in Measure A & W sales tax receipts.



Financial Analysis of the Transportation Authority’s Fund

The *General Fund* is the operating fund of the Transportation Authority. The fund balance reached \$761.8 million as of June 30, 2023, an increase of \$113.0 million or 17.4% from June 30, 2022. The increase was mainly due to more sales tax revenues received than the program had expenditures. The total fund balance at June 30, 2023 is restricted for debt service and Measure A and W projects, and is available for spending at the discretion of the Transportation Authority’s Board of Directors in accordance with the Measure A Transportation Expenditure Plan and Measure W Congestion Relief Plan. Since the Transportation Authority principally passes funding through to other organizations, the most accurate indicator of the Transportation Authority’s ability to meet its current and future obligations is a comparison of its fund balance to its future commitments. As of June 30, 2023, the estimated cost to complete on-going projects is \$255.1 million or 33.5% of total fund balance.

General Fund Budgetary Highlights

Generally Accepted Accounting Principles (GAAP) requires a discussion of the budget-to-actual performance for the general fund. The *General Fund* employs the same accounting basis and principles for both its budget and actual revenues and expenditures, except that proceeds from the sale of capital assets, unrealized investment gains and losses and inter-fund transfers are not included in the budget. Sales tax represented 96.2% of the *General Fund's* total budgeted revenue for Fiscal Year 2023. Actual sales tax revenue for the year was \$176.7 million, which is greater than the budget by \$14.2 million or 8.8%.

Total program expenses excluding capital outlay, other services and supplies and professional and legal fees for the *General Fund* were slightly over budget.

The Transportation Authority spent \$31.3 million or 22.4% of its final 2023 budget for capital outlays, which included the cost of completing on-going capital projects. Since capital projects normally span more than one year, the Transportation Authority carries over unexpended budgets to succeeding years. However, to enhance understanding of the Transportation Authority's fund balance for the *General Fund*, the carry-over amount from 2022 is not included in the 2023 *Budgetary Comparison Schedule*.

Capital Projects

The Transportation Authority spent \$31.3 million on capital projects in 2023, a decrease of \$68.1 million or 68.5% compared to 2022. Following are the major capital expenditures:

- 25th Avenue Grade Separation project (\$6.4 million).
- Suttles FY21-FY23 Funding project (\$4.2 million).
- Caltrain Electrification project (\$4.3 million).
- 2020 Bike Ped Call for Project (\$0.8 million).
- Broadway Grade Separation project (\$3.8 million).
- U.S. 101 Managed Lanes (North I-380) project (\$1.1 million).

More information on the Transportation Authority's project activity appears in the *Supplementary Information Projects since Inception and Construction Commitments* in the *Notes to the Financial Statements*.

Debt

In September 2020, the Transportation Authority issued \$50,000,000 2020 Series A Bonds and an additional \$50,000,000 Series B Bonds (together the "Bonds"). The Bonds are variable rate bonds, with Series A Bonds are issued with a weekly rate reset and the Series B Bonds are issued with a daily rate reset. Interest is due payable on the Bonds every June 1 and December 1 with interest to be calculated on a 365/366-day basis. Proceeds were used to make a Project Loan to the San Mateo County Express Lanes Joint Powers Authority. The Project Loan will be repaid to the Transportation Authority from revenues generated by the Express Lanes. Mandatory redemption in the form of Mandatory Sinking Fund payments will begin on June 1, 2027 for both Bond Series.

The 2020 SMCTA Subordinate Sales Tax Revenue Variable Rate Demand Bonds are limited obligations of the Transportation Authority and are payable from sales tax revenues generated by Measure A and Measure W. More information on the debt activity appears in Note #11 to the Financial Statements.

Economic Factors and Next Year's Budget

The Transportation Authority's Board adopted the Fiscal Year 2024 Budget of \$190.2 million on June 1, 2023. The Transportation Authority's role is to administer the proceeds from Measure A and Measure W to fund a broad spectrum of transportation-related projects. In accordance with the 2004 Transportation Expenditure Plan, annual allocations have been budgeted to Plan categories based on a percentage of projected sales tax revenues. The total annual allocations are approximately \$44.8 million. The Transportation Authority's projected program expenditures are approximately \$127.8 million and compose the funding requirements for Alternative Congestion Relief, Dumbarton, Caltrain, Pedestrian and Bicycle, Local Shuttle, Streets and Highways programs, Grade Separation and the San Mateo County Ferry Service, and Regional Transit Connections.

A budget of \$1.2 million has been set aside to fund the Alternative Congestion Relief Program, \$18.6 million to fund system-wide capital improvements for the Caltrain system. These include State of Good Repair rolling stock, signal, track and station work. The Streets and Highways program includes a budget of \$20.1 million for key congested corridors and \$11.9 million for the supplemental roadway projects. The Grade Separation program has a budget of \$17.4 million. Under Measure W, the Countywide Highway Congestion Improvement program has a budget of \$25.8 million; of the \$25.8 million, \$1.0 million was proposed to be set aside for Transportation Demand Management (TDM) subcategory, and Regional Transit Connections program has a budget of \$11.5 million. The Transportation Authority will put out a call for projects in order to allocate these funds to eligible recipients.

Requests for Information

This financial report intends to provide our citizens, taxpayers, customers, and creditors with a general overview of the Transportation Authority's finances and to demonstrate accountability for resources received. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, 1250 San Carlos Avenue, P.O. Box 3006, San Carlos, California, 94070-1306.

San Mateo County Transportation Authority
Statement of Net Position
June 30, 2023 (with Comparative Totals for 2022)(in thousands)

	Governmental Activities	
	2023	2022
Assets		
Cash and investments (Note 2)	\$ 638,620	\$ 528,040
Restricted cash and investments	11,154	13,720
Subtotal, cash and investments	<u>649,774</u>	<u>541,760</u>
Sales tax receivables	30,390	32,937
Interest receivables	2,906	1,039
Accounts receivables (Note 3)	636	3,030
Lease receivable (Note 5)	293	541
Enhancement fee receivable from SMCELJPA	332	-
Loan receivable from SMCELJPA (Note 12)	3,259	3,188
Long term project loan receivable from SMCELJPA (Note 12)	100,000	100,000
Capital assets, nondepreciable (Note 4)	11,682	11,682
Capital assets, subscription asset (Note 4)	<u>61</u>	<u>182</u>
Total Assets	<u><u>799,333</u></u>	<u><u>694,359</u></u>
Liabilities		
Accounts payable (Note 6)	1,916	3,018
Accrued liabilities (Note 7)	13,553	16,653
Unearned revenues	10,042	13,490
Long-term liabilities (Note 11)		
Due within one year	62	122
Due in more than one year	<u>100,000</u>	<u>100,062</u>
Total Liabilities	<u><u>125,573</u></u>	<u><u>133,345</u></u>
Deferred Inflows of Resources		
Deferred inflows related to leases	<u>279</u>	<u>524</u>
Total Liabilities and Deferred Inflows of Resources	<u><u>125,852</u></u>	<u><u>133,869</u></u>
Net Position		
Net investment in capital assets	11,681	11,680
Restricted for congestion management (Note 1K)	<u>661,800</u>	<u>548,810</u>
Total Net Position	<u><u>\$ 673,481</u></u>	<u><u>\$ 560,490</u></u>

San Mateo County Transportation Authority

Statement of Activities

Year Ended June 30, 2023 (with Comparative Totals for 2022)(in thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Contributions and Grants	2023	2022
Governmental Activities					
Public Transit					
Upgrades and extensions	\$ 5,242	\$ -	\$ -	\$ (5,242)	\$ (16,385)
Grade separations	10,584	1,189	-	(9,395)	(9,073)
Dumbarton spur	33	-	-	(33)	(10)
BART	2,331	-	-	(2,331)	(2,258)
Paratransit	4,717	-	-	(4,717)	-
Projects funding	4,397	-	-	(4,397)	(3,391)
Streets and highways					
Distributions to local entities	38,273	-	-	(38,273)	(41,143)
Projects funding	9,286	-	3,658	(5,628)	(11,291)
Program administration	1,932	400	-	(1,532)	(1,592)
Debt service - principal and interest	1,710	-	-	(1,710)	(194)
Total Governmental Activities	\$ 78,505	\$ 1,589	\$ 3,658	(73,258)	(85,337)
General Revenues					
Sales tax revenue				176,627	169,024
Investment gain/(loss) and other (Note 8)				9,622	(15,528)
Total General Revenues				186,249	153,496
Change in net position				112,991	68,159
Net position, beginning of year				560,490	492,331
Net Position, End of Year				\$ 673,481	\$ 560,490

San Mateo County Transportation Authority
Governmental Funds – General Fund Balance Sheet
June 30, 2023 (with Comparative Totals for 2022)(in thousands)

	2023	2022
Assets		
Cash and investments (Note 2)	\$ 638,620	\$ 528,040
Restricted cash and investments	11,154	13,720
Sales tax receivables	30,390	32,937
Interest receivables	2,906	1,039
Accounts receivables (Note 3)	636	3,030
Lease receivables (Note 5)	293	541
Enhancement fee receivable from SMCELJPA	332	-
Loan receivable from SMCELJPA (Note 12)	3,259	3,188
Long term project loan receivable from SMCELJPA (Note 12)	100,000	100,000
Total Assets	\$ 787,590	\$ 682,495
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities		
Accounts payable (Note 6)	\$ 1,916	\$ 3,018
Accrued liabilities (Note 7)	13,553	16,653
Unearned revenues	10,042	13,490
Total Liabilities	25,511	33,161
Deferred Inflows of Resources		
Deferred inflows related to leases	279	524
Fund Balance		
Restricted for congestion management (Note 1K)	761,800	648,810
Total Liabilities, Deferred Inflows of resources, and Fund Balance	\$ 787,590	\$ 682,495

San Mateo County Transportation Authority
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
 Year Ended June 30, 2023 (with Comparative Totals for 2022)(in thousands)

	2023	2022
Total Fund Balances - Governmental Fund	\$ 761,800	\$ 648,810
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets of governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.	11,743	11,864
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the governmental fund.	(100,062)	(100,184)
Net Position Of Governmental Activities	\$ 673,481	\$ 560,490

San Mateo County Transportation Authority
 Governmental Funds – General Fund Statement of Revenues, Expenditures and Changes in Fund
 Balances
 Year Ended June 30, 2023 (with Comparative Totals for 2022)(in thousands)

	2023	2022
Revenues		
Sales tax revenue	\$ 176,627	\$ 169,024
Investment income (loss) (Note 8)	9,622	(14,371)
Rental income	1,189	1,140
Reimbursements from other agencies	3,658	57,879
Other income	400	732
Total Revenues	191,496	214,404
Current Expenditures		
Public Transit		
Upgrades and extensions	5,243	16,385
Grade separations	10,584	10,213
Dumbarton spur	33	10
BART	2,331	2,258
Paratransit	4,717	4,516
Projects funding	4,397	3,391
Streets and highways		
Distributions to local entities	38,273	36,627
Projects funding	9,286	69,170
Program administration	1,932	2,324
Debt Service		
Principal and Interest	1,710	194
Total Expenditures	78,506	145,088
Other Financing Sources		
Repayment of note receivable	-	4,343
Total Other Financing Sources	-	4,343
Net Change in Fund Balance	112,990	73,659
Beginning Fund Balance	648,810	575,151
Ending Fund Balance	\$ 761,800	\$ 648,810

San Mateo County Transportation Authority
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund
 Balances to the Government-Wide Statement of Activities
 Year Ended June 30, 2023 (with Comparative Totals for 2022)(in thousands)

	2023	2022
Amounts reported for governmental activities in the statement of activities are different because of the following:		
Net Change In Fund Balances - Total Governmental Fund	\$ 112,990	\$ 73,659
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceed capital outlays in the current period.	(121)	(121)
Accrual of interest revenue on the note receivable for the sale of land is recorded as revenue in the government-wide statement of activities, but is not recorded in the governmental fund.	-	(1,157)
Note repayment is reported as other sources in the governmental funds but is recorded as repayment of note receivable in the statement of activities.	-	(4,343)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	122	121
Change In Net Position Of Governmental Activities	\$ 112,991	\$ 68,159

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

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(5)	Leases	32
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(8)	Investment Income (loss)	34
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Note 1 - Reporting Entity and Significant Accounting Policies

A. Financial Reporting Entity

The San Mateo County Transportation Authority (Transportation Authority) was formed in June 1988 as a result of the approval of Measure A (one-half cent county sales tax and Transportation Expenditure Plan) by the voters of San Mateo County pursuant to the Bay Area County Traffic and Transportation Funding Act. The Transportation Authority is responsible for the administration of funds collected through the one-half cent county sales tax, initially for a period of 20 years from its formation. In November 2004, the voters reauthorized the sales tax to be administered by the Transportation Authority and a new publicly developed Expenditure Plan for an additional 25 years beyond the original expiration date of 2008. In 2018, the voters of San Mateo County adopted Measure W, “An Ordinance of the San Mateo County Transit District Imposing a One-Half of One Percent Retail Transactions and Use Tax to Implement the San Mateo County Congestion Relief Plan.” Measure W authorized the District to administer the new tax in its entirety or to transfer proceeds of the tax to the Transportation Authority for Administration. By District Resolution No. 2020-27, and reflecting the split of funds set forth in the Congestion Relief Plan (50% reserved for SamTrans use, 50% available for other uses), the District expressed its desire to “designate the Authority to administer 50% of the Measure W Sales Tax Revenues as provided in the San Mateo County Congestion Relief Plan, and to irrevocably dedicate such revenues to the Authority for such purposes, for so long as the Authority is in existence.” This desire was formalized through two agreements authorized by the same resolution, with each agreement subsequently signed by the District, the Transportation Authority and one or both of the California Department of Tax and Fee Administration and the Bank of New York Mellon.

B. Implementation of Governmental Accounting Standards Board (GASB) Statements

Effective this Fiscal Year

GASB Statement No. 96 – 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 impact to the Transportation Authority resulted in a reclassifications of capital assets and liabilities. The effect of implementation of this standard resulted in an increase of right-to-use subscription assets and liabilities of \$303,108 on the governmental activities and no material change on beginning net position as of July 1, 2021.

Effective in Future Fiscal Years

GASB Statement No. 99 – In April 2022, GASB Issued Statement No. 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. Certain requirements of this statement have been implemented as of June 30, 2023. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements 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. The Transportation Authority is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 100 – In June 2022, GASB Issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The 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. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Transportation Authority is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 101 – In June 2022, GASB Issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of the 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. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Transportation Authority is evaluating the impact of this Statement on the financial statements.

C. Basis of Presentation

Government-wide Financial Statements

The Statement of Net position and Statement of Activities report the financial activities of the Transportation Authority. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Transportation Authority. Direct expenses are those that are specifically associated with a program or a function, and therefore, are clearly identifiable to a particular function. Program revenues refer to charges paid by the recipients of goods or services offered by the program. Revenues that are not classified as program revenues, including sales tax revenues, are presented instead as general revenues.

Fund Financial Statements

The Transportation Authority accounts for its sales tax revenue in the General Fund. Sales tax proceeds are legally restricted to improve, construct, maintain, and operate certain transportation projects and facilities contained in the 2004 Transportation Expenditure Plan (TEP) adopted by the Board of Supervisors of San Mateo County, all of the Cities in the County, and the voters in San Mateo County with the approval of the sales tax. That Plan may be amended from time to time pursuant to the Plan and applicable law.

D. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered available when their receipt occurs within 180 days after the end of the accounting period. Sales tax and investment earnings are recorded when measurable and available. Expenditures are generally recognized in the accounting period in which the liability is incurred. Capital asset acquisitions and Debt principal payments are reported as expenditures in governmental funds.

E. Fair Value Measurement

Generally accepted accounting principles provide guidance for determining a fair value measurement for reporting purposes, applying fair value to investments, and disclosures related to a hierarchy established by generally accepted accounting principles. The Transportation Authority's fair value hierarchy, which has three levels, is based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs include inputs that are directly observable for the investment including quoted price for similar investments and inputs that are not directly observable but are derived from observable market data through correlation; Level 3 inputs are significant unobservable inputs.

F. Prepaid Items

Prepaid items represent amounts paid in advance of receiving goods or services. The Transportation Authority has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The Transportation Authority has chosen to report the expenditures during the benefiting period. As of June 30, 2023 and 2022, the Transportation Authority did not have any prepaid items.

G. Cash and Investments

All highly liquid investments with maturities of three months or less when purchased are considered cash equivalents. Investments are reported at fair value. Cash deposits are reported at carrying amount.

H. Capital Assets

Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation plus ancillary charges, if any. All capital asset purchases are recorded as expenditures at the time of acquisition in the governmental funds. Such amounts are then capitalized and reported in the government-wide financial statements. Construction projects financed by the Transportation Authority from the one-half cent county sales tax include highways, streets, and grade separations. These infrastructure assets are of value only to the local government units in whose jurisdiction they are constructed and are not recorded as capital assets on the Transportation Authority's books. The Transportation Authority does have subscription right-to-use capital assets which are amortized over the useful life of the asset. Subscription right-to-use capital assets are typically capitalized for the length of the arrangement. The Transportation Authority's policy is to capitalize all capital assets with a cost greater than \$5,000 and a useful life of more than one year.

I. Subscription-Based Information Technology Arrangements (SBITA)

The right-to-use SBITA assets are recognized at the subscription commencement date and represent right to use the underlying IT asset for the term. Right to use subscription IT assets are measured at the initial value of the liability plus any payments made to the vendor at the commencement of the term, less any incentives received before commencement of the term, plus any capitalizable initial implementation costs used to place the asset into service. The right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset.

J. Deferred Outflows/Inflows of Resources

The Transportation Authority does not have any items that qualify for reporting in the category of deferred outflows of resources.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred Inflows of resources represent an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Transportation Authority has two items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from leases. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the Transportation Authority reports deferred amounts related to leases.

K. Leases

The Transportation Authority recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Transportation 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.

L. Net Position

Net position is measured on the full accrual basis for the government-wide reporting. Net Position is the excess of all the Transportation Authority's assets over all its liabilities. Net position is divided into two captions. These captions apply only to net position, which is determined only at the government-wide level, and are described below:

Net Investment in Capital Assets – The investment in capital assets reported on the statement of net position represents the Transportation Authority's ownership of right of way classified as non depreciable land under capital assets.

Restricted – The restricted net position reported on the statement of net position represents the resources available to the Transportation Authority that are legally restricted to improve, construct, maintain, and operate certain transportation projects and facilities contained in the 2004 Transportation Expenditure Plan adopted by the Board of Supervisors of San Mateo County and all of the Cities in the County. That TEP may be amended from time to time pursuant to the TEP and applicable law.

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

M. Fund Balance

In governmental fund types, the fund balance is measured on the modified accrual basis. The General Fund (the Fund) balance is classified in accordance with generally accepted accounting principles, which require the Transportation Authority to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Transportation Authority prioritizes and expends funds in the following order, as applicable: restricted, committed, assigned, and unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint.

Nonspendables - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. The restricted fund balance reported on the governmental fund balance sheet represents the resources available to the Transportation Authority that are legally restricted to improve, construct, maintain, and operate certain transportation projects and facilities contained in the 2004 Transportation Expenditure Plan (Measure A) and the San Mateo County Congestion Relief Plan (Measure W). Those Plans may be amended from time to time pursuant to their terms and applicable law.

N. Use of Estimates

The Transportation Authority's management has made a number of estimates and assumptions relating to the reported amounts of the financial statements and the related disclosures in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

O. Summarized Data

The summarized partial data provided in these financial statements for Fiscal Year ended June 30, 2022 is not a requirement for fair presentation of the financial statements but is being presented as additional analysis. Such information does not provide sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Transportation Authority's financial statements for the year ended June 30, 2022 from which such comparative partial information was derived.

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

Note 2 - Cash and Investments

The Transportation Authority pools cash from all sources and funds so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

The Transportation Authority records investment transactions on the trade date. Investments are reported at fair value. Fair value is defined as the amount that the Transportation Authority could reasonably expect to receive for an investment in a current sale between a willing buyer and seller and is generally measured by quoted market prices. The Transportation Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end. The effects of changes in market value are reflected as a component of investment income. Deposits and investments as of June 30 are categorized as follows:

(in thousands)	June 30, 2023	June 30, 2022
Cash and Investments		
Cash in bank	\$ 112,592	\$ 77,372
Restricted cash with fiscal agent	11,154	13,720
Investments	526,028	450,668
Total cash and investments	\$ 649,774	\$ 541,760

Authorized Investments by the Transportation Authority

In accordance with the California Government Code or its investment policy when more restrictive, the Transportation Authority may acquire investments as identified in the table below:

Authorized Investment Type	Minimum Credit Rating	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	15 years	100%	N/A
U.S. Agency Securities	None	15 years	100%	N/A
Banker's Acceptances	None	180 days	40%	30%
Commercial Paper	A1/P1/F1	270 days	40%	10%
Negotiable Certificates of Deposit	None	5 years	30%	N/A
Repurchase Agreements	None	1 year	100%	N/A
Reverse Repurchase Agreements	None	92 days	20%	N/A
Medium-term Notes	A	5 years	30%	10%
Shares of beneficial interest issued by				
diversified management companies	None	N/A	20%	10%
Local Government Investment Pools	None	N/A	100%	N/A
Asset-backed and Mortgage-backed securities	AA	5 years	20%	N/A
Municipal Obligations	None	10 years	100%	N/A
Supranational Obligations	AA	5 years	30%	N/A
Local Agency Investment Fund (LAIF)	None	N/A	None	\$75M
San Mateo County Investment Pool	None		Up to the current state limit	

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk incurred when market interest rates 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. One of the ways that the Transportation Authority manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Transportation Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. With respect to this metric, the Transportation Authority's policies are as follows:

The Transportation Authority's weighted average maturity of its investment portfolio at June 30, 2023 was as follows:

Investment Type	Amount (in thousands)	Weighted Average Maturity (in years)
U.S. Treasury Bonds/Notes	\$ 142,680	3.17
Federal Agency Collateralized and Agency Bonds/Notes	12,355	2.02
Corporate Bonds and Notes	44,114	1.39
Asset Back Securities	4	1.04
Municipal Debt Securities	4,179	3.33
Supranational	693	1.81
Money Market Mutual Funds	581	-
ICD Investments	1,018	-
Local Agency Investment Fund	4,925	0.71
California Asset Management Program (CAMP)	121,496	0.17
San Mateo County Pool	193,983	3.34
Total	\$ 526,028	
Portfolio Weighted Average Maturity		2.29

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

The Transportation Authority’s weighted average maturity of its investment portfolio at June 30, 2022 was as follows:

Investment Type	Amount (in thousands)	Weighted Average Maturity (in years)
U.S. Treasury Bonds/Notes	\$ 137,430	2.81
Federal Agency Collateralized and Agency Bonds/Notes	28,344	3.05
Certificates of Deposit	4,794	0.24
Corporate Bonds and Notes	31,736	2.16
Asset Back Securities	748	0.42
Municipal Debt Securities	824	2.50
Supranational	700	2.74
Money Market Mutual Funds	760	-
Local Agency Investment Fund	64,991	0.85
San Mateo County Pool	180,341	1.45
Total	\$ 450,668	
Portfolio Weighted Average Maturity		1.92

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the fiscal year end for each investment type.

The Transportation Authority’s investment portfolio credit quality ratings as of June 30, 2023 were as follows:

Investment Type	Amount (in thousands)	S&P Rating as of June 30, 2023			
		AAA	AA	A	Not Rated
U.S. Treasury Bonds/Notes	\$ 142,680	\$ -	\$142,680	\$ -	\$ -
Federal Agency Collateralized and Agency Bonds/Notes	12,355	-	12,355	-	-
Corporate Bonds and Notes	44,114	-	21,327	22,787	-
Asset-Backed Security	4	4	-	-	-
Municipal Debt Securities	4,179	-	4,179	-	-
Supranational	693	693	-	-	-
Money Market Mutual Funds	581	581	-	-	-
ICD Investments	1,018	-	-	-	1,018
Local Agency Investment Fund	4,925	-	-	-	4,925
CAMP	121,496	121,496	-	-	-
San Mateo County Pool	193,983	-	-	-	193,983
Total	\$ 526,028	\$122,774	\$180,541	\$ 22,787	\$199,926

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

The Transportation Authority's investment portfolio credit quality ratings as of June 30, 2022 were as follows:

Investment Type	Amount (in thousands)	S&P Rating as of June 30, 2022			
		AAA	AA	A	Not Rated
U.S. Treasury Bonds/Notes	\$ 137,430	\$ -	\$137,430	\$ -	\$ -
Federal Agency Collateralized and Agency Bonds/Notes	28,344	-	28,344	-	-
Certificates of Deposit	4,794	-	3,195	1,599	-
Corporate Bonds and Notes	31,736	-	13,374	18,362	-
Asset-Backed Security	748	748	-	-	-
Municipal Debt Securities	824	-	824	-	-
Supranational	700	700	-	-	-
Money Market Mutual Funds	760	760	-	-	-
Local Agency Investment Fund	64,991	-	-	-	64,991
San Mateo County Pool	180,341	-	-	-	180,341
Total	\$ 450,668	\$ 2,208	\$183,167	\$ 19,961	\$245,332

Concentration of Credit Risk

There were no investments in any one issuer that exceeded 5% of the Transportation Authority's total investment portfolio for the years ended June 30, 2023 or June 30, 2022.

Custodial Credit Risk

The custodial credit risk for deposit is the risk that, in the event of the failure of a depository financial institution, the Transportation Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counter party (e.g., broker-dealer) to a transaction, the Transportation Authority will not be able to recover the value of its investment or collateral securities that are in possession of another party.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the cash on deposit in the name of the pool, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law, this collateral is held in a separate investment pool by another institution and places the pool ahead of general creditors of the institution in which the Transportation Authority is a participant.

The Transportation Authority invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the Transportation Authority employs the Trust Department of a bank or trustee as the custodian of certain Transportation Authority managed investments, regardless of their form.

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

Fair Value Measurements

The Transportation Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs.

The Transportation Authority has the following recurring fair value measurements as of June 30, 2023:

- Debt classified as Level 2 inputs are valued using price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors.
- Equities classified as Level 2 inputs are valued using fair value per share.
- Certificates of deposit classified as Level 2 inputs are valued using quoted price for directly observable inputs.

Investments in the San Mateo County Pool and the State Local Agency Investment Fund are not measured using the input levels above because the Transportation Authority's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. The following is the Transportation Authority's fair value hierarchy table as of June 30, 2023:

Investment Type (in thousands)	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Total
Investment securities			
U.S. Treasury Bonds/Notes	\$ 142,680	\$ -	\$ 142,680
Federal Agency Collateralized and Agency Bonds/Notes	-	12,355	12,355
Corporate Bonds and Notes	-	44,114	44,114
Asset Back Securities	-	4	4
Municipal Debt Securities	-	4,179	4,179
Supranational	-	693	693
Money Market Mutual Funds	581	-	581
	\$ 143,261	\$ 61,345	204,606
Total			
Uncategorized:			
ICD Investments			1,018
Local Agency Investment Fund			4,925
California Asset Management Program			121,496
San Mateo County Investment Pool			193,983
Cash			112,592
Restricted cash with fiscal agents			11,154
			\$ 649,774
Total Investments By Fair Value Type			\$ 649,774

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

The following is the Transportation Authority’s fair value hierarchy table as of June 30, 2022:

Investment Type (in thousands)	Level 1	Level 2	Total
Investment securities			
U.S. Treasury Bonds/Notes	\$ 137,430	\$ -	\$ 137,430
Federal Agency Collateralized and Agency Bonds/Notes	-	28,344	28,344
Certificates of Deposit	-	4,794	4,794
Corporate Bonds and Notes	-	31,736	31,736
Asset Back Securities	-	748	748
Municipal Debt Securities	-	824	824
Supranational	-	700	700
Money Market Mutual Funds	760	-	760
Total	<u>\$ 138,190</u>	<u>\$ 67,146</u>	205,336
Uncategorized:			
Local Agency Investment Fund			64,991
San Mateo County Investment Pool			180,341
Cash			77,372
Restricted cash with fiscal agents			<u>13,720</u>
Total Investments By Fair Value Type			<u>\$ 541,760</u>

Methods and Assumptions Used to Estimate Fair Value: The Transportation Authority maintains investment accounting records on amortized cost and adjusts those records to “fair value” on an annual basis. Unrealized gains and losses are recorded on an annual basis and the carrying value of its investments is considered “fair value.” The Transportation Authority’s investment custodian provides the market value on each investment instrument. The investments held by the Transportation Authority are widely traded in the financial markets and trading values are readily available from numerous published sources.

San Mateo County Treasurer’s Investment Pool: The Transportation Authority holds investments in the County Pool that are subject to adjustments to “fair value.” The Transportation Authority had a contractual withdrawal value (which is reported using the amortized cost) of \$199,673,000 and \$186,164,000, at June 30, 2023 and 2022, respectively, that is recorded at \$193,983,000 and \$180,341,000 on the balance sheet after the adjustment for unrealized gains/losses for fiscal years ending June 30, 2023 and 2022, respectively. The fair value change in these investments for the year just ended is included in investment income in the statement of revenues, expenditures, and changes in fund balance as well as in the statement of activities via inclusion in the amount of Investment Income.

The Transportation Authority is a voluntary participant in the San Mateo County Treasurer’s Investment Pool. The Pool is a governmental investment pool managed and directed by the elected San Mateo County Treasurer. The County Pool is not registered with the Securities and Exchange Commission. An oversight committee comprised of local government officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of the pool fall under auspices of the County Treasurer’s office.

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

State of California State Treasurer’s Local Authority Investment Fund (LAIF): The Transportation Authority holds an investment in LAIF that is subject to “fair value” adjustments. The Transportation Authority had a contractual withdrawal value of \$5,001,000 and \$65,839,000 (which is reported using the amortized cost) after the adjustment for unrealized gains/losses for fiscal year 2023 and 2022, respectively. LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer’s office. The Transportation Authority is a voluntary participant in the investment pool.

California Asset Management Program (CAMP): The Transportation Authority holds an investment in CAMP that is subject to “fair value” adjustments. The Transportation Authority had a contractual withdrawal value of \$121,496,000 (which is reported using the amortized cost) after the adjustment for unrealized gains/losses for fiscal year 2023. The Transportation Authority did not hold any investment in CAMP as of June 30, 2022. CAMP is a governmental investment pool managed and directed by the CAMP Treasurer and is not registered with the Securities and Exchange Commission.

Note 3 - Accounts Receivable

Accounts receivable as of June 30 consist of amounts owed by other governmental agencies and miscellaneous receivables as follows:

(in thousands)	2023	2022
San Mateo County Transit District	\$ 180	\$ -
Bay Area Infrastructure Financing Authority	-	1,568
California Department of Transportation	89	431
Facebook	-	648
Rents Receivable	367	251
Other	-	132
Total accounts receivable	\$ 636	\$ 3,030

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

Note 4 - Capital Assets

Capital assets activities for the years ended June 30, 2022 and 2023 are as follows:

(in thousands)	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023
Amortizable capital assets				
Right-to-use subscription asset	\$ 303	\$ -	\$ -	\$ 303
Less accumulated amortization for				
Right-to-use subscription asset	(121)	(121)	-	(242)
Nondepreciable capital assets				
Land	11,682	-	-	11,682
Capital Assets, Net	\$ 11,864	\$ (121)	\$ -	\$ 11,743

(in thousands)	Restated Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Amortizable capital assets				
Right-to-use subscription asset	\$ 303	\$ -	\$ -	\$ 303
Less accumulated amortization for				
Right-to-use subscription asset	-	(121)	-	(121)
Nondepreciable capital assets				
Land	11,682	-	-	11,682
Capital Assets, Net	\$ 11,985	\$ (121)	\$ -	\$ 11,864

Land represents the cost of right of way acquisition for future grade separation projects, as well as for corridor preservation purposes.

Note 5 - Leases

Lease receivable

During the fiscal years 2023 and 2022, the Transportation Authority had four parking leases and storage units as right of use ground lease transactions through fiscal year 2024, with options to renew. The Transportation Authority received monthly payments of approximately \$1,194,000 for fiscal year 2023 and \$730,000 for fiscal year 2022. The Transportation Authority recognized \$245,000 in lease revenue and \$2,000 in interest revenue during the fiscal year 2023 related to the lease. The Transportation Authority recognized \$727,000 in lease revenue and \$3,000 in interest revenue during the fiscal year 2022 related to the lease. The Transportation Authority had a lease receivable for \$293,000 and \$541,000 as of June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the balance of the deferred inflows of resources was \$279,000 and \$524,000, respectively.

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

Note 6 - Accounts Payable

Accounts payable at June 30 are as follows:

(in thousands)	2023	2022
District - Salaries and benefits	\$ 375	\$ 871
Operating expense reimbursement payable to SMCELJPA	-	143
Paratransit program	361	965
Capital project	1,009	937
Other	171	102
	\$ 1,916	\$ 3,018
Total	\$ 1,916	\$ 3,018

Note 7 - Accrued Liabilities

Accrued liabilities at June 30 are as follows:

(in thousands)	2023	2022
Disbursements to local entities for transportation projects	\$ 11,295	\$ 11,582
Capital projects	1,575	4,435
BART	485	469
Bond interest payable	198	167
	\$ 13,553	\$ 16,653
Total	\$ 13,553	\$ 16,653

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

Note 8 - Investment Income (loss)

Investment income (loss) activity for the fiscal year ended June 30 is as follows:

(in thousands)	2023	2022
Interest income	\$ 9,407	\$ 4,116
Net increase (loss) in fair value of investments	215	(19,644)
Investment income (loss) - Statements of Activities	9,622	(15,528)
Decrease (increase) in long-term interest receivable	-	1,157
Investment income (loss) - Statements of Revenues, Expenditures and Changes in Fund Balance	\$ 9,622	\$ (14,371)

Note 9 - Commitments and Contingencies

Allocation Commitments

As of June 30, the Transportation Authority estimated the cost to complete the following committed projects:

Projects (in thousands)	2023	2022
Caltrain	\$ 21,059	\$ 20,933
Ferry	3,677	3,723
Local Shuttle	1,726	5,953
Railroad Grade Separations	22,934	33,227
Streets and Highways	180,217	182,167
Alternative Congestion Relief	1,594	555
Bicycle and Pedestrian	23,912	14,311
Total	\$ 255,119	\$ 260,869

Litigation

From time to time, the Transportation Authority is involved in litigation arising from the normal course of business. In the opinion of management and legal counsel, as of June 30, 2023, the disposition of any litigation that may be pending is not expected to have a material adverse effect on the overall financial position of the Transportation Authority.

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

Peninsula Corridor Electrification Project

In its role as a primary source of San Mateo County funds for the Peninsula Corridor Joint Powers Board ("JPB"), the Transportation Authority is a party to a series of funding agreements for the funding of the Peninsula Corridor Electrification Project ("PCEP" or "Project").

For over two decades, the JPB has been preparing to electrify the Caltrain railroad corridor. The \$1.98 billion PCEP funding plan includes \$647 million in Federal Transit Administration ("FTA") Core Capacity Grant funds under a Full Funding Grant Agreement ("FFGA").

In late 2016, the FTA informed the JPB that it would not issue the FFGA without evidence that the JPB will have access to an additional 10% contingency (or \$200 million) beyond the budgeted 16.5% for potential cost over-runs or funding shortfalls.

To address this requirement, on January 5, 2017, the Transportation Authority passed a resolution committing to provide up to \$135 million of additional contingency, with Santa Clara Valley Transportation Authority ("VTA") making a similar commitment in the amount of \$65 million. These actions were conditioned upon and memorialized in an executed memorandum dated January 5, 2017 among VTA, the San Francisco County Transportation Authority and the Metropolitan Transportation Commission accepting the obligation to each share equally with the Transportation Authority in funding whatever amount of additional contingency is called upon, up to \$200 million, to complete the Project.

Note 10 - Insurance Programs

The Transportation Authority is exposed to various risks of loss including but not limited to those related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. As of June 30, 2023, coverage provided by self-insurance and excess coverage (purchased by or for the Transportation Authority) is generally summarized as follows:

Type of Coverage	Self-Insured Retention (in thousands)	Excess Insurance (in thousands)
Commercial General Liability	\$100 self-insured retention	\$11,000 per occurrence/ aggregate
Public Officials Liability	\$50 self-insured retention	\$3,000 per occurrence/ aggregate (\$50,000 excess carried by the San Mateo County Transit District on behalf of the Transportation Authority)

To date, there have been no significant reductions in any of the Transportation Authority's insurance coverage. Settlements have not exceeded coverages for each of the past three fiscal years.

Note 11 - Long-Term Liabilities

2020 Transportation Authority Subordinate Sales Tax Revenue Variable Rate Demand Bonds

In September 2020, the TA issued \$50,000,000 2020 Series A Bonds and an additional \$50,000,000 Series B Bonds (together the "Bonds"). The Bonds are variable rate bonds with Series A Bonds issued with a weekly rate reset and the Series B Bonds issued with a daily rate reset. Interest is due and payable on the Bonds every June 1 and December 1 with interest to be calculated on a 365/366-day basis. From issue through June 30, 2023, the Daily Rate has been as high as 3.70%, and as low as 0.01% (or 1 basis point) with an average rate of 0.63% (or 63 basis points). Over the same period, the Weekly Rate has been issued at a high of 3.58%, a low of 0.01% (or 1 basis point) with an average rate of 0.81% (or 81 basis points) on an annual 365/366-day basis. The interest rate expectations are presented in the following tables as though outstanding principal were charged interest at the rates in effect at 6/30 of each year as required by Governmental Accounting Standards Board Statement 88 (GASB 88). The rates in place at June 30, 2023 were 3.23% on the series A bonds (weekly reset) and 2.10% on the Series B Bonds (daily reset). The rates in place at June 30, 2022 were 0.72% (or 72 basis points) on the series A bonds (weekly reset) and 0.52% (or 52 basis points) on the Series B Bonds (daily reset).

Bond proceeds were used to make a Project Loan to the San Mateo County Express Lanes Joint Powers Authority (SMCELJPA) for the construction of express lanes on U.S. 101 in San Mateo County. The Project Loan will be repaid to the Transportation Authority from revenues generated by the Express Lanes. Mandatory redemption in the form of a Mandatory Sinking Fund is designated to make principal payments beginning June 1, 2027, for both Bond Series. The 2020 SMCTA Subordinate Sales Tax Revenue Variable Rate Demand Bonds are limited obligations of the Transportation Authority and are payable from a lien on revenue of (i) the measure A sales tax revenues pursuant to the Bay Area County Traffic and Transportation Funding Act and (ii) the Measure W sales tax revenues pursuant to the San Mateo County Transit District Act.

The 2020 SMCTA Subordinate Sales Tax Revenue Variable Rate Demand Bonds are limited obligations of the Transportation Authority and are payable from a lien on revenue of (i) the measure A sales tax revenues pursuant to the Bay Area County Traffic and Transportation Funding Act and (ii) the Measure W sales tax revenues pursuant to the San Mateo County Transit District Act.

The sales tax revenues are pledged to pay the scheduled principal and interest payments on the subordinate sales tax revenue variable rate demand bonds. In the event that a deficiency exists because of unpaid or delinquent collections at the time a debt service payment is due, the Transportation Authority must provide resources to cover the deficiency until other resources, are received. Debt service payments of \$1,710,032 as a ratio of pledged sales tax revenue of \$176,626,624 for the year ended June 30, 2023, was 10,328.8% and provided 103.3 times coverage. Debt service payments of \$288,639 as a ratio of pledged sales tax revenue of \$169,023,842 for the year ended June 30, 2022, was 58,558.9% and provided 585.6 times coverage.

As of June 30, 2023, \$100,000,000 of subordinate sales tax revenue variable rate demand bonds are outstanding. The subordinate sales tax revenue variable rate demand bonds mature on June 1, 2049.

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

The Transportation Authority has entered into two software subscription arrangements as subscriber primarily for software as a service (SaaS) and platform as a service (PaaS). Most subscriptions have initial terms of up to three years. As of June 30, 2023, the value of the subscription liability was \$62,000. The Transportation Authority is required to make \$62,000 in payments through June 30, 2024. As the interest rate implicit in the Authority's subscriptions are not readily determinable, the District utilizes its incremental borrowing rate to discount the subscription payments.

Changes in long-term liabilities

Changes in the Transportation Authority's long-term liabilities for the year ended June 30, 2023, are as follows:

(in thousands)	Balance at July 1, 2022	Additions	Retirements	Balance June 30, 2023	Current Portion
Subscription liability	\$ 184	\$ -	\$ (122)	\$ 62	\$ 62
2020 Sales Tax					
Variable Rate Debt	100,000	-	-	100,000	-
Total long-term debt	\$ 100,000	\$ -	\$ -	\$ 100,000	\$ -

The debt service requirements for the Transportation Authority are as follows:

Year Ending June 30: (in thousands)	Principal	Interest	Total
2024	\$ -	\$ 2,665	\$ 2,665
2025	-	2,665	2,665
2026	-	2,665	2,665
2027	5,000	2,654	7,654
2028	-	2,532	2,532
2029-2033	30,000	11,393	41,393
2034-2038	18,150	7,672	25,822
2039-2043	20,040	5,151	25,191
2044-2048	22,120	2,368	24,488
2049	4,690	114	4,804
Total	\$ 100,000	\$ 39,879	\$ 139,879

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

Note 12 - Related Parties and Jointly Governed Organizations

San Mateo County Express Lanes Joint Powers Authority

The San Mateo County Transportation Authority and the City/County Association of Governments of San Mateo County (“C/CAG”) are co-sponsors of the San Mateo County U.S. 101 Express Lanes Project (“Project”). The Project includes (i) the conversion of the existing High Occupancy Vehicle (“HOV”) lanes into express lanes from the northern terminus of the Santa Clara County express lanes to the Whipple Road Interchange and (ii) the construction of new express lanes from Whipple Road north to I-380 in San Mateo County. When completed, the Project will provide continuous express lanes in San Mateo County in both the northbound and southbound directions of U.S. 101. Resulting toll revenues will fund transportation and transit improvements in the corridor, as well as Project operations and maintenance. Members of the SMCELJPA’s Board of Directors are elected officials representing San Mateo County. The Express Lanes are scheduled for a two-phase opening, south segment opened February 11, 2022, and the north segment was officially opened on March 3, 2023.

In May 2019, the Transportation Authority and the C/CAG formed the San Mateo County Express Lanes Joint Powers Authority (“SMCELJPA”) through a Joint Exercise of Powers Agreement to exercise their shared rights to own, administer and manage the Project. Under that agreement, the San Mateo County Transit District (as managing agency for the Transportation Authority) and C/CAG both provide staff support to the SMCELJPA. The District’s staff support the SMCELJPA’s financial activities (e.g., budgeting, accounting, audits and treasury), marketing (including marketing use of the lanes and promoting the broader benefits of the lanes), and communications (including media and community relations, and the SMCELJPA’s website). The Transportation Authority compensates the District for staff time spent in support of the SMCELJPA; the SMCELJPA reimburses the Transportation Authority for such costs.

Loan Receivable

In Fiscal Year 2023, the Transportation Authority and the C/CAG authorized loans to fund operating costs in the amount of \$2,538,000 and \$1,350,000 respectively from each agency. As of June 30, 2023, the Transportation Authority had a loan receivable of \$3,259,000 from the SMCELJPA.

In Fiscal Year 2022, the Transportation Authority and the C/CAG authorized loans to fund operating costs in the amount of \$1,407,000 and \$1,314,000 respectively from each agency. As of June 30, 2022, the Transportation Authority had a loan receivable of \$3,188,000 from the SMCELJPA.

San Mateo County Transportation Authority

Notes to the Financial Statements

June 30, 2023 (with Comparative Totals for 2022)

Long Term Project Loan Receivable

On September 1, 2020, the Transportation Authority entered a non-revolving loan agreement with the SMCELJPA. The Transportation Authority is using the proceeds of its 2020 Series A and B Limited Tax Bonds to fund a portion of U.S. 101 Express Lane Project construction. The SMCELJPA has agreed to apply future toll revenues to repay the Transportation Authority in accordance with the terms and provisions of the bond loan agreement. The initial bond loan balance was \$100,000,000 (calculated as the amount of bond proceeds deposited to the funds and accounts under the Bond Indenture plus the underwriters' discount upon initial sale of the Bonds to the underwriters thereof). The Principal is payable on May 1, 2024, and annually thereafter on May 1 of each year through in accordance with the loan agreement. Interest is accrued on the bond loan at a rate equal to the interest rate of the Transportation Authority's 2020 Series A and B Limited Tax Bonds.

As of June 30, 2023, the Transportation Authority has spent \$90 million bonds proceeds on the U.S. 101 Express Lane Project. The unspent bond proceeds of \$10 million was presented as an obligation to fund future project cost.

San Mateo County Transit District

As discussed in Note 1A, the San Mateo County Transit District has been designated as the entity responsible for overall management of the Transportation Authority. The Transportation Authority reimburses the District for staff support services.

Staff support expenditures for the year ended June 30 are as follows:

(in thousands)	2023	2022
Salaries and benefits	\$ 980	\$ 744
Indirect costs	248	626
Total	\$ 1,228	\$ 1,370



Required Supplementary Information
June 30, 2023

San Mateo County Transportation Authority

San Mateo County Transportation Authority
General Fund – Budgetary Comparison Schedule
Year Ended June 30, 2023 (in thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Resources (inflows)				
Sales tax	\$ 162,408	\$ 162,408	\$ 176,627	\$ 14,219
Investment income	4,899	4,899	9,407	4,508
Rental income	1,199	1,199	1,189	(10)
Project reimbursement	-	-	3,658	3,658
Other Income	400	400	400	-
Amounts available for appropriation	<u>168,906</u>	<u>168,906</u>	<u>191,281</u>	<u>22,375</u>
Charges to appropriations (outflows)				
Program Administration				
Staff support	1,546	1,515	980	535
Board compensation	9	9	9	-
AIA	248	248	248	-
Professional and legal fees	415	415	295	120
Other services and supplies	947	972	379	593
Travel and meeting	31	37	21	16
Total program administration	<u>3,197</u>	<u>3,197</u>	<u>1,932</u>	<u>1,265</u>
Distributions to local entities	35,188	35,188	38,273	(3,085)
BART	2,165	2,165	2,331	(166)
Paratransit	4,331	4,331	4,717	(386)
Measure A information	5	5	-	5
Capital outlays	<u>121,891</u>	<u>139,757</u>	<u>31,253</u>	<u>108,504</u>
Total Charges to Appropriations	<u><u>\$ 166,777</u></u>	<u><u>\$ 184,643</u></u>	<u>78,506</u>	<u><u>\$ 106,138</u></u>
Fund balances				
Beginning of Year			<u>665,750</u>	
End of Year			<u><u>\$ 778,525</u></u>	
Reconciliation to the Statement of Revenues, Expenditures and Fund Balances				
Cumulative unrealized gains under GASB 31			<u>(16,725)</u>	
Total Revenues in the Statement of Revenues, Expenditures and Changes in Fund Balances - GAAP Basis			<u><u>\$ 761,800</u></u>	

Budgets and the Budgetary Process

The Transportation Authority Board adopts an annual operating budget in accordance with Section 131265(a) of the Public Utilities Code. Budget amounts may be revised by Board Resolutions. The budget and actual revenues and expenditures are presented as required supplementary information. The basis the Transportation Authority uses to prepare the budget is consistent with the basis used to reflect the actual revenues and expenditures, except that proceeds from sale of capital assets and unrealized gains and losses on investment are not included in the budget for the General Fund.

Management is authorized to exceed budget for individual categories provided that there is sufficient fund balance.

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Supplementary Information
June 30, 2023

San Mateo County Transportation Authority

San Mateo County Transportation Authority

Expenditures of Capital Projects from Inception to Date

June 30, 2023 (with Comparative Totals for 2022)

The expenditures on public transportation projects during fiscal years 2023 and 2022 were \$99.4 million and \$149.9 million, respectively. Total expenditures on such projects from inception through June 30, are as follows (in thousands):

Projects	2023	2022
Alternative Congestion Relief	\$ 6,084	\$ 5,050
Caltrain	374,496	369,716
Dumbarton Spur	34,039	34,006
Ferry	8,978	8,927
Local Shuttle	32,118	27,771
Bicycle	18,505	16,871
Oversight	8,758	8,727
Recollectible & Excluded	443	443
Paratransit	158	8
Railroad Grade Separations	354,456	343,834
Streets and Highways	653,033	644,462
Total	\$ 1,491,068	\$ 1,459,815

Of the total expenditures of \$1,491.0 million for capital projects, \$234.5 million was funded by contributions from external entities.



Statistical
June 30, 2023

San Mateo County Transportation Authority

Statistical

Financial Trends

- Net Position and Change in Net Position
- Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
- Fund Balances of Governmental Funds

Revenue Capacity

- Revenue Base and Revenue Rate
- Principal Revenue Payers

Debt Capacity

- Ratio of Outstanding Debt by Type
- Ratio of General Bonded Debt Outstanding
- Direct and Overlapping Debt and Limitations
- Pledged Revenue Coverage

Demographics and Economic Information

- Population, Income and Unemployment Rates
- Principal Employers

Operating Information

- Capital Outlay
- Employees
- Capital Assets

The Statistical Section of the Transportation Authority's Annual Comprehensive Financial Report presents detailed information as a context for understanding the information in the financial statements, notes disclosure, required supplementary information and other supplemental information, and for assessing the Transportation Authority's economic condition.

Financial Trends

These schedules contain trend information to assist readers in understanding and assessing how the Transportation Authority's financial position has changed over time.

Revenue Capacity

These schedules contain information to assist readers in understanding and assessing the factors affecting the Transportation Authority's ability to generate its most significant local revenue source, sales tax.

Debt Capacity

These schedules contain information to assist readers in understanding and assessing the affordability of the Transportation Authority's current level of outstanding debt and the Transportation Authority's ability to issue debt in the future.

Demographic and Economic Information

These schedules present socioeconomic indicators to assist readers in understanding the environment within which the Transportation Authority's financial activities take place.

Operating Information

These schedules contain contextual information about the Transportation Authority's operations and resources to assist readers in using financial statement information as a tool to understand and assess the Transportation Authority's economic condition.

San Mateo County Transportation Authority
Net Position and Change in Net Position
Fiscal Years 2014 Through 2023 (in thousands)

Fiscal Year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental Activities										
Program Revenues										
Grade Separations	\$ 1,189	\$ 1,140	\$ 1,029	\$ 1,050	\$ 708	\$ 708	\$ 916	\$ 874	\$ 895	\$ 888
Dumbarton Spur	-	-	-	-	-	366	308	293	324	397
Program Administration	400	732	-	-	-	-	-	-	-	-
Projects Funding	3,658	57,879	123,887	5,672	7,730	3,040	1,210	-	5,672	52
Total Program Revenues	5,247	59,751	124,916	6,722	8,438	4,114	2,434	1,167	6,891	1,337
Program Expenses										
Public Transit										
Upgrades and Extension	5,242	16,385	20,520	15,488	25,071	62,257	13,364	15,682	14,573	7,671
Grade Separations	10,584	10,213	21,400	17,939	24,114	18,042	821	4,142	6,525	27,553
Paratransit	4,717	4,516	3,753	3,665	4,155	3,386	3,374	3,188	3,239	3,105
Dumbarton Spur	33	10	45	134	40	210	138	205	210	329
BART	2,331	2,258	1,877	1,833	2,015	1,756	1,687	1,594	1,619	1,552
Caltrain	-	-	7,507	7,331	8,892	6,191	6,748	6,376	6,478	6,210
Project funding	4,397	3,391	4,060	2,810	3,856	2,209	3,042	1,940	2,205	1,646
Streets and highways										
Distribution to local entities	38,273	36,627	30,437	29,450	22,664	20,226	19,564	18,408	18,663	17,468
Projects funding	9,286	69,170	103,886	59,976	44,768	64,457	21,691	21,969	23,131	9,509
Program Administration	1,932	2,324	2,211	1,844	2,253	1,689	1,316	1,211	1,208	838
Debt Service - interest	1,710	194	-	-	-	-	-	-	-	-
Total Program Expenditures	78,505	145,088	195,696	140,470	137,828	180,423	71,745	74,715	77,851	75,881
Net Program Revenues (Expenses)	(73,258)	(85,337)	(70,780)	(133,748)	(129,390)	(176,309)	(69,311)	(73,548)	(70,960)	(74,544)
General revenues										
Sales tax	176,627	169,024	140,453	135,793	100,728	87,818	84,354	79,704	80,974	77,626
Unrestricted investment earnings	9,622	(15,528)	(860)	14,033	14,692	3,841	1,488	6,786	4,106	3,065
Other income	-	-	-	-	-	-	-	6	669	7,172
Change In Net Position	112,991	68,159	68,813	16,078	(13,970)	(84,650)	16,531	12,948	14,789	13,319
Net Position Components										
Invested in capital assets	11,681	11,680	11,682	11,682	11,682	11,682	11,682	11,682	11,682	13,591
Restricted	661,800	548,810	480,649	411,832	395,752	409,721	494,372	477,842	464,893	453,869
Net Position	\$ 673,481	\$ 560,490	\$ 492,331	\$ 423,514	\$ 407,434	\$ 421,403	\$ 506,054	\$ 489,524	\$ 476,575	\$ 467,460

Source: Current and prior years' Annual Comprehensive Financial Reports.

This table presents Governmental activity program revenues and expenditures, general revenues, sales tax and other income.

San Mateo County Transportation Authority
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Years 2014 Through 2023 (in thousands)

Fiscal year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues										
Sales tax revenue	\$ 176,627	\$ 169,024	\$ 140,453	\$ 135,793	\$ 100,728	\$ 87,818	\$ 84,354	\$ 79,704	\$ 80,974	\$ 77,626
Investment income (loss)	9,622	(14,371)	(957)	13,955	14,614	3,787	1,447	6,744	4,181	3,019
Rental income	1,189	1,140	1,029	1,050	708	1,074	1,224	1,167	1,219	1,204
Project reimbursements	3,658	57,879	123,877	5,672	7,730	3,040	1,210	6	669	7,184
Proceeds from sale of properties	-	-	-	-	-	-	-	-	1,793	-
Other income	400	732	10	-	-	-	-	-	-	121
Total Revenue	191,496	214,404	264,412	156,470	123,780	95,719	88,235	87,621	88,836	89,154
Expenditures										
Public Transit										
Upgrades and extensions	5,243	16,385	20,520	15,488	25,071	62,257	13,364	15,682	14,573	7,671
Grade separations	10,584	10,213	21,400	17,939	24,114	18,042	821	4,142	6,525	31,003
Dumbarton spur	33	10	45	134	40	210	138	205	210	329
BART	2,331	2,258	1,877	1,833	2,015	1,756	1,687	1,594	1,619	1,552
Caltrain & Paratransit	4,717	-	7,507	7,331	8,892	6,191	6,748	6,376	6,478	6,210
Project funding	4,397	3,391	4,060	2,810	3,856	2,209	3,042	1,940	2,205	1,646
Streets and highways										
Distributions to local entities	38,273	41,143	34,190	33,115	26,819	23,612	22,938	21,596	21,902	20,573
Projects funding	9,286	69,170	103,886	59,976	44,767	64,457	21,691	21,969	23,131	9,509
Program administration	1,932	2,324	2,211	1,844	2,253	1,689	1,316	1,211	1,209	838
Debt Service - interest	1,710	194	-	-	-	-	-	-	-	-
Total Expenditures	78,506	145,088	195,696	140,470	137,828	180,423	71,745	74,715	77,852	79,331
Excess Revenues Over Expenditures	112,990	69,316	68,716	16,000	(14,048)	(84,704)	16,490	12,906	10,984	9,823
Other Financing Sources (Uses)										
Bond issuance/repayment	-	4,343	100,000	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	4,343	100,000	-						
Net Change In Fund Balance	112,990	73,659	168,716	16,000	(14,048)	(84,704)	16,490	12,906	10,984	9,823
Fund Balance										
Non-Spendable	-	-	-	-	-	-	355	-	1,786	3
Restricted	761,800	648,810	575,151	406,428	390,427	404,474	488,823	472,689	457,997	448,796
Total Ending Fund Balance	\$ 761,800	\$ 648,810	\$ 575,151	\$ 406,428	\$ 390,427	\$ 404,474	\$ 489,178	\$ 472,689	\$ 459,783	\$ 448,799

Source: Current and prior years' Annual Comprehensive Financial Reports.

This table presents revenues, expenditures, other financing sources and changes in fund balance.

San Mateo County Transportation Authority

Fund Balances of Governmental Funds
Fiscal Years 2014 Through 2023 (in thousands)

Fiscal year ended	General Fund		
	Non-Spendable	Restricted	Total
2023	\$ -	\$ 761,800	\$ 761,800
2022	-	648,810	648,810
2021	-	575,151	575,151
2020	-	406,428	406,428
2019	-	390,427	390,427
2018	-	404,474	404,474
2017	355	488,823	489,178
2016	-	472,689	472,689
2015	1,786	457,997	459,783
2014	3	448,796	448,799

Source: Current and prior years' Annual Comprehensive Financial Reports.

San Mateo County Transportation Authority
 Revenue Base and Revenue Rate
 Fiscal Years 2014 Through 2023 (in thousands)

Fiscal Year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
The Sales Tax Rate ^[2]	0.75%	0.75%	0.75%	0.75%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Total Sales Tax Revenue	\$ 176,627	\$ 169,024	\$ 140,453	\$ 135,793	\$ 100,728	\$ 87,818	\$ 84,354	\$ 79,704	\$ 80,974	\$ 77,626
Total Taxable Sales in San Mateo County ^[1]	\$ 23,550,216	\$ 22,536,513	\$ 17,700,000	\$ 18,800,000	\$ 19,700,000	\$ 17,900,000	\$ 16,600,000	\$ 15,941,000	\$ 16,194,800	\$ 15,298,434

^[1] 2023 taxable sales are estimates based on sales tax revenues received; 2022 taxable sales amount is the most current information available on the County of San Mateo Annual Comprehensive Financial Report.

^[2] Includes 0.25% Tax Rate for Measure W, effective on 7/1/2019.

This table presents total sales tax revenue and total taxable sales in San Mateo County.

Source: California State Board of Equalization and County of San Mateo County FY2022 Annual Comprehensive Financial Report.

San Mateo County Transportation Authority

Principal Revenue Payers

Fiscal Years 2022 and 2013

Major Industry Group	FY2022			FY2013		
	Rank	Percent of Sales Receipts	Amount	Rank	Percent of Sales Receipts	Amount
County & State Pool	1	22.1%	\$ 46,690,305	4	12.3%	\$ 17,489,507
Autos And Transportation	2	16.1%	34,150,755	2	16.5%	23,510,267
General Consumer Goods	3	15.6%	32,984,513	1	22.0%	31,380,311
Business And Industry	4	14.5%	30,750,165	6	11.5%	16,367,454
Restaurants And Hotels	5	11.8%	24,979,295	3	12.5%	17,835,410
Building And Construction	6	8.0%	16,842,542	7	8.0%	11,359,664
Fuel And Service Stations	7	7.3%	15,457,223	5	11.5%	16,430,985
Food And Drugs	8	4.5%	9,556,182	8	5.3%	7,594,234
Transfers & Unidentified	9	0.1%	180,780	9	0.3%	417,957
Total			<u>\$211,591,760</u>			<u>\$142,385,789</u>

Source: County-wide sales tax data provided by the County of San Mateo and Major Industry Group provided by Hinderliter, de Llamas and associates (HdL).

San Mateo County Transportation Authority

Ratios of Outstanding Debt by Type

Fiscal Years 2021 Through 2023 (in thousands)

Fiscal Year	Revenue Bonds for Transportation Authority ^[1]	Personal Income for San Mateo County ^[2]	As a Percent of Personal Income
2023	\$ 100,000	\$ 117,532,623 *	0.09%
2022	100,000	112,336,000 *	0.09%
2021	100,000	109,063,703 *	0.09%

^[1] Current and prior years' Annual Comprehensive Financial Report.

^[2] Data include retroactive revisions by the U.S. Department of Commerce Bureau of Economic Analysis.

*Personal Income and Per Capital Personal Income data for 2022 & 2021 is based on an estimated three percent annual increase over 2019 & 2018 respectively.

This table presents the relationship between the revenue bonds and the total personal income of the residents of San Mateo County.

Historical information is not applicable prior to 2021 as the Transportation Authority did not have any outstanding bonds.

San Mateo County Transportation Authority

Ratios of General Bonded Debt Outstanding
Fiscal Years 2021 Through 2023 (in thousands)

Fiscal Year	Revenue Bonds for Transportation Authority	Total Taxable Sales in San Mateo County	As a Percent of Total Taxable Sales in San Mateo County
2023	\$ 100,000	\$ 23,550,216 ^[1]	0.42%
2022	100,000	21,960,000 ^[1]	0.44%
2021	100,000	17,700,000 ^[1]	0.53%

^[1] Taxable sales are estimates based on sales tax revenues received.

This table presents the capacity of the Authority to issue revenue bonds based on total taxable sales in San Mateo County.

Source: Current and Prior years' Annual Comprehensive Financial Reports and California State Board of Equalization.

Historical information is not applicable prior to 2021 as the Transportation Authority did not have any bonded debt.

San Mateo County Transportation Authority
Direct and Overlapping Debt and Limitations
Fiscal Years 2014 Through 2023

The Transportation Authority does not have overlapping debt with other governmental agencies. Additionally, the Transportation Authority does not have a legal debt limit.

San Mateo County Transportation Authority

Pledged-Revenue Coverage

Fiscal Years 2021 Through 2023 (in thousands)

Fiscal Year	Sales Tax	Principal *	Interest *	Total	Coverage
2023	\$ 176,627	\$ -	\$ 1,710	\$ 1,710	102
2022	169,024	-	289	289	586
2021	140,453	-	259	259	542

This table presents the relationship between total sales tax revenue, debt service payments and the capacity of the Authority to meet its debt obligations.

Source: Current years' Annual Comprehensive Financial Reports.

Historical information is not applicable prior to 2021 as the Transportation Authority did not have any pledged revenue.

San Mateo County Transportation Authority
Population, Income and Unemployment Rates
Fiscal Years 2014 Through 2023

Year	Population	[1]	Total Personal Income (in millions)	[2]	Per Capita Personal Income	[2]	Average Unemployment Rates	[3]
2023	738,705	*	\$ 117,533	*	\$ 154,993	*	3.1%	
2022	744,662		114,109	*	150,479	*	2.1%	
2021	751,596		110,786	*	146,096	*	5.0%	
2020	771,061		107,559		141,841		10.8%	
2019	774,231		101,056		132,133		2.2%	
2018	772,372		96,306		125,332		2.5%	
2017	770,256		89,223		116,077		2.9%	
2016	765,895		81,488		106,115		3.3%	
2015	759,155		78,525		102,639		3.3%	
2014	758,581		71,027		93,802		4.2%	

[1] Data include retroactive revisions by the State of California Department of Finance, Demographic Research Unit.

[2] Data include retroactive revisions by the U.S. Department of Commerce Bureau of Economic Analysis.

[3] Data include retroactive revisions by the State of California Employment Development Department.
Unemployment rates are non-seasonally adjusted for June.

*2023 Population growth is base on 0.8% decline from 2022.

*Personal Income and Per Capital Personal Income data for 2021, 2022, and 2023 is based on an estimated three percent annual increase over 2020. Source data for table is FY22 San Mateo County Annual Comprehensive Financial Report.

This table highlights San Mateo County's total population, total personal and per capita income, and percentage of unemployed residents.

Source: County of San Mateo FY2022 Annual Comprehensive Financial Report.

San Mateo County Transportation Authority

Principal Employers
Fiscal Years 2021 and 2013

Employers in San Mateo County	Business Type	2021*			2013		
		Number of Employees	Rank	Percent of Total County Employment	Number of Employees	Rank	Percent of Total County Employment
Meta (Facebook Inc.)	Social Network	15,407	1	3.51%	2,865	7	0.75%
Genentech Inc.	Biotechnology	12,000	2	2.73%	8,800	2	2.30%
Oracle Corp.	Hardware and Software	9,149	3	2.08%	6,524	3	1.71%
United Airlines	Airline	7,894	4	1.80%	10,000	1	2.62%
County of San Mateo	Government	5,705	5	1.30%	5,929	4	1.55%
Gilead Sciences Inc.	Biotechnology	4,190	6	0.95%	2,596	8	0.68%
YouTube	Online Video-Streaming Platform	2,384	7	0.54%			
Sony Interactive Entertainment	Interactive Entertainment	1,855	8	0.42%			
Alaska Airlines	Airline	1,591	9	0.36%			
Electronic Arts Inc.	Video Game Developer & Publisher	1,478	10	0.34%			
Visa USA/Visa International	Global Payments Technology				2,895	6	0.76%
Kaiser Permanente	Healthcare				3,911	5	1.02%
Mills-Peninsula Health Services	Healthcare				2,200	9	0.58%
Safeway Inc.	Retail Grocer				2,195	10	0.57%
Total		61,653		14.03%	47,915		12.54%

* The latest information available for principal employers in the County.

This table presents the top 10 principal employers in San Mateo County for 2021 and 2013.

Source: San Francisco Business Times - 2022 Book of Lists; California Employment Development Department (provided by San Mateo County Controller's office) from the FY2022 County of San Mateo Annual Comprehensive Financial Reporting.

San Mateo County Transportation Authority
Capital Outlay
Fiscal Years 2014 Through 2023 (in thousands)

Cumulative Capital Projects	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Dumbarton Spur	\$ 34,039	\$ 34,006	\$ 33,996	\$ 33,831	\$ 33,697	\$ 33,657	\$ 33,447	\$ 33,309	\$ 33,104	\$ 32,894
Caltrain-Downtown Extension	374,496	369,716	353,331	332,396	316,908	291,837	229,908	216,918	201,236	186,663
Paratransit	158	8	8	7	7	7	7	7	7	2
Ferry	8,978	8,927	8,286	8,170	8,097	8,090	8,090	8,090	8,090	8,088
Local Shuttle	32,118	27,771	25,021	19,680	16,951	13,101	10,892	7,850	5,910	3,707
Railroad Grade Separations	354,456	343,834	333,621	311,280	293,341	269,226	251,184	250,363	246,221	239,697
Streets and Highways	653,476	644,905	578,776	474,903	418,793	377,040	314,829	294,846	275,287	253,794
Alternative Congestion Relief	6,084	5,050	4,164	3,742	2,973	2,269	1,811	1,366	897	456
Admin, Oversight and Bicycle	27,263	25,598	23,249	26,531	23,428	21,117	18,541	16,321	13,911	12,272
Total	\$ 1,491,068	\$ 1,459,815	\$ 1,360,452	\$ 1,210,540	\$ 1,114,195	\$ 1,016,344	\$ 868,709	\$ 829,070	\$ 784,663	\$ 737,573

Source: Current and prior years' Annual Comprehensive Financial Reports.

This table presents the total cumulative capital outlay on public transportation projects for the past 10 years.

San Mateo County Transportation Authority
 Employees
 Fiscal Years 2014 Through 2023

Division	Full-Time Equivalents									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Caltrain Modernization Program	-	-	-	-	-	-	0.20	-	-	-
Customer Service and Marketing	4.07	2.75	2.56	3.02	1.39	1.50	1.50	0.15	0.15	0.17
Executive	0.45	0.35	0.35	0.35	0.50	0.50	0.50	0.40	0.57	0.60
Finance and Administration	4.05	3.37	2.89	2.65	3.07	2.80	2.75	2.17	2.10	2.29
Operations, Engineering and Construction	0.11	0.07	0.07	0.12	0.14	0.08	0.08	4.16	4.34	4.35
Planning and Development	10.94	10.11	8.71	9.07	7.94	7.59	7.59	3.39	3.35	3.30
Public Affairs	-	-	-	-	-	-	-	1.40	1.20	1.20
Total Employees	19.62	16.65	14.58	15.21	13.04	12.47	12.62	11.67	11.71	11.91

Source: TA's annual operating and capital budgets.
 This table presents total full-time equivalents by division.

San Mateo County Transportation Authority
 Capital Assets
 Fiscal Years 2014 Through 2023 (in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Depreciable capital assets										
Subscription assets	\$ 303	\$ 303	\$ 303	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated depreciation for Subscription assets	(242)	(121)	-	-	-	-	-	-	-	-
Land	<u>11,682</u>	<u>13,591</u>								
Capital Assets, Net	<u>\$ 11,743</u>	<u>\$ 11,864</u>	<u>\$ 11,985</u>	<u>\$ 11,682</u>	<u>\$ 13,591</u>					

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Independent Auditor's Reports
June 30, 2023

San Mateo County Transportation Authority

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Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of the
San Mateo County Transportation Authority
San Carlos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the San Mateo County Transportation Authority (Transportation Authority) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Transportation Authority’s basic financial statements, and have issued our report thereon dated December 22, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Transportation 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 Transportation Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Transportation Authority’s internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in cursive script that reads "Eide Sully LLP".

Menlo Park, California
December 22, 2023

San Mateo County Transportation Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

San Mateo County Transportation Authority

Financial Statement Findings

Year Ended June 30, 2023

None reported.