



Sacramento Regional Transit District
**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2017



Regional Transit

1400 29th Street
P.O. Box 2110
Sacramento, CA 95812-2110
916-321-2800 • sacrt.com

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017



Sacramento Regional Transit District
Prepared by the Finance Division

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Introductory Section



Regional Transit

**Sacramento Regional
Transit District**
A Public Transit Agency
and Equal Opportunity Employer

Mailing Address:
P.O. Box 2110
Sacramento, CA 95812-2110

Administrative Office:
1400 29th Street
Sacramento, CA 95816
(916) 321-2800
(29th St. Light Rail Station/
Bus 36,38,50,67,68)

Light Rail Office:
2700 Academy Way
Sacramento, CA 95815
(916) 648-8400

Public Transit Since 1973

www.sacrt.com

December 11, 2017

To the Board of Directors and Citizens Served by the Sacramento Regional Transit District:

The Sacramento Regional Transit District (the District) is required to undergo an annual audit in conformity with the provisions of the Single Audit Act and U.S. Office of Management and Budget Uniform Guidance as it pertains to audits of state and local governments. State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller of the United States within 6 months of the close of each fiscal year. Pursuant to that requirement, the District hereby issues the Comprehensive Annual Financial Report (CAFR) of the District for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District annually commissions an independent audit of its account records, consistent with the Sacramento Regional Transit District Board of Directors' (Board) fiduciary duty to preserve and protect District assets and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Crowe Horwath, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the District's financial statements for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there are no material weaknesses to report and that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP.

The independent audit of the financial statements of the District was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District’s separately-issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District’s MD&A can be found immediately following the independent auditor’s report of Crowe Horwath LLP.

Profile of the District

The District began operation on April 1, 1973, with the acquisition of the Sacramento Transit Authority. The District is the largest public transportation provider in the Sacramento region, serving a metropolitan population of over 1.0 million with a service area of approximately 400 square miles. In 1971, California legislation allocated sales tax money for local and statewide transit service, and created the organizational framework for the District pursuant to the Sacramento Regional Transit District Act.

An 11-member Board of Directors is responsible for governing the District. The Board is comprised of four members of the Sacramento City Council, three members of the Sacramento County Board of Supervisors, one member of the Rancho Cordova City Council, one member of the Citrus Heights City Council, one member of the Folsom City Council and one member of the Elk Grove City Council. The Board is responsible for, among other things, passing ordinances, adopting the budget, appointing committees and hiring both the District’s General Manager/Chief Executive Officer (GM/CEO) and Chief Counsel. The District’s GM/CEO is responsible for carrying out the policies and ordinances of the Board for overseeing the day-to-day operations of the District, and for appointing the executive management of the various divisions.

The District provides bus and light rail service 365 days a year covering a 400 square-mile service area. Annual bus and light rail ridership has grown from 14 million passengers in 1987, to approximately 22 million passengers in fiscal year ended June 30, 2017. More recently, consistent with industry trends, the District’s ridership has declined and as such this has now become one of the District’s 12 strategic initiatives. The District’s entire bus and light rail system is accessible to the disabled community. Additionally, through a contract with Paratransit, Inc., the District provides origin-to-destination transportation service (in accordance with the Americans with Disabilities Act of 1990) for people that are unable to use fixed-route service.

The District’s annual budget serves as the foundation for financial planning and control. The budget is a financial plan for one fiscal year of operating revenue and expenses, and capital investments. The plan matches revenues with the service expenses and project cost expenses based on policies set by the District’s Board. The budget process follows three basic steps that help provide continuity in decision making: 1.) assess current conditions and needs, and develop goals, objectives, policies and plans; 2.) prioritize projects and develop a work program, and 3.) implement those plans and policies, and prepare to evaluate their effectiveness and shortcomings.

The District’s General Manager/CEO presents a proposed budget to the Board for a 60-day public review period beginning in April. Following the review period, the District is required to hold public

hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the District's fiscal year. The budget is prepared by fund (operating or capital), division and department (e.g., safety) or by capital project. The legal level of control is at the fund level, where budget amendments are authorized by the Board. The responsible division executive manager and the GM/CEO authorize interdivisional transfers. The respective division directors and department managers authorize intra-divisional transfers and the responsible manager authorizes departmental transfers.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates bus and light rail service.

Local Economy

The District operates within the greater Sacramento region. The region, which includes six counties (El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba), has varied state governmental services and a light industrial base. The annual unemployment rate for the Sacramento area in 2017 was 5.1 percent down from 5.5 percent in 2016. The Sacramento region is expected to see the unemployment rate drop to the high 4 percent range in the next two years.

Residential construction continued its upward trend in 2016 with 7,000 single family homes being built which is a 33 percent increase over 2015 and 9,600 projected builds for 2017. Forecasts for the region show three to four more years of solid economic and housing growth ahead.

A significant portion of the District's operating funds are derived from sales tax revenues. In 2017, taxable sales in the Sacramento region rose resulting in an increase of 4.4 percent in the Local Transportation Fund and a 6.0 percent in Measure A Revenue. It is estimated that taxable sales in 2018 will increase approximately 4 percent resulting in a similar increase in the Local Transportation Fund and Measure A Revenue.

The Sacramento region has one of the busiest real estate markets in 2017, as new construction has not kept up with demand. Economic growth continues to transform Sacramento's landscape with many new mixed-use and transit oriented development projects on the rise.

System-Wide Improvement Initiatives

The fiscal year ending on June 30, 2017 was a year of transformation for the District. With the recent change in leadership, the District has made a significant and positive shift. With broad and deep organizational reforms, it is becoming more than a transportation option, but rather a transportation choice for riders in the Sacramento region by building effective partnerships throughout the community, inspiring District employees to put customers first in everything we do, and ensure performance excellence through the implementation of fiscal policies and strict accountability. The District is now poised to change how it operates internally and externally to become a world-class regional transit provider.

Major Initiatives Moving Forward in FY18

Cost Containment and Revenue Enhancement Opportunities: Could generate nearly \$8 million to stabilize the District's fiscal position. This will be accomplished by paring down the operating budget, freezing additional administrative positions, achieving an agreement with labor unions to reduce the annual salary adjustment from 4 percent to 2.5 percent, and by renegotiating our

contracts with service providers, which will result in a 20 percent reduction. These successes will further enhance the District's financial stability in the future. The District proudly submitted a FY18 budget to the Board that was less than the current year, maintaining current service levels with no additional increase in fares. The budget gives the District the ability to show cost avoidance figures of greater than \$10 million in Fiscal year 2018.

Technology Advancements: The District is committed to improving the customer experience by offering state-of-the-art rider tools and fare payment options that allow for seamless navigation of the transit network. We embrace technology and are reinventing our business model to reflect this commitment. Connect Card, the region's new transit smart card rolled out in June 2017 and a more functional mobile fare app, known as ZipPass, was unveiled to the public on September 1, 2017.

Route Optimization Study: The District's route structure was primarily designed over 30 years ago as a radial network focused on downtown Sacramento. Land uses, travel patterns, and economic centers have changed, shifting downtown Sacramento's important, but no longer an exclusive role in the regional economy. By engaging the community, the District intends to re-imagine the system to reflect the region as it stands today and as it is projected to grow. The results could unleash the region's economic potential by connecting transit services to approximately 1 million people, 300,000 jobs, 20 colleges and universities, 18 hospitals and major medical facilities, more than 25 business districts, and many major attractions all within a quarter-mile of District bus and light rail stops. Phase 1 will begin in winter 2017.

State of Good Repair: The District's is actively pursuing funding to address the State of Good Repair initiative. This is needed to begin the immediate replacement of the aging light rail vehicle fleet and supporting infrastructure.

Secure Additional Local Funding: The District is working diligently with key stakeholders, community leaders and elected officials to secure local, state and federal assistance including, a potential local sales tax initiative.

The District played a key role in helping secure passage of SB1, the Road Repair and Accountability Act of 2017, the \$5.2 billion annual transportation funding package that state legislators approved after many years of debate. Outside of roads, freeways and bridges, SB1 provides transit agencies with an estimated \$600 million annually statewide. The dedicated amounts are approximately 85% for road repair and the remaining 15% to public transit. The calculation for the District could over the next ten years bring an estimated additional \$80 million in funding with the potential to apply for a limited pot of funding for discretionary transit projects. The District plans to apply the extra funding first to repair and replace light rail vehicles, and other State of Good Repair projects.

System-wide improvement projects that have begun or are in the process of beginning are as follows:

Mobile Applications

To improve the customer experience, the District is expanding on its successful launch of several mobile applications, a convenient way for customers to purchase fares, and also provided an added level of security through the implementation of two new mobile applications: RideSacRT, activated in January 2016, is a pilot mobile fare app offering customers a quick and easy way to purchase fares on the go, and Alert SacRT, activated in July 2016, provides customers an anonymous way to report safety concerns or nuisance behavior. Both apps have seen successful results and increased interest.

ZipPass activated in September of 2017, replaces RideSacRT and provides greater mobile connectivity for customers, enables the District to quickly customize mobile ticketing as well as enhanced features for fare evasion. In-line with the Connect Card, ZipPass provides multi-transit agency connectivity for fare purchases using a single application.

Regional Smart Card

The District, along with the Sacramento Area Council of Governments and eight other transit agencies have embarked on a smart card based regional transit fare payment system named “Connect Card,” that serves customers in the Sacramento region. Included in the list of services to be offered by this program is the ability for the customer to pay for fare products online using a credit or debit card and ride all nine transit agencies with one Connect Card.

With the implementation of the program, the District's goals are to provide improved customer convenience, fare enforcement, real-time revenue settlement, revenue security, an improvement to ridership counts and improved service quality. Significant progress on the project was made throughout 2017 with the official public launch on June 15, 2017. The District is seeing increased utilization monthly and anticipates a full transition during 2018.

The District serves as the Connect Card Regional Service Center (RSC) for the nine-agency transit consortium. The RSC performs all functions of maintaining the infrastructure of the Connect Card system as well as performing all of the revenue and treasury functions.

Fare Vending Machine Replacement

In addition to bringing on new technology to enhance customer buying options, the District has a project to replace more than half of its older fare vending machines with new machines that will accept debit cards, credit cards, cash as well as distribute Connect Cards. Since many customers still rely on cash, debit and credit options, replacing these old machines with new technology will improve reliability and save costs associated with necessary repairs to maintain their operation.

Downtown/Riverfront Streetcar

The District is collaborating with the City of Sacramento and the City of West Sacramento in the design, construction and operation of the streetcar project that will link midtown, downtown Sacramento, the Bridge District and the City Hall complex in West Sacramento. The District, through a contract with the Joint Powers Authority created by the two Cities, will design the system, procure the vehicles, and construct the project. Upon completion, the District will operate and maintain the system.

In August 2016, the California State Transportation Agency announced a \$30 million grant from state cap-and-trade funds. In June 2017, the District approved \$25 toward the construction project fund. If approved by Congress the Small Starts Federal Transit Administration grant would provide 50% of the funding for the \$200 million project. The District will be the Federal grantee with the funds flowing to the project through an agreement between the District and the Joint Powers Authority. Private sector contributions through a Community Facilities District within the City of Sacramento was approved by targeted property owners within the corridor in July 2017 to help fund the annual operations and maintenance of the streetcar system.

Nationally, streetcar projects have demonstrated economic benefits and pedestrian mobility improvements and will provide similar benefits for the Sacramento region.

Green Line to the Airport

The Green Line to the Airport light rail extension project is the continuation of the Green Line to the River District (GL-1) across the American River and through the Natomas communities to the Sacramento International Airport.

This major light rail infrastructure project, with many planned components, proposes to add approximately 13 miles of track: 13 light rail stations, including seven with park-and-ride lots; a bridge crossing the American River; and a light duty maintenance facility. The funded scope is limited to the Alternatives Analysis (Complete), the Draft Environmental Impact Statement/Environmental Impact Report (DEIS/EIR) is expected to be completed in late 2018 and advanced conceptual engineering of key areas along the remaining portion of the corridor.

The project's current focus is on the Sacramento Valley Station loop, which will be built to accommodate operations for the Green Line to the Airport and the Downtown/Riverfront streetcar projects. The loop is also expected to serve the Sacramento Railyards development, which includes housing, sports entertainment and a major medical facility is scheduled to be complete in 2020.

Bus Replacement

The District received delivery of 33 new GILLIG 40' BRTPlus Compressed Natural Gas (CNG) buses and 11 new El Dorado Paratransit 27' buses in fiscal year 2017. The GILLIG buses are equipped with new fare boxes that have the ability to disperse limited use smart cards, which will complement the Connect Card program. This was the final delivery of the 96 new GILLIG 40' buses procured to replace the District's aging fleet. Newer existing buses are now equipped with the newest farebox technology.

Balanced Funding Concepts

While the District has extensive plans for future expansion and improvement of light rail and bus services, it faces significant capital replacement and infrastructure maintenance needs for its existing bus and light rail systems. As a result, it is increasingly important to ensure the availability of financial resources to maintain existing levels of service and to fund capital and operating expenditures related to proposed expansion and service improvements. The 25-year vision balances high-priority needs with potential funding. There are three major sources of funding:

- Locally controlled federal and state funding sources (funding given to local governments and agencies to spend on their priority projects)
- Federal discretionary funding sources (designated by the federal government for a specific project)
- Locally raised money (from county sales tax and development fees)

Most of the federal and state revenues that the District receives are generated by the 5307/5309/5337 federal transit funds and the state transportation account, rather than general funds.

The District has specific and continuing Securities and Exchange Commission (SEC) disclosure requirements (Rule 15c2-12) in connection with the 2012 Series Revenue Bonds. The required continuing disclosure items and their locations within the CAFR are presented on page 85.

The District maintains two combined retirement plan Pension Trust funds for the District's union employees, which accounts for the retirement fund of the members of ATU and IBEW and another for the District's salaried employees. Each year, an independent actuary engaged by the respective Retirement Boards calculates the amount of the annual contribution that the District must make to the Trusts to ensure that each retirement plan will be able to fully meet its obligations to retired employees

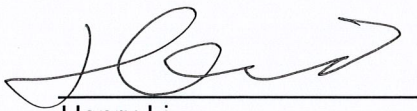
on a timely basis. The District fully funds each year's annual required contribution to the Trusts as determined by the actuary.

Awards and Acknowledgements

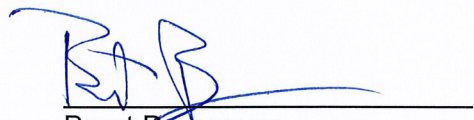
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state or local government financial reports. This was the 17th consecutive year that the District has received this award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of several departments and the tireless efforts of the finance department staff. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report, with special thanks to Paul Selenis, Accounting Manager; Jamie Adelman, Treasury Controller; Nadia Mokhov, Senior Financial Analyst, Maria Whitworth, Senior Administrative Assistant and Yiran Zhang, Finance Intern.



Henry Li
General Manager/CEO



Brent Berhegger
VP, Finance/CFO

**SACRAMENTO REGIONAL TRANSIT DISTRICT
CERTIFICATE OF ACHIEVEMENT
FISCAL YEAR ENDED JUNE 30, 2016**



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Sacramento Regional Transit District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO

**SACRAMENTO REGIONAL TRANSIT DISTRICT
LIST OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2017**

Board of Directors

Andy Morin, City of Folsom, **Chair**
Patrick Kennedy, County of Sacramento, **Vice Chair**
Linda Budge, City of Rancho Cordova
Steve Hansen, City of Sacramento
Jeff Harris, City of Sacramento
Pat Hume, City of Elk Grove
Rick Jennings, II, City of Sacramento
Steve Miller, City of Citrus Heights
Don Nottoli, County of Sacramento
Jay Schenirer, City of Sacramento
Phil Serna, County of Sacramento

Board of Directors Alternates

Steven Detrick, City of Elk Grove
Jeff Slowey, City of Citrus Heights
David Sander, City of Rancho Cordova

General Manager/CEO

Henry Li

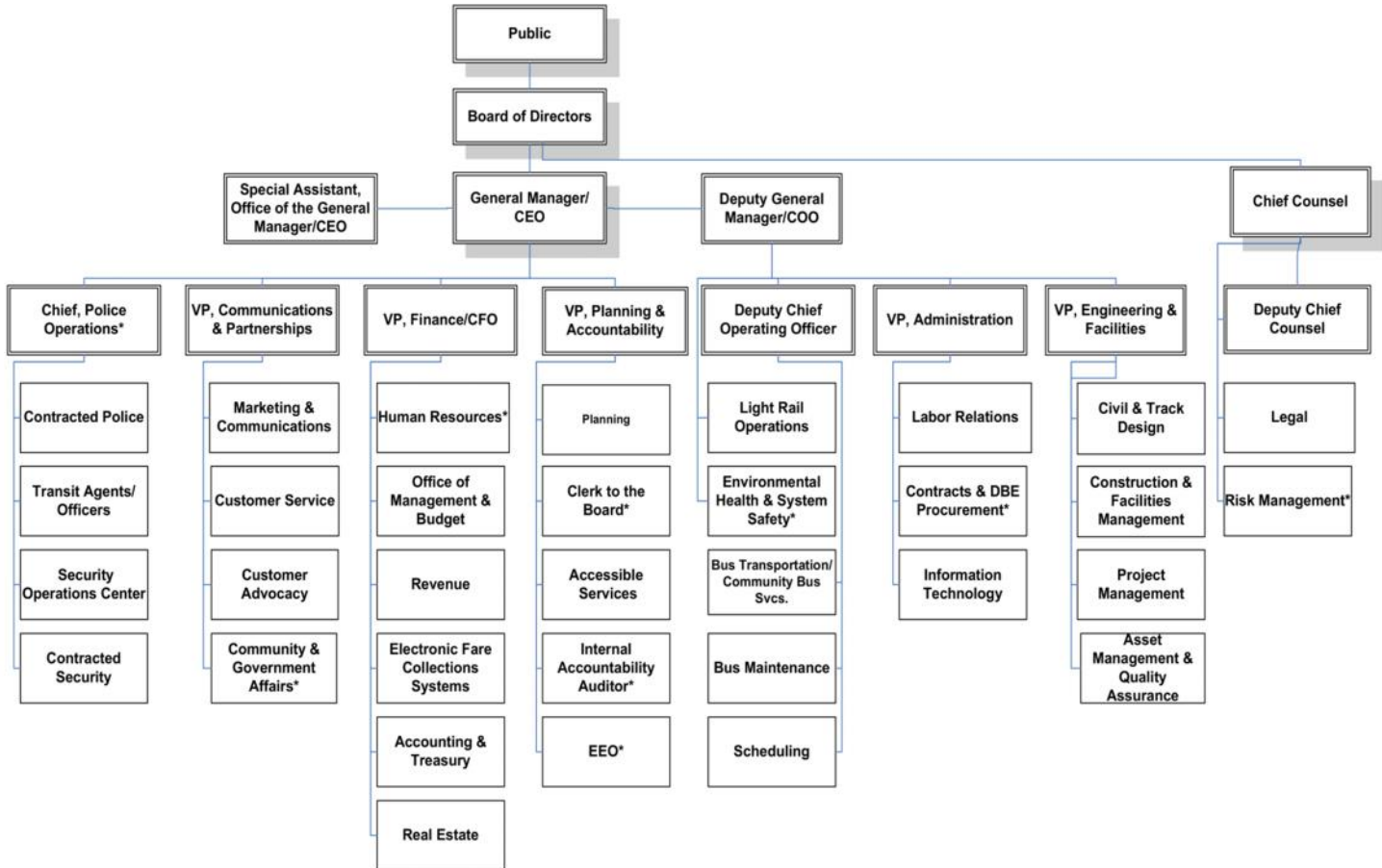
Chief Counsel

Tim Spangler

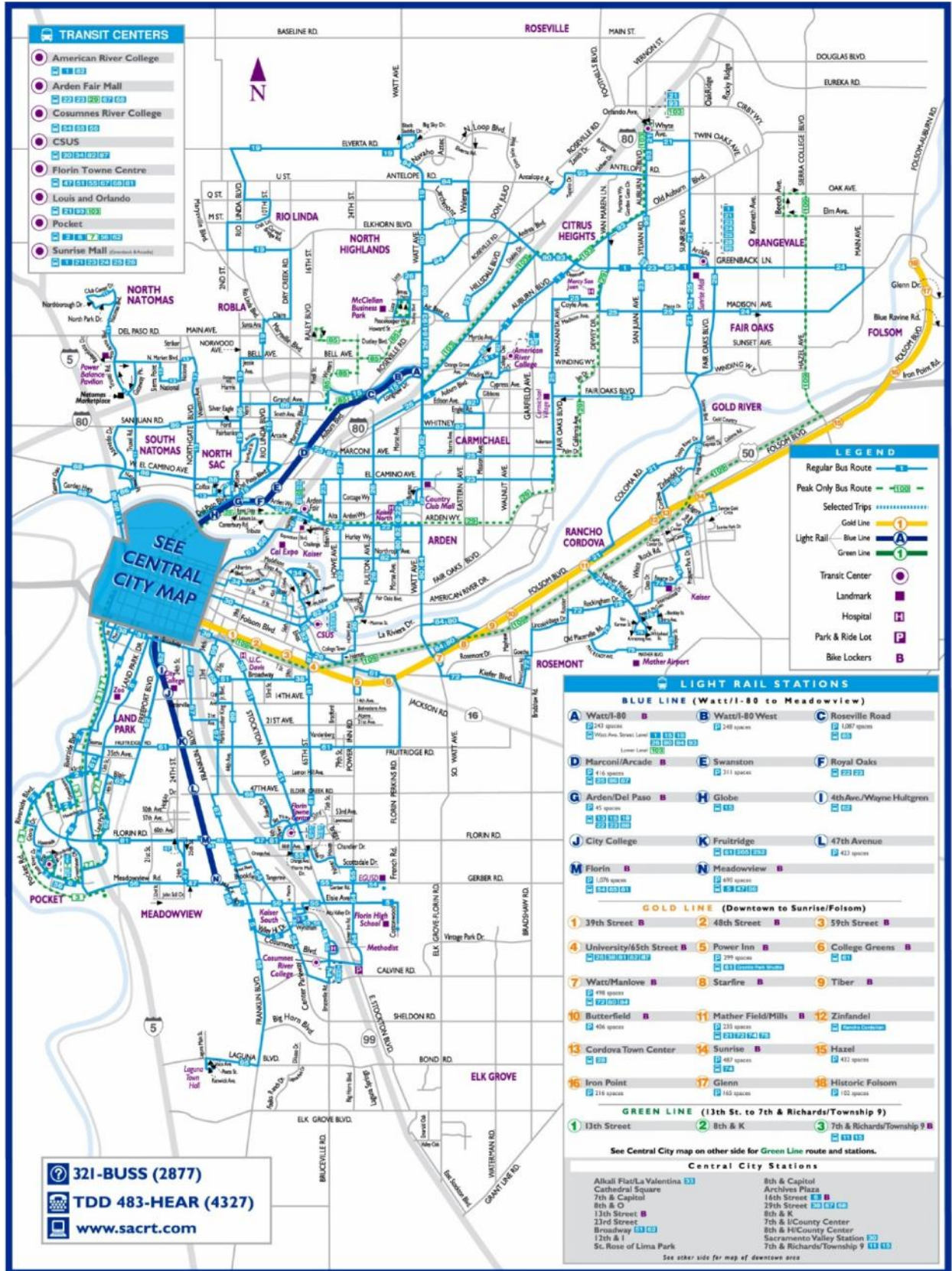
Executive Management Team

Mark Lonergan, Deputy General Manager/Chief Operating Officer
Brent Bernegger, Vice President, Finance/Chief Financial Officer
Suzanne Chan, Vice President, Administration
Laura Ham, Vice President, Planning and Accountability
Lisa Hinz, Vice President, Security Operations and Police Services
Neil Nance, Vice President, Engineering and Facilities
Devra Selenis, Vice President, Communications and Partnerships
Olga Sanchez-Ochoa, Deputy Chief Counsel

**SACRAMENTO REGIONAL TRANSIT DISTRICT
ORGANIZATIONAL CHART
FISCAL YEAR ENDED JUNE 30, 2017**



SACRAMENTO REGIONAL TRANSIT DISTRICT SERVICE AREA MAP





Financial Section

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Sacramento Regional Transit District
Sacramento, California

Members of the Board of Directors
Sacramento Area Council of Governments
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of the Sacramento Regional Transit District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the net pension liability and related ratios, the schedule of District contributions, and the OPEB schedule of funding progress, 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 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 District's basic financial statements. The accompanying introductory section, combining schedule of fiduciary net position, combining schedule of changes in fiduciary net position, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 21, 2017



Management Discussion & Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the Sacramento Regional Transit District (District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities for the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the transmittal letter and financial statements which are included in this report.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$841,334,668 (net position). Of this amount \$889,346,531 is net investment in capital assets and \$(48,011,863) is unrestricted. The District's negative unrestricted net asset position is attributed to recording its net pension liability per GASB Statement No. 68.
- The District's total net position increased for the year ended June 30, 2017 by 1.3 percent, or \$11,129,422 compared to the year ended June 30, 2016. This increase is primarily the result of the receipt of Transportation Congestion Relief Program (TCRP) funds used to partially defease the District's Farebox Revenue Bonds as well as the acquisition of 33 new Gillig 40' buses and 11 new Paratransit vehicles.
- The District's total liabilities and deferred inflows of resources decreased by \$29,822,348 for the fiscal year ended June 30, 2017. The decrease is primarily due to the defeasance of the District's Farebox Revenue Bonds and a decrease in line of credit borrowing due to the timing of the receipt of operating assistance. This decrease was partially mitigated by an increase in the net pension liability resulting from performance and changes in actuarial assumptions.
- During the fiscal year ended June 30, 2017, fare revenue increased by \$2,431,294 or 8.7 percent from the fiscal year ended June 30, 2016. This is attributed to a fare increase effective July 1, 2016. Non-operating revenue increased by \$4,021,280 or 3.0 percent in fiscal year 2017 primarily due to increases in Local Transportation and Measure A funds generated by sales tax and increased proceeds from carbon credit programs.
- Total operating costs increased by \$20,964,784 or 11.0 percent for the fiscal year ended June 30, 2017. The increase is due to a rise in labor costs resulting from contractual rate escalation and pension expense, parts and supplies for the District's aging Light Rail fleet, depreciation on the District's replacement bus fleet and refurbished UTDC light rail fleet, nine of which were placed in service during the fiscal year and the additional accrual for two significant liability claims. These increases were partially mitigated by a decrease in security services as the District brought the majority of its contracted security guard services in house.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the financial statements and the notes to the financial statements.

Basic Financial Statements – The financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these items being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the District’s financial position is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the District’s net position changed during the fiscal year ended June 30, 2017. All changes in net position are reported as soon as the underlying event giving rise to the change occurs (such as the receipt of goods and services or submittal of claims for capital and operating revenue), regardless of the timing of related cash flows. In other words, the District reports expenses and revenues on an accrual basis rather than a cash basis. Since the District’s primary function is to provide transportation services to the region’s citizens and recover costs through user fees and charges, the financial statements include business-type activities. The District serves in a fiduciary capacity for the pension trust funds. The fiduciary fund statements are presented on an accrual basis and are included in these financial statements. The resources of the fiduciary funds are not available to support District programs.

The notes to the financial statements provide additional information that is essential to a full understanding of the financial data provided in the financial statements.

Statistical Section – In addition to the basic financial statements, this report also includes a statistical section of selected financial information over a 10-year period when available.

Analysis of the Financial Statements

The financial statements provide both short-term and long-term information about the District’s overall financial condition. This analysis addresses the financial statements of the District as a whole.

As noted earlier, net position may serve as a useful indicator of a government’s financial position over time. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$841,334,668.

The vast majority of the District’s total net position reflects investment in capital assets, less any related debt and unused proceeds used to acquire those assets still outstanding. These capital assets are used to provide bus and light rail services to the greater Sacramento area. Consequently, these assets are not available for future spending. Although the District’s net investment in its capital assets is reported net of related debt, resources are needed to repay this debt and must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The increase in net position is due primarily to the partial defeasance of the District’s Farebox Revenue Bonds as well as capital contributions as the District replaced its rolling stock.

The District’s negative unrestricted net asset position is attributed to recording its net pension liability per GASB Statement No. 68.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NET POSITION**

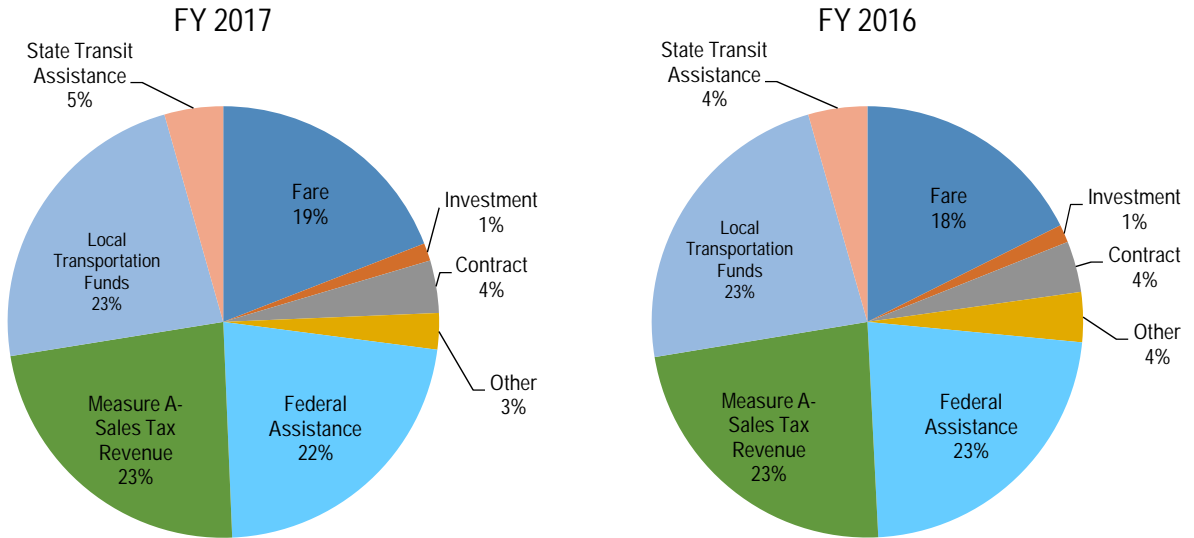
| | June 30, 2017 | June 30, 2016 | Increase or (Decrease) | |
|----------------------------------|-----------------------|-----------------------|------------------------|---------------|
| | | | Dollar | Percent |
| Current and Other Assets | \$ 164,789,208 | \$ 206,001,836 | \$ (41,212,628) | (20.0%) |
| Capital Assets | 945,167,876 | 953,715,161 | (8,547,285) | (0.9%) |
| Total Assets | <u>1,109,957,084</u> | <u>1,159,716,997</u> | <u>(49,759,913)</u> | <u>(4.3%)</u> |
| Deferred Outflows of Resources | 51,042,787 | 19,975,800 | 31,066,987 | 155.5% |
| Current Liabilities | 52,130,688 | 78,257,355 | (26,126,667) | (33.4%) |
| Non-Current Liabilities | 255,950,167 | 260,631,589 | (4,681,422) | (1.8%) |
| Total Liabilities | <u>308,080,855</u> | <u>338,888,944</u> | <u>(30,808,089)</u> | <u>(9.1%)</u> |
| Deferred Inflows of Resources | 11,584,348 | 10,598,607 | 985,741 | 9.3% |
| Net Position | | | | |
| Net Investment in Capital Assets | 889,346,531 | 878,848,516 | 10,498,015 | 1.2% |
| Restricted for: | | | | |
| Debt Service | - | 1,830,579 | (1,830,579) | (100.0%) |
| Unrestricted | <u>(48,011,863)</u> | <u>(50,473,849)</u> | <u>2,461,986</u> | <u>(4.9%)</u> |
| Total Net Position | <u>\$ 841,334,668</u> | <u>\$ 830,205,246</u> | <u>\$ 11,129,422</u> | <u>1.3%</u> |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

| | June 30, 2017 | June 30, 2016 | Increase or (Decrease) | |
|--|----------------|----------------|------------------------|---------|
| | | | Dollar | Percent |
| Operating Revenue | | | | |
| Fares | \$ 30,487,098 | \$ 28,055,804 | \$ 2,431,294 | 8.7% |
| Non-Operating Revenues | | | | |
| Operating Assistance | 122,521,959 | 117,673,780 | 4,848,179 | 4.1% |
| Investment Income | 2,123,892 | 2,128,565 | (4,673) | (0.2%) |
| Other Revenue | 10,613,127 | 11,435,353 | (822,226) | (7.2%) |
| Total Operating and Non-Operating Revenue | 165,746,076 | 159,293,502 | 6,452,574 | 4.1% |
| Operating and Non-Operating Expenses | | | | |
| Labor & Fringe Benefits | 108,885,681 | 99,692,210 | 9,193,471 | 9.2% |
| Professional & Other Services | 30,342,143 | 29,331,513 | 1,010,630 | 3.4% |
| Spare Parts & Supplies | 11,996,385 | 8,526,014 | 3,470,371 | 40.7% |
| Utilities | 6,619,184 | 6,288,167 | 331,017 | 5.3% |
| Casualty & Liability Costs | 9,316,895 | 7,159,561 | 2,157,334 | 30.1% |
| Depreciation & Amortization | 43,959,095 | 39,924,912 | 4,034,183 | 10.1% |
| Other | 1,702,226 | 1,434,437 | 267,789 | 18.7% |
| Indirect Costs Allocated to Capital Programs | (538,334) | (1,038,323) | 499,989 | (48.2%) |
| Interest Expense | 2,352,489 | 3,675,086 | (1,322,597) | (36.0%) |
| Pass through to Subrecipients | 1,075,360 | 2,029,522 | (954,162) | (47.0%) |
| Professional and Other Services | | | | |
| Funded By Others | 6,161,752 | - | 6,161,752 | - |
| Total Operating and Non-Operating Expenses | 221,872,876 | 197,023,099 | 24,849,777 | 12.6% |
| Loss Before Capital Contributions | (56,126,800) | (37,729,597) | (18,397,203) | 48.8% |
| Capital Contributions | | | | |
| State and Local | 58,243,209 | 18,376,039 | 39,867,170 | 217.0% |
| Federal | 9,013,013 | 30,077,779 | (21,064,766) | (70.0%) |
| Total Capital Contributions | 67,256,222 | 48,453,818 | 18,802,404 | 38.8% |
| Increase in Net Position | 11,129,422 | 10,724,221 | 405,201 | 3.8% |
| Net Position, beginning of year | 830,205,246 | 819,481,025 | 10,724,221 | 1.3% |
| Net Position, end of year | \$ 841,334,668 | \$ 830,205,246 | \$ 11,129,422 | 1.3% |

SACRAMENTO REGIONAL TRANSIT DISTRICT REVENUES BY SOURCE

Operating Revenue by Source

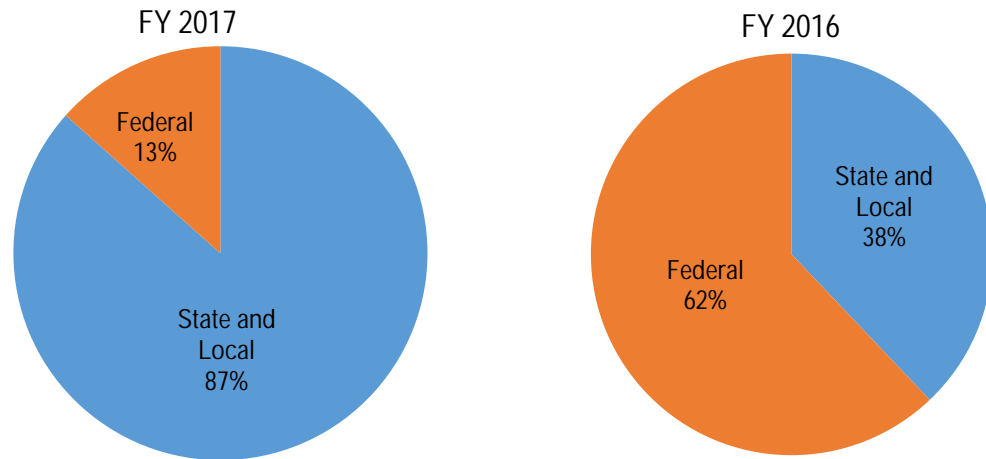


The significant changes in Revenue Services are described below:

Fares, investment income, contracted services, and other revenue increased by a combined \$1,604,396 for the fiscal year ended June 30, 2017 or 3.9 percent. The revenue increase is primarily due to the fare increase, effective July 1, 2016, and was partially mitigated due to the decrease in Federal Excise Tax Refunds as a result of the expiration of the tax credit.

Operating assistance increased by \$4,848,179 or 4.1 percent for the fiscal year ended June 30, 2017 which is primarily due to increases in Local Transportation and Measure A funds generated by sales tax and increased proceeds from carbon credit programs.

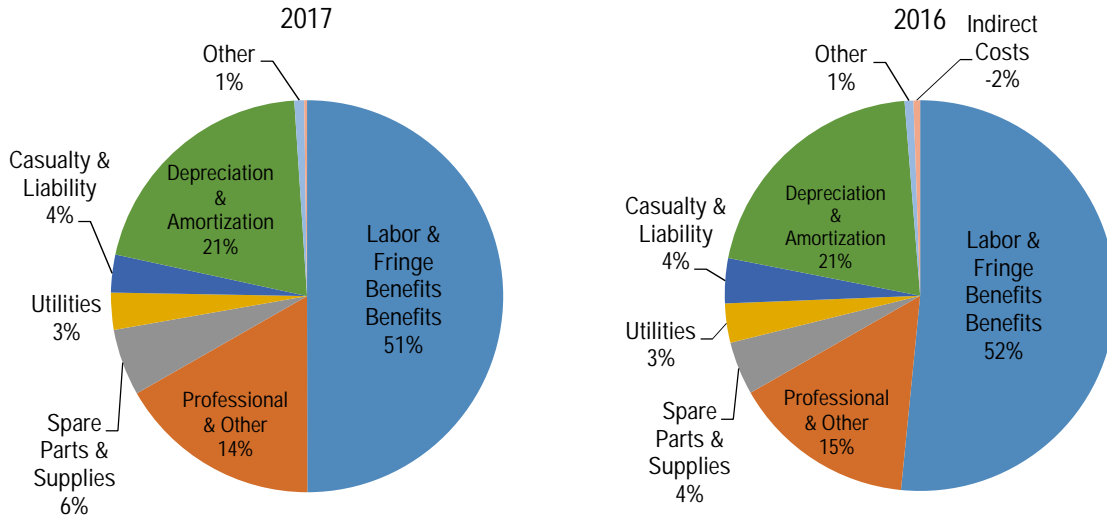
Capital Revenue by Source



The majority of construction and acquisition activities are funded with capital contributions from other governmental units such as federal, state, and local agencies. Capital contributions increased by \$18.8 million or 38.8 percent during the fiscal year ended June 30, 2017. The increase for the fiscal year ended June 30, 2017 is the result of higher contributions of Transportation Congestion Relief Program (TCRP) funds. These funds were earmarked for the Southline Phase 2 extension project which went into revenue service in August 2015. As this extension was partially funded with the District's Farebox Revenue Bond issuance, these TCRP funds were used in the defeasance of the related debt.

SACRAMENTO REGIONAL TRANSIT DISTRICT OPERATING EXPENSES

Expenses by Source



The significant changes in Operating Expenses are described below:

Total operating costs increased by \$20,964,784 or 11.0 percent for the fiscal year ended June 30, 2017. The increase is due to a rise in labor costs resulting from contractual rate escalation and pension expense, parts and supplies for the District's aging light rail fleet, depreciation on the District's replacement bus fleet and refurbished UTDC light rail fleet, nine of which were placed in service during the fiscal year and the additional accrual for two significant liability claims. These increases were partially mitigated by a decrease in security services as the District brought the majority of its contracted security guard services in house

**SACRAMENTO REGIONAL TRANSIT DISTRICT
FISCAL YEAR 2017
STATEMENT OF REVENUES AND EXPENSES BY FUNDING DESIGNATION**

| Statement of Revenues and Expenses | FY 2017 Funding Designation | | |
|---|------------------------------------|---|----------------------|
| | Operations | Capital Improvement Program and GASB | Total |
| OPERATING REVENUES (Fares) | \$ 30,487,098 | \$ - | \$ 30,487,098 |
| OPERATING EXPENSES | | | |
| Labor and Fringe Benefits | 106,877,397 | 2,008,284 | 108,885,681 |
| Professional and Other Services | 27,027,656 | 3,314,487 | 30,342,143 |
| Spare Parts and Supplies | 8,932,460 | 3,063,925 | 11,996,385 |
| Utilities | 6,619,184 | - | 6,619,184 |
| Casualty and Liability Costs | 9,316,895 | - | 9,316,895 |
| Depreciation and Amortization | - | 43,959,095 | 43,959,095 |
| Indirect Costs Allocated to Capital Programs | (538,334) | - | (538,334) |
| Other | 1,652,226 | 50,000 | 1,702,226 |
| Total Operating Expenses | 159,887,484 | 52,395,791 | 212,283,275 |
| Loss from Operations | (129,400,386) | (52,395,791) | (181,796,177) |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Operating Assistance | | | |
| State and Local | 86,911,255 | - | 86,911,255 |
| Federal | 34,467,184 | 1,143,520 | 35,610,704 |
| Investment Income | 2,028,381 | 95,511 | 2,123,892 |
| Interest Expense | (2,423,793) | 71,304 | (2,352,489) |
| Pass Through to Subrecipients | - | (1,075,360) | (1,075,360) |
| Professional and Other Services Funded by Others | - | (6,161,752) | (6,161,752) |
| Contract Services | 6,260,028 | - | 6,260,028 |
| Other | 4,316,426 | 36,673 | 4,353,099 |
| Total Non-operating Revenues (Expense) | 131,559,481 | (5,890,104) | 125,669,377 |
| Gain (Loss) in Net Position Before Capital Contributions | 2,159,095 | (58,285,895) | (56,126,800) |
| Capital Contributions | | | |
| State and Local | - | 58,243,209 | 58,243,209 |
| Federal | - | 9,013,013 | 9,013,013 |
| Change in Net Position | \$ 2,159,095 | \$ 8,970,327 | \$ 11,129,422 |

The Comprehensive Annual Financial Report (“CAFR”) presentation differs from the District’s operating and capital budgets in that the CAFR combines both operating and capital activities. To assist the District’s Board and readers in their review, a Statement of Revenues and Expenses By Funding Designation is provided to show the District’s operating and capital funds separately. As of June 30, 2017, the District’s operating results were as follows: \$30,487,098 in fare revenues, \$159,887,484 in operating expenses, and \$131,559,481 in non-operating revenues, resulting in a \$2,159,095 operating

gain. Additional information regarding the Operating Statement can be found in the District's 2017 CAFR Issue Paper.

Analysis of the District's Financial Position

The District's net position provides information on near term inflows, outflows, and balances of spendable resources. The District is reporting unrestricted net position as of June 30, 2017 of \$(48,011,863), an increase of \$2,461,986 or 4.9 percent.

Capital Asset and Long-Term Debt Activity

As of June 30, 2017, the District's investment in various capital assets, such as bus and light rail vehicles, facilities, land, buildings and equipment decreased to \$945,167,876 from \$953,715,161 representing a 0.9 percent decrease. Depreciation exceeded capital acquisition activity which included the replacement of 44 buses. Additional information on capital assets can be found in Footnote 3 to the financial statements.

The District's Farebox Revenue Bonds decreased by \$36,096,635 or the fiscal year ended June 30, 2017 or 41.1 percent. As of June 30, 2017, the \$51,017,296 balance represents what remains of the \$86,865,000 of Farebox Revenue Bonds, Series 2012, issued in the fiscal year 2013 to primarily fund construction on the South Line Phase 2 light rail extension. The District recorded a liability and a corresponding asset of \$40,740,724 as of June 30, 2017, resulting from its participation in three Lease/Leaseback transactions. Additional information on debt activity can be found in Footnotes 4 and 6 to the financial statements.

The District's loan payable at June 30, 2017 includes \$13,988,074 originally received in November 2013 from the Public Transportation Account (PTA). The loan was extended by the State to temporarily replace a Federal Transit Administration grant that lapsed due to the application of the Federal Transit Act's "13(c)" provision to the California Public Employee Pension Reform Act of 2013 (PEPRA). Additional information on long-term debt can be found in Footnote 6 to the financial statements.

Current Economic Factors and Conditions

The District has plans for future expansion and improvement of light rail and bus services. As of June 30, 2017, the District has construction contracts and property acquisition commitments of approximately \$20,506,137.

Request for Information

Please address all questions or requests for additional information to the Finance and Treasury Department, Attention: Chief Financial Officer, Sacramento Regional Transit District, 1400 29th Street, PO Box 2110, Sacramento CA 95812-2110.



Financial Statements

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF NET POSITION – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
JUNE 30, 2017**

ASSETS

Current Assets:

| | |
|--------------------------------------|---------------|
| Cash and Cash Equivalents | \$ 5,331,757 |
| Restricted Cash and Cash Equivalents | 13,410,304 |
| Investments | 429,262 |
| Receivables: | |
| State and Local Government | 12,298,753 |
| Federal Government | 46,062,020 |
| Other | 5,388,748 |
| Spare Parts and Supplies Inventory | 21,069,506 |
| Other Current Assets | <u>48,916</u> |

| | |
|----------------------|--------------------|
| Total Current Assets | <u>104,039,266</u> |
|----------------------|--------------------|

Non-Current Assets:

| | |
|--------------------------------------|--------------------|
| Restricted Cash and Cash Equivalents | 17,253,769 |
| Investments | 2,755,449 |
| Deposits for Lease/Leaseback Payable | 40,740,724 |
| Non-Depreciated Capital Assets | 122,173,362 |
| Depreciated Capital Assets, Net | <u>822,994,514</u> |

| | |
|--------------------------|----------------------|
| Total Non-Current Assets | <u>1,005,917,818</u> |
|--------------------------|----------------------|

| | |
|--------------|----------------------|
| Total Assets | <u>1,109,957,084</u> |
|--------------|----------------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--------------------------------------|------------------|
| Deferred Outflows from Pension | 43,460,429 |
| Deferred Outflows: Debt Defeasance | <u>7,582,358</u> |
| Total Deferred Outflows of Resources | 51,042,787 |

**TOTAL ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES**

| | |
|--|--------------------------------|
| | <u><u>\$ 1,160,999,871</u></u> |
|--|--------------------------------|

See accompanying notes to the financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF NET POSITION – BUSINESS TYPE ACTIVITIES - CONTINUED
ENTERPRISE FUND
JUNE 30, 2017**

LIABILITIES

Current Liabilities:

| | |
|---------------------------------|---------------|
| Line of Credit | \$ 16,000,000 |
| Accounts Payable | 8,629,277 |
| Other Accrued Liabilities | 3,805,731 |
| Compensated Absences | 7,405,994 |
| Interest Payable | 181,795 |
| Unearned Revenue | 1,167,997 |
| Advances from Other Governments | 7,010,071 |
| Claims Payable | 7,754,291 |
| Revenue Bonds | 175,532 |
| Total Current Liabilities | 52,130,688 |

Long-Term Liabilities:

| | |
|---------------------------------|-------------|
| Compensated Absences | 2,526,581 |
| Advances from Other Governments | 16,608,153 |
| Claims Payable | 14,743,547 |
| Revenue Bonds | 50,841,764 |
| Loan Payable | 13,988,074 |
| Lease/Leaseback Payable | 40,740,724 |
| Net Pension Liability | 116,501,324 |
| Total Long-Term Liabilities | 255,950,167 |
| Total Liabilities | 308,080,855 |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|------------|
| Deferred Gain on Lease/Leaseback | 7,345,849 |
| Deferred Inflows from Pension | 4,238,499 |
| Total Deferred Inflows of Resources | 11,584,348 |

NET POSITION

| | |
|----------------------------------|--------------|
| Net Investment in Capital Assets | 889,346,531 |
| Unrestricted | (48,011,863) |
| Total Net Position | 841,334,668 |

**TOTAL LIABILITIES, DEFERRED INFLOWS
OF RESOURCES, AND NET POSITION**

\$ 1,160,999,871

See accompanying notes to the financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION –BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

OPERATING REVENUES

Fares \$ 30,487,098

OPERATING EXPENSES

| | |
|--|--------------------|
| Labor and Fringe Benefits | 108,885,681 |
| Professional and Other Services | 30,342,143 |
| Spare Parts and Supplies | 11,996,385 |
| Utilities | 6,619,184 |
| Casualty and Liability Costs | 9,316,895 |
| Depreciation | 43,959,095 |
| Indirect Costs Allocated to Capital Programs | (538,334) |
| Other | <u>1,702,226</u> |
| Total Operating Expenses | <u>212,283,275</u> |
| Operating Loss | (181,796,177) |

NON-OPERATING REVENUES (EXPENSES)

| | |
|--|--------------------|
| Operating Assistance: | |
| State and Local | 86,911,255 |
| Federal | 35,610,704 |
| Investment Income | 2,123,892 |
| Interest Expense | (2,352,489) |
| Pass-Through to Subrecipients | (1,075,360) |
| Professional and Other Services-Funded | (6,161,752) |
| Contract Services | 6,260,028 |
| Other | <u>4,353,099</u> |
| Total Non-Operating Revenues | <u>125,669,377</u> |
| Loss Before Capital Contributions | (56,126,800) |

| | |
|-----------------------------|------------------|
| Capital Contributions: | |
| State and Local | 58,243,209 |
| Federal | <u>9,013,013</u> |
| Total Capital Contributions | 67,256,222 |

| | |
|---------------------------------|-----------------------|
| Increase in Net Position | 11,129,422 |
| Net Position, beginning of year | <u>830,205,246</u> |
| Net Position, end of year | <u>\$ 841,334,668</u> |

See accompanying notes to the financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF CASH FLOWS – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | |
|---|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received from Customers | \$ 31,604,190 |
| Cash Received from Contract Sources | 6,260,028 |
| Cash Paid to Suppliers | (63,507,542) |
| Cash Paid to Employees | (106,261,989) |
| Cash Received from Other Sources | 4,353,099 |
| | <u>4,353,099</u> |
| Net Cash Used in Operating Activities | <u>(127,552,214)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| State and Local Receipts | 90,972,365 |
| Federal Receipts | 35,578,768 |
| Payments Pass-Through to Subrecipients | (1,075,360) |
| Advances on the Line of Credit | 50,100,000 |
| Payments on the Line of Credit | (61,100,000) |
| | <u>(61,100,000)</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>114,475,773</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition and Construction of Capital Assets | (40,640,996) |
| Principal Payments on Revenue Bonds | (35,812,784) |
| Payments to Defeasement Debt | (7,582,358) |
| Interest Paid | (4,567,588) |
| Proceeds from Sale of Capital Assets Receipts | 36,673 |
| State and Local Capital Grants Receipts | 49,208,600 |
| Federal Capital Grants | 11,011,615 |
| | <u>11,011,615</u> |
| Net Cash Used in Capital and Related Financing Activities | <u>(28,346,838)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from Sales and Maturities of Investments | 1,021,224 |
| Purchases of Investments | (1,045,781) |
| Investment Income | 175,917 |
| | <u>175,917</u> |
| Net Cash Provided by Investing Activities | <u>151,360</u> |
| Net (Decrease) in Cash and Cash Equivalents | (41,271,919) |
| Cash and Cash Equivalents, July 1 | 77,267,749 |
| | <u>77,267,749</u> |
| Cash and Cash Equivalents, June 30 | <u>\$ 35,995,830</u> |
| RECONCILIATION TO STATEMENT OF NET POSITION | |
| Cash and Cash Equivalents | \$ 5,331,757 |
| Restricted Cash and Cash Equivalents, Current | 13,410,304 |
| Restricted Cash and Cash Equivalents, Non-Current | 17,253,769 |
| | <u>17,253,769</u> |
| Total Cash and Cash Equivalents | <u>\$ 35,995,830</u> |

See accompanying notes to the financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF CASH FLOWS – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES:**

| | |
|--|-------------------------|
| Operating Loss | \$ (181,796,177) |
| Adjustments to Reconcile Net Loss from Operations to Net Cash Used in Operating Activities: | |
| Depreciation | 43,959,095 |
| Professional and Other Services- Nonoperating Expense | (6,161,752) |
| Contract Services- Nonoperating Income | 6,260,028 |
| Miscellaneous Nonoperating Income | 4,353,099 |
| Effect of Changes in: | |
| Other Receivables | 925,660 |
| Spare Parts and Supplies Inventory | (313,690) |
| Other Current Assets | 9,833 |
| Accounts Payable and Accrued Liabilities | 502,031 |
| Compensated Absences and Other | (116,556) |
| Unearned Revenue | 191,432 |
| Reserve for Claims | 2,626,499 |
| Net Pension Liability and Related Deferred Inflows and Outflows | 2,008,284 |
| Net Cash Used in Operating Activities | \$ (127,552,214) |

NON-CASH INVESTING AND FINANCING ACTIVITIES

| | |
|--|--------------|
| Interest Income from Investments Held to Pay Lease/Leaseback | \$ 1,988,198 |
| Interest Expense on Capital Lease/Leaseback | (1,988,198) |
| Capitalized Assets Included in Accounts Payable and Retention Payable | 458,553 |

See accompanying notes to the financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2017**

ASSETS

| | | |
|--------------------------------|----|--------------------|
| Cash and Cash Equivalents | \$ | 4,848,677 |
| Receivables: | | |
| Securities Sold | | 4,069,340 |
| Interest and Dividends | | 428,927 |
| Other Receivables and Prepaids | | 35,977 |
| Total Receivables | | <u>4,534,244</u> |
| Investments: | | |
| Equity Securities | | 179,361,518 |
| Fixed Income Securities | | 95,908,199 |
| Total Investments | | <u>275,269,717</u> |
| Total Assets | | <u>284,652,638</u> |

LIABILITIES

| | | |
|------------------------------|--|-------------------|
| Securities Purchased Payable | | 14,602,033 |
| Accounts Payable | | 744,721 |
| Total Liabilities | | <u>15,346,754</u> |

**NET POSITION RESTRICTED FOR PENSION
BENEFITS**

\$ 269,305,884

See accompanying notes to the financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

ADDITIONS

| | |
|--|--------------------|
| Contributions: | |
| Employer | \$ 18,623,884 |
| Member | 261,456 |
| Total Contributions | <u>18,885,340</u> |
| Investment Income: | |
| Net Increase/(Decrease) in Fair Value of Investments | 26,460,628 |
| Interest, Dividends, and Other Income | 3,789,891 |
| Investment Expenses | <u>(1,109,244)</u> |
| Net Investment Income/(Expense) | <u>29,141,275</u> |
| Total Additions | <u>48,026,615</u> |

DEDUCTIONS

| | |
|---|-----------------------|
| Benefits Paid to Participants | 21,237,515 |
| Administrative Expenses | <u>835,255</u> |
| Total Deductions | <u>22,072,770</u> |
| Increase/(Decrease) in Net Position | 25,953,845 |
| Net Position, Restricted for Pension Benefits - Beginning of Year | <u>243,352,039</u> |
| Net Position, Restricted for Pension Benefits - End of Year | <u>\$ 269,305,884</u> |

See accompanying notes to the financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Sacramento Regional Transit District (District) was established in 1973 pursuant to the Sacramento Regional Transit District Act. The District has the responsibility to develop, maintain, and operate a public mass transit transportation system for the benefit of the residents of the Sacramento area. The District is governed by a Board of Directors appointed by the Sacramento City Council, the Sacramento County Board of Supervisors, the Elk Grove City Council, the Citrus Heights City Council, the Rancho Cordova City Council, and the Folsom City Council.

As required by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and its amendment GASB No. 61, the District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity has a significant operational and financial relationship with the District.

The District has determined that no other outside entity meets the above criteria and, therefore, no other entity has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that has such a relationship to the District that would result in the District being considered a component unit of that other entity.

BASIS OF PRESENTATION

The accounts of the District are organized and operated on the basis of funds, each of which is considered an independent fiscal and accounting entity. The activities of each fund are accounted for with a separate set of self-balancing statements that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses, as appropriate. These statements distinguish between the business-type and fiduciary activities of the District. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's statements are organized into the following fund types:

Proprietary Fund Type

The **Enterprise Fund** distinguishes operating revenues and expenses from non-operating items. The District's operating revenues are generated directly from its transit operations and consist principally of passenger fares. Operating expenses for the transit operations include all costs related to providing transit services. These costs include labor, fringe benefits, materials, supplies, services, utilities, leases, rentals, and depreciation on capital assets. All other revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. Unrestricted net position for the enterprise fund represents the net position available for future operations.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Type

The **Pension Trust Funds** are used to account for assets held by the District in a trustee capacity. The District maintains the following Pension Trust Funds:

The Amalgamated Transit Union (ATU) Local 256 and International Brotherhood of Electrical Workers (IBEW) Local 1245 Member Retirement Plan Fund (ATU/IBEW Plan) accounts for the retirement funds of members of ATU Local 256 and IBEW Local 1245.

The Salaried Employees Retirement Plan Fund (Salaried Plan) accounts for the retirement funds of the District's salaried employees.

The ATU Plan and IBEW Plan were accounted for as one plan for accounting purposes prior to 2017. Effective July 1, 2016, separate trust agreements and financial record keeping were created for the ATU Plan and IBEW Plan based on actuarial calculations and trustee transactions. Each trust allows for accumulation of assets solely for the payment of benefits to plan members. The changes were approved and required by the Internal Revenue Service in order to establish the individual trusts.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund and the pension trust funds are accounted for on a flow of economic resources measurement focus. This measurement focus emphasizes the determination of increased/decreased net position. The accrual basis of accounting is used for the enterprise fund and the pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. District contributions to the pension trust funds are recognized in the period in which contributions are due, while benefits and refunds are recognized when due and payable in accordance with the pension trust funds plan agreements.

BUDGETARY INFORMATION

State law requires the adoption of an annual budget for the enterprise fund, which must be approved by the Board of Directors. The budget is prepared on an accrual basis. Budgetary control is maintained at several levels. The legal level of control is at the fund level. The Board of Directors authorizes budget amendments to the fund level. Line item reclassification amendments to the budget must be authorized by the responsible manager. Operating expenses are monitored by department managers who are assigned responsibility for controlling their budgets. Emphasis is placed on the total budget for the division. Capital expenses operate under the control of a project-to-date budget.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS

Investments consist of securities or other assets that the District holds primarily for the purpose of income or profit and its present service capacity is based solely on its ability to generate cash or to be sold to generate cash. Investments are recorded at fair value.

RESTRICTED ASSETS

Restricted assets consists of monies and other resources, the use of which is legally restricted for capital projects and debt service.

RECEIVABLES

Receivables are reported at present value less the estimated portion that is estimated to be uncollectible. As of June 30, 2017, an allowance for uncollectible accounts of \$48,348 was established by management.

INVENTORIES

Inventories are stated at average cost and charged to expense at the time individual items are withdrawn from inventory (consumption method). Inventory consists primarily of parts and supplies relating to transportation vehicles and facilities.

CAPITAL ASSETS

Capital assets are stated at historical cost. Donated capital assets are recorded at acquisition value. The cost of normal maintenance and repairs is charged to operations as incurred. Infrastructure, which includes light rail vehicle tracks, has been capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related properties. Depreciation is computed using the straight-line method over estimated useful lives as follows:

| | |
|---|----------------|
| Buildings and improvements | 30 to 50 years |
| Buses and maintenance vehicles | 4 to 12 years |
| Light-rail structures and light rail vehicles | 25 to 45 years |
| Other operating equipment | 5 to 15 years |

No depreciation is provided on construction in progress until construction is completed and the asset is placed in service.

Interest is capitalized on construction in progress. Accordingly, interest capitalized is the total interest cost from the date of the borrowing until the specified asset is placed in service.

It is the District's policy to capitalize all capital assets with an individual cost of more than \$5,000 and a useful life in excess of one year.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPENSATED ABSENCES

The District's policy allows employees to accumulate earned unused vacation and sick leave which can be paid to employees upon separation from the District. These compensated absences are reported and accrued as a liability in the period incurred.

The current portion of the compensated absences is estimated by applying a percentage to the end of the year compensated absences liability. The percentage is calculated by dividing the vacation and sick leave that was liquidated (used/cashed out) during the year by the beginning vacation and sick leave balance.

FEDERAL, STATE, AND LOCAL GRANT FUNDS

Grants are accounted for in accordance with the purpose for which the funds are intended. Approved grants for the acquisition of land, buildings, and equipment are recorded as capital contributions as the related grant conditions are met. Approved grants for operating assistance are recorded as revenues in the year in which the related grant conditions are met.

Advances received on grants are recorded as a liability until related grant conditions are met. The Transportation Development Act (TDA) provides that any funds not earned and not used may be required to be returned to their source.

When both restricted and unrestricted resources are available for the same purpose, the District uses restricted resources first.

SELF-INSURANCE AND CLAIMS PAYABLE

The District is self-insured up to specified limits for workers' compensation claims, general liability claims, and major property damage. The District accrues the estimated costs of the self-insured portion of claims in the period in which the amount of the estimated loss is determinable.

PENSION

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the ATU/IBEW Plan and Salaried Plan (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds to employee contributions) are recognized when due and payable in accordance with the benefit terms.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES

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

NEW PRONOUNCEMENTS

In April 2016, the GASB issued Statement 82, Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for the District's fiscal year ended June 30, 2017. The adoption of this statement had no effect on the District's net position or changes therein.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement 74 addresses the financial reports of defined benefit other post-employment benefit ("OPEB") plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and Required Supplementary Information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This Statement is effective for the District's fiscal year ended June 30, 2017. The adoption of this statement had no effect on the District's net position or changes therein.

The following is the most significant future GASB that will be implemented:

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and RSI about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for the District's fiscal year ended June 30, 2018. The Statement will require recognition of a net OPEB liability on the statement of net position.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS

The total cash and investments as of June 30, 2017, are reported in the accompanying basic financial statements as follows:

| | Enterprise Fund | Fiduciary Funds | Total |
|----------------------------|----------------------|-----------------------|-----------------------|
| Unrestricted: | | | |
| Cash and cash equivalents | \$ 5,236,277 | \$ - | \$ 5,236,277 |
| Cash on hand | 95,480 | - | 95,480 |
| Investments | 3,184,711 | - | 3,184,711 |
| Total unrestricted | <u>8,516,468</u> | <u>-</u> | <u>8,516,468</u> |
| Restricted: | | | |
| Cash and cash equivalents | 30,664,073 | 4,848,677 | 35,512,750 |
| Investments | - | 275,269,717 | 275,269,717 |
| Total restricted | <u>30,664,073</u> | <u>280,118,394</u> | <u>310,782,467</u> |
| Total cash and investments | <u>\$ 39,180,541</u> | <u>\$ 280,118,394</u> | <u>\$ 319,298,935</u> |

INVESTMENTS

The District pursues a program of safety, liquidity, and yield in its cash management and investment program in order to achieve maximum return on the Enterprise Fund's available funds. The Enterprise Fund's investment policy (pertaining to investment of surplus funds) is governed by an annual Board adopted policy, which is in compliance with the provisions of Articles 1 and 2 of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (Continued)

The following table identifies the investment types that are authorized by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity | Minimum Rating | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|------------------|----------------|---------------------------------|----------------------------------|
| Local Agency Bonds | 5 years | N/A | None | None |
| U.S. Treasury Obligations | 5 years | N/A | None | None |
| U.S. Agency Securities | 5 years | N/A | None | None |
| Bankers' Acceptances | 180 days | N/A | 40% | 30% |
| Commercial Paper | 270 days | A1/P1 | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | N/A | 30% | None |
| Reverse Repurchase Agreements | 92 days | N/A | 20% of base value | None |
| Medium-Term Notes | 5 years | A | 30% | None |
| Mutual Funds Investing in Eligible Securities | N/A | AAA | 20% | 10% |
| Mortgage Pass-Through Securities | 5 years | AA | 20% | None |
| Local Agency Investment Fund | N/A | N/A | None | None |
| JPA Pools (other investment pools) | N/A | N/A | None | None |

A Retirement Board-adopted policy, the "Statement of Investment Objectives and Policy Guidelines for the Sacramento Regional Transit District Pension Plans" governs the Pension Trust Funds' investments. This policy focuses on the continued feasibility of achieving, and the appropriateness of, the Asset Allocation Policy, the Investment Objectives, the Investment Policies and Guidelines, and the Investment Restrictions.

The following table identifies the investment types that are authorized by the Retirement Board. The table also identifies certain provisions of the Investment Objectives and Policy that address interest risk, credit risk and concentration of credit risk.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (Continued)

| Authorized Investment Type | Maximum Maturity (1) | Minimum Rating (3) | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|--|----------------------|--------------------|---------------------------------|----------------------------------|
| Cash | None | N/A | None | None |
| U.S. Treasury Bills | None | N/A | None | None |
| Agency Discount Notes | None | N/A | None | None |
| Certificates of Deposit | None | N/A | None | None |
| Bankers Acceptances | None | N/A | None | None |
| Commercial Paper | None | A2/P2 | None | None |
| Asset-Backed Commercial Paper | None | A2/P2 | None | None |
| Money Market Funds and Bank Short-Term Investment Funds (STIF) | None | N/A | None | None |
| Repurchase Agreements | None | N/A | None | None |
| U.S. Government and Agency Securities | None | N/A | None | None |
| Credit Securities/Corporate Debt (4) | None | N/A | None | None |
| Securitized Investments (5) | None | N/A | None | None |
| Emerging Markets | None | N/A | None | None |
| International Fixed Income Securities | None | N/A | None | None |
| Other Fixed Income Securities (6) | None | N/A | None | None |
| Mutual Funds | N/A | N/A | 25% (2) | 5% |
| Real Estate Investment Trust | N/A | N/A | 25% (2) | 5% |
| Depository Receipt | N/A | N/A | 25% (2) | 5% |
| Stocks | N/A | N/A | 25% (2) | 5% |

- (1) The fixed income portion of the ATU/IBEW Plan and Salaried Plan shall be limited in duration to between 75% and 125% of the benchmark.
- (2) No more than 25% of the fair value on the purchase cost basis of the total common stock portfolio (equity securities) shall be invested in a single industry at the time of purchase.
- (3) The investment managers shall maintain a minimum overall portfolio quality rating of "A" equivalent or better at all times (based on market-weighted portfolio average). Minimum quality (at purchase) must be at least 80% Baa or above.
- (4) Credit Securities and Corporate Debt include: debentures, medium-term notes, capital securities, trust preferred securities, Yankee bonds, Eurodollar securities, floating rate notes and perpetual floaters, structured notes, municipal bonds, preferred stock, private placements (bank loans and 144(a) securities), and EETCs.
- (5) Securitized investments includes: agency and non-agency mortgage-backed securities, asset-backed securities (144(a) securities), and commercial mortgage-backed securities.
- (6) Other Fixed Income Securities includes: fixed income commingled and mutual funds, futures and options, swap agreements, and reverse repurchase agreements.

INVESTMENT RISK FACTORS

There are many factors that can affect the value of investments such as: interest rate risk, credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk. These types of risks may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (Continued)

INTEREST RATE RISK

Interest rate risk is the risk that the value of fixed income securities will decline because of rising interest rates. The prices of fixed income securities with a longer time to maturity, measured by duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with a shorter duration.

The following table provides information about the interest rate risks associated with investments as of June 30, 2017:

| | Maturities in Years | | | | Amount |
|-------------------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| | Less than 1 | 1 – 5 | 6 – 10 | More than 10 | |
| <u>Enterprise Fund</u> | | | | | |
| Corporate Bonds | \$ 224,734 | \$ 642,115 | \$ - | \$ - | \$ 866,849 |
| Asset-Backed Securities | 6,643 | 207,971 | - | - | 214,614 |
| U.S. Government Agency Obligations | 204,528 | 985,101 | - | - | 1,189,629 |
| U.S. Government Issued Obligations | - | 913,619 | - | - | 913,619 |
| Total Enterprise Fund | <u>\$ 435,905</u> | <u>\$ 2,748,806</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,184,711</u> |
| <u>Fiduciary Funds</u> | | | | | |
| ATU, IBEW and Salaried: | | | | | |
| Collateralized Mortgage Obligations | \$ 153,560 | \$ 596,815 | \$ 624,397 | \$ 3,299,095 | \$ 4,673,867 |
| Corporate Bonds | 3,128,441 | 5,915,590 | 6,269,885 | 4,959,434 | 20,273,350 |
| Municipal Bonds | - | 98,062 | 557,029 | 845,863 | 1,500,954 |
| U.S. Government Agency Obligations | - | 469,716 | 1,293,173 | 24,249,990 | 26,012,879 |
| U.S. Government Issued Obligations | 1,134,023 | 24,638,034 | 3,857,853 | 4,638,032 | 34,267,942 |
| Asset-Backed Securities | - | - | 988,105 | 8,191,102 | 9,179,207 |
| Total Fiduciary Funds | <u>\$ 4,416,024</u> | <u>\$ 31,718,217</u> | <u>\$ 13,590,442</u> | <u>\$ 46,183,516</u> | <u>\$ 95,908,199</u> |

MORTGAGE PASS-THROUGH SECURITIES

These securities, disclosed as U.S. Government Agency Obligations in the interest rate risk table above, are issued by Government Sponsored Enterprises (GSEs), which are a group of financial services corporations created by the United States Congress. The GSEs include: the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Association (Freddie Mac), and the Federal Home Loan Banks. Another institution that issues these securities is the Government National Mortgage Association (Ginnie Mae). These securities are highly sensitive to interest rate fluctuations because they are subject to early payment. In a period of declining interest rate, the resulting reduction in expected total cash flows affects the value of these securities.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (Continued)

COLLATERALIZED MORTGAGE OBLIGATIONS

Collateralized mortgage obligations (CMOs) are bonds that represent claims to specific cash flow from large pools of home mortgages. The streams of principal and interest payments on the mortgages are distributed to the different classes of CMO interests.

CMOs are often highly sensitive to changes in interest rates and any resulting change in the rate at which homeowners sell their properties, refinance, or otherwise pre-pay their loans. Investors in these securities may not only be subjected to such prepayment risk, but also exposed to significant market and liquidity risks.

ASSET-BACKED SECURITIES

Asset-backed securities generate a return based upon either the payment of interest or principal on obligations in an underlying pool. The relationship between interest rates and prepayments make the fair value highly sensitive to changes in interest rates.

CALLABLE BONDS

Although bonds are issued with clearly defined maturities, an issuer may be able to redeem, or call, a bond earlier than its maturity date. The District or the Pension Trust Funds must then replace the called bond with a bond that may have a lower yield than the original bond. The call feature causes the value to be highly sensitive to changes in interest rates. As of June 30, 2017, the District held callable bonds in the amount of \$285,285. The Pension Trust Funds held callable bonds in the amount of \$9,155,728.

INVESTMENT IN STATE INVESTMENT POOL AND CALTRUST

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Local Investment Advisory Board (LIAB). The LIAB consists of five members as designated by State statute. The value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District's total investment in the LAIF at June 30, 2017, was \$8,993,277.

The District is also a voluntary participant in the Investment Trust of California (CalTRUST) which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST and selects and supervises the activities of the Investment Manager and other agents. The District's investments in CalTRUST are measured at net asset value (NAV), as described on page 35. As of June 30, 2017, the District's investments in CalTRUST were \$15,278,857, all of which is invested in the Short Term fund.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (Continued)

CREDIT RISK

Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies, for example Moody's Investors Services (Moody's). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk. The District's investments in LAIF and CalTRUST external investment pools are not rated.

For the fiscal year ending June 30, 2017, the Pension Trust Funds are in adherence with the credit risk provisions of the Statement of Investment Objectives and Policy Guidelines.

The following tables provide information on the credit ratings associated with cash and investments as of June 30, 2017:

| <u>Enterprise Fund</u> | | | <u>Pension Trust Fund</u> | | |
|------------------------|---------------------|----------------------------|---------------------------|-----------------------|----------------------------|
| Moody's Ratings | Amount | Percentage of Portfolio | Moody's Ratings | Amount | Percentage of Portfolio |
| | | | Not Applicable | \$ 179,361,518 | 65.16% |
| | | | Not rated | 32,842,814 | 11.93% |
| | | | Aaa | 37,892,099 | 13.77% |
| Not rated | \$ 23,154 | 0.73% | Aa1 | 907,792 | 0.33% |
| Aaa/Aaa-mf/P1 | 2,384,410 | 74.87% | Aa2 | 913,397 | 0.33% |
| Aa1 | 54,801 | 1.72% | Aa3 | 172,489 | 0.06% |
| Aa2 | 54,834 | 1.72% | A1 | 2,537,085 | 0.92% |
| Aa3 | 20,012 | 0.63% | A2 | 1,281,604 | 0.47% |
| A1 | 441,426 | 13.86% | A3 | 5,877,268 | 2.14% |
| A2 | 165,846 | 5.21% | Baa1 | 3,474,430 | 1.26% |
| A3 | 40,228 | 1.26% | Baa2 | 3,430,100 | 1.25% |
| | <u>\$ 3,184,711</u> | <u>100.00%</u> | Baa3 | 2,599,744 | 0.94% |
| | | | Ba1 | 725,298 | 0.26% |
| | | | Ba2 | 501,631 | 0.18% |
| | | | Ba3 | 1,358,085 | 0.49% |
| | | | B1 | 363,336 | 0.13% |
| | | | B2 | 147,406 | 0.05% |
| | | | B3 | 515,857 | 0.19% |
| | | | Caa1 | 118,724 | 0.04% |
| | | | Caa2 | 24,969 | 0.01% |
| | | | Ca | 6,483 | 0.01% |
| | | | WR | 217,588 | 0.08% |
| | | | Total | <u>\$ 275,269,717</u> | <u>100.00%</u> |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (Continued)

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. During fiscal year 2017, the District had the following investments that comprised more than 5% of total investments in a single issuer:

| | |
|--|------------|
| Federal National Mortgage Association | \$ 650,721 |
| Federal Home Loan Mortgage Corporation | 319,116 |
| Federal Home Loan Bank | 164,512 |

The investment policy of the Pension Trust Funds states that an investment in domestic or international equity fund managers' securities of a single issuer shall not exceed 5% (at cost) of the value of the portfolios and/or of the company's total outstanding shares. None of the Pension Trusts Funds' domestic or international equity fund managers' investments in a single company represents greater than 5% of the value of the portfolios and/or of the company's total outstanding shares. As of June 30, 2017, the Plans did not hold more than 5% of its total investments in a single issuer.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

As of June 30, 2017, \$3,160,110 of the District's deposits were in excess of federal depository insurance (FDIC) limits and were held in collateralized accounts with securities collateralized in the financial institutions' name.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (Continued)

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2017, the District had no investment securities exposed to custodial credit risk. The Pension Trust Funds' investment securities are not exposed to custodial credit risk because all securities are held by the Pension Trust Funds' custodian bank in the District's name.

FOREIGN CURRENCY RISK

The current District investment policy does not address foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of June 30, 2017, the District does not have any deposits or investments in a foreign currency.

The Pension Trust Funds' investment policy states that international equity shall be comprised of American Depository Receipts (ADR) of non-U.S. companies, common stocks of non-U.S. companies, preferred stocks of non-U.S. companies, foreign convertible securities including debentures convertible to common stocks, and cash equivalents.

The following table provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars. The Pension Trust Funds have foreign currency deposits and investments, which may be used for hedging purposes.

At June 30, 2017, the U.S. dollar balances organized by currency denominations for the Pension Trust Funds are as follows:

| Investment Type | Foreign Currency | US Dollars |
|-----------------|------------------|------------|
| Cash | Swiss Franc | \$ 6,213 |
| | EURO | 440 |
| | Japanese Yen | 95 |
| | Total: | \$ 6,748 |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (Continued)

FAIR VALUE MEASUREMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had the following recurring fair value measurements as of June 30, 2017:

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (Continued)

Investments measured at fair value

| | <u>6/30/2017</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--|-----------------------|----------------------|----------------------|----------------|
| <u>Enterprise fund</u> | | | | |
| Debt securities | | | | |
| Corporate bonds | \$ 866,849 | \$ - | \$ 866,849 | \$ - |
| Asset backed securities | 214,614 | - | 214,614 | - |
| U.S. Government Agency obligations | 1,189,629 | - | 1,189,629 | - |
| U.S. Government issued obligations | 913,619 | - | 913,619 | - |
| Carbon credits (LCFS/RIN) | 432,703 | 432,703 | - | - |
| Total enterprise fund | <u>3,617,414</u> | <u>432,703</u> | <u>3,184,711</u> | <u>-</u> |
| <u>Fiduciary fund</u> | | | | |
| Debt securities | | | | |
| Collateralize mortgage obligations | 4,673,868 | - | 4,673,868 | - |
| Corporate bonds | 20,273,350 | - | 20,273,350 | - |
| Municipals | 1,500,954 | - | 1,500,954 | - |
| U.S. Government Agency obligations | 26,012,880 | - | 26,012,880 | - |
| U.S. Government issued obligations | 34,267,942 | - | 34,267,942 | - |
| Asset backed obligations | 9,179,205 | - | 9,179,205 | - |
| Equity securities | | | | |
| Common stock | 66,813,669 | 66,813,669 | - | - |
| Depository receipts | 1,369,966 | 1,369,966 | - | - |
| Real estate investment trust | 301,854 | 301,854 | - | - |
| Total fiduciary fund | <u>164,393,688</u> | <u>68,485,489</u> | <u>95,908,199</u> | <u>-</u> |
| Total investments measured at fair value | <u>\$ 168,011,102</u> | <u>\$ 68,918,192</u> | <u>\$ 99,092,910</u> | <u>\$ -</u> |

Investments measured at the net asset value (NAV)

| | |
|---|-----------------------|
| <u>Enterprise fund</u> | |
| CalTRUST | \$ 15,278,857 |
| <u>Fiduciary fund</u> | |
| S&P 500 Index Fund | 45,559,187 |
| MSCI EAFE Index Fund | 10,483,331 |
| International Equity Fund | 25,596,839 |
| International Small Capital Equity Fund | 13,788,326 |
| International Emerging Markets Fund | 15,448,346 |
| Total fiduciary fund | <u>110,876,029</u> |
| Total investments measured at NAV | <u>126,154,886</u> |
| Total Investments | <u>\$ 294,165,988</u> |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (Continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Net asset value (NAV) securities are valued based on the net asset value of the pooled investments. The NAV is determined by dividing the total value of the securities and other assets, less any liabilities, by the total outstanding shares of the fund.

| | <u>Amount</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|--|---------------------------|---------------------------------|---------------------------------|-------------------------------------|
| Enterprise fund | | | | |
| CalTRUST ⁽¹⁾ | \$ 15,278,857 | - | Daily | 1 day |
| Fiduciary fund | | | | |
| S&P 500 Index Fund ⁽²⁾ | 45,559,187 | - | Daily | 1 day |
| MSCI EAFE Index Fund ⁽³⁾ | 10,483,331 | - | Semi-monthly | 6-8 days |
| International Equity Fund ⁽⁴⁾ | 25,596,839 | - | Monthly | 7 days |
| International Small Capital Equity Fund ⁽⁵⁾ | 13,788,326 | - | Monthly | 2 days |
| International Emerging Markets Fund ⁽⁶⁾ | <u>15,448,346</u> | - | Daily | 1 day |
| Total fiduciary fund | <u>110,876,029</u> | | | |
| Total investments measured at NAV | <u>\$ 126,154,886</u> | | | |

1. CalTRUST. This type includes an investment in an external investment pool that is governed by the California Government Investment Code. CalTRUST is benchmarked against LAIF and the Barclays Short-Term Government/Corporate Index. The fair value of the investment in this type has been determined using the NAV. The NAV is calculated daily by dividing the total value of the securities and other assets, less any liabilities, by the total outstanding shares of the fund.

2. S&P 500 Index Fund. This type includes an investment in an S&P 500 index fund that invests to match the S&P 500® Index. The S&P 500 is made up of primarily U.S. common stocks. The fair value of the investment in this type has been determined using the NAV per unit of the investment. The NAV per unit of the investment are determined each business day. Issuances and redemptions of fund units may be made on such days, based upon the closing market value on the valuation date of the investments bought or sold and the NAV per unit of the fund.

3. MSCI EAFE Index Fund. This type includes an investment in the Morgan Stanley Capital International Europe, Australasia, Far East Index (MSCI EAFE) Index fund that invest to approximate as closely as practicable, before expenses, the performance of the MSCI EAFE Index over the long term. The MSCI EAFE Index is made up of primarily International stocks. The per-unit NAV of the fund is determined as of the last business day of each month and at least one other business day during the month. Issuances and redemptions of fund units may be

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2. CASH AND INVESTMENTS (Continued)

made on such days, based upon the closing market value on the valuation date of the investments bought or sold and the NAV per unit of the fund.

4. International Equity Fund. This type includes an investment in an International Equity Fund that seeks total return from long-term capital growth and income, while attempting to outperform the MSCI EAFE Index over a market cycle, gross of fees. The fair value of the investment in this type has been determined using the NAV per unit of the investment. The Trust has one dealing day per month, which is the first business day, and units are issued based upon a valuation on the last business day of the preceding month.

5. International Small Capital Equity Fund. The fund intends to utilize a set of valuation, momentum and economic factors to generate an investment portfolio based on security selection procedures geared to assist the fund in meeting its investment objectives. The fund generally will be managed by underweighting and overweighting securities relative to the benchmark. The investment objective is to outperform the MSCI EAFE Small Cap Index over a full market cycle. The fair value of the investment in this type has been determined using the NAV per unit of the investment. The fund has one dealing day per month, which is the first business day, and notification is required at least two business days in advance of a subscription or withdrawal.

6. International Emerging Markets Fund. This type invests substantially all of its assets in the Emerging Market Series. The Emerging Market Series purchases a broad market coverage of larger companies associated with emerging markets, which may include frontier markets (emerging market countries in an earlier stage of development), authorized for investment by the Advisor's Investment Committee. As a non-fundamental policy, under normal circumstances, the Emerging Markets Series will invest at least 80% of its net assets in emerging markets investments that are defined in the Prospectus as Approved Market securities. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investors may purchase or redeem shares of the fund on any business day.

RESTRICTED CASH AND INVESTMENTS

Enterprise Fund

At June 30, 2017, cash and investments include restricted amounts of \$30,664,073. Amounts represent monies restricted for retirement of debt of \$9,631,206, developer fee projects of \$12,026,349, and grantor-approved projects of \$9,006,518.

Fiduciary Funds

At June 30, 2017, cash and investments include restricted amounts of the Pension Trust Funds of \$280,118,394. Amounts represent funds restricted for employees' retirement.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

| | Balance July 1, 2016 | Additions | Transfers | Deletions | Balance June 30, 2017 |
|--|-------------------------|-----------------------|---------------------|---------------------|--------------------------|
| Non-Depreciated Capital Assets | | | | | |
| Land* | \$ 90,926,871 | \$ 221,121 | \$ - | \$ - | \$ 91,147,992 |
| Capital Projects in Process | 42,930,233 | 13,600,959 | (25,505,822) | - | 31,025,370 |
| Total Non-Depreciated Capital Assets | 133,857,104 | 13,822,080 | (25,505,822) | - | 122,173,362 |
| Depreciated Capital Assets | | | | | |
| Buildings and Improvements* | 966,736,934 | 254,687 | 7,510,740 | - | 974,502,361 |
| Buses and Other Equipment | 317,697,333 | 21,754,806 | 17,995,082 | (21,903,370) | 335,543,851 |
| Total Depreciated Capital Assets | 1,284,434,267 | 22,009,493 | 25,505,822 | (21,903,370) | 1,310,046,212 |
| Accumulated Depreciation: | | | | | |
| Buildings and Improvements | (293,578,640) | (24,951,724) | - | - | (318,530,364) |
| Buses and Other Equipment | (170,997,570) | (19,427,134) | - | 21,903,370 | (168,521,334) |
| Total Accumulated Depreciation | (464,576,210) | (44,378,858) | - | 21,903,370 | (487,051,698) |
| Capital Assets Being Depreciated, Net | 819,858,057 | (22,369,365) | 25,505,822 | - | 822,994,514 |
| Capital Assets, Net | \$ 953,715,161 | \$ (8,547,285) | \$ - | \$ - | \$ 945,167,876 |

*Land and Building – the values of the land and buildings at McClellan Park, approximately \$3.7 million and \$6.7 million, respectively, are included in these figures in anticipation of the District receiving future Fee Simple title. On January 5, 2007, a net lease and purchase agreement was recorded, giving the District a 94-year land and building leasehold and providing for a future transfer of Fee Simple title upon completion of Hazardous Materials clean-up by the United States Air Force.

Pursuant to such transaction, the District acquired a leasehold interest in multiple buildings and some exterior parking and the right to use certain common areas at McClellan Park (formerly McClellan Air Force Base). Fee Simple title to the property is projected to be transferred to the District within the next two years. Therefore, the current lease in furtherance of conveyance is being reported as a fee simple ownership of the property.

Building – the value of buildings and improvements includes \$30.8 million of progress payments made pursuant to a Lease and Joint Use Agreement with Los Rios Community College District (Los Rios) that provides for the construction of a parking structure at Cosumnes River College. The District and Los Rios have agreed to make joint use of the parking structure and adjacent surface parking. The District's lease payments are the cost of construction, which have already been paid in full, and there are no future payments due. It is the responsibility of Los Rios to maintain, repair, and pay all taxes and utilities associated with the structures' operations. The term of the lease, which commenced in August 2015 with the opening of the South Sacramento Corridor Phase II light rail extension, is for a period of 51 years with the option to extend for two consecutive 5-year terms. The lease meets the conditions of a capital lease since the lease term exceeds the useful life of the asset. Los Rios commenced use of the parking garage in June 2013.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

3. CAPITAL ASSETS (Continued)

In fiscal year 2013, tax exempt Farebox Revenue Bonds were issued to finance specific transit related improvements. Total interest incurred in fiscal year 2017 was \$3,896,750. Of this amount, interest in the amount of \$458,553 was capitalized in fiscal year 2017. The cumulative capitalized interest on these bonds is \$10,326,681 at June 30, 2017.

4. LEASES

OPERATING LEASES

The District leases buildings, parking lots, and office facilities under non-cancelable operating leases. Total cost for such leases was \$325,066 for the fiscal year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

| Year Ending June 30 | Amount |
|---------------------|------------|
| 2018 | \$ 182,276 |
| 2019 | 75,653 |
| 2020 | 50,400 |
| 2021 | 48,000 |
| 2022 | 44,000 |
| Total | \$ 400,329 |

CAPITAL LEASES

FINANCE OBLIGATIONS UNDER CAPITAL LEASE/LEASEBACK

In December 2005, January 2006, and September 2007, the District entered into separate leveraged lease/leaseback transactions over a total of 50 light rail vehicles (the "Equipment"). Each transaction was structured as a head lease of the Equipment (the "Head Lease") to a special purpose trust created by an equity investor and a simultaneous sublease of the Equipment back to the District (the "Sublease"). Under the Sublease agreements, the District retains the right to use the light rail vehicles and is also responsible for their continued maintenance and insurance. Each Sublease Agreement provides the District with an option to purchase the Equipment at the end of the applicable Sublease term on specified dates between June 2030 and September 2035 for an aggregate purchase price of \$97,932,090.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

4. LEASES (Continued)

At the closing of the lease/leaseback transactions the light rail vehicles had a fair value of approximately \$223,880,000 and a net book value of \$94,822,528. The District received an aggregate of \$223,880,000 from the equity investor in full prepayment of the Head Leases. The District deposited a portion of the prepaid Head Lease payments with debt payment undertakers whose repayment obligations were guaranteed by American International Group Inc. ("AIG"). The District also deposited a portion of the prepaid Head Lease payments with an equity payment undertaker whose obligations, which were collateralized with U.S. agency securities and guaranteed by AIG, matured at such times and in such amounts that correspond to the purchase option payment dates and amounts for the Equipment under each Sublease. Although these escrows do not represent a legal defeasance of the District's obligations under the Subleases, management believes that these transactions were structured in such a way that it was not probable that the District would need to access other monies to make Sublease payments.

In addition, the District purchased surety bonds from Ambac Assurance Corporation ("Ambac"), a bond insurance company, to guarantee certain termination payments that are in the nature of stipulated damages, in the event the lease/leaseback transactions were terminated, in whole or in part, prior to each Sublease expiration payment date.

The lease/leaseback transactions resulted in a net cash gain to the District of \$11,820,731, which was deferred and is being amortized over the lives of the Subleases. In the fiscal year ending June 30, 2017, the District amortized \$419,763 of such deferred gain. At June 30, 2017, the District had a balance of \$7,345,849 as deferred gain on the lease/leaseback transactions.

The District's lease/leaseback transactions have been recorded similar to capital leases in that the present value of the future lease payments has been recognized on the Statement of Net Position as a Lease/Leaseback payable.

The original terms of the lease/leaseback transactions required the District to replace (1) AIG as debt payment undertaker if its ratings were to fall below "A3" from Moody's Investor Services ("Moody's") or "A-" from Standard & Poor's Rating Group ("S&P"), (2) AIG as equity payment surety provider if its ratings were to fall below "Aa3" from Moody's or "AA-" from S&P, in each case within a specified period of time following demand by the equity investor.

In July 2011, the lease/leaseback transactions were restructured to (1) eliminate any minimum rating requirements applicable to Ambac, (2) reduce the minimum rating requirement applicable to AIG as debt payment undertaker guarantor to "Baa3" from Moody's and "BBB-" from S&P, (3) replace AIG as equity payment undertaker and guarantor with U.S. Treasury Obligations that matured by such dates and in such amounts that correspond to the purchase option dates and amounts for the Equipment under each Sublease and (4) extend the time periods for any of the District's remaining replacement obligations to one year.

No payments under the debt payment undertaking agreements remain.

Under the terms of the July 2011 restructuring, the District was required to replace the U.S. Treasury Obligations if the rating fell below "Aaa" from Moody's or "AAA" from S&P. In August 2011, S&P downgraded the U.S. Treasury Obligation to "AA+". On October 16, 2013, the equity

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

4. LEASES (Continued)

investor, District and Ambac agreed to amend the minimum rating requirements for the U.S. Treasury Obligations to “Aa2” from Moody’s and “AA” from S&P (the “October Amendment”).

As a result of the October Amendment, the District is in full compliance with the terms of the lease/leaseback transactions.

As U.S. Treasury Obligations, held in trust, will mature to satisfy the purchase option for the Equipment under each Sublease, the District has recorded the amounts held by the trustee, US Bank, as Deposits for Lease/Leaseback Payables on the Statements of Net Position. The obligation under the lease agreements and the investments held to pay the lease/leaseback obligation are adjusted annually to reflect the change in the net present value of the related sublease and buy-out options. At June 30, 2017, the balance of this deposit was \$40,740,724.

The following table sets forth the aggregate amounts due under the sublease agreements.

| Future minimum payments due in fiscal years ending June 30: | Amount |
|--|-----------------------------|
| 2018 | \$ - |
| 2019 | - |
| 2020 | - |
| 2021 | - |
| 2022 | - |
| 2023-2027 | - |
| 2028-2032 | 14,252,635 |
| 2033-2036 | <u>83,679,455</u> |
| Total future minimum payments | 97,932,090 |
| Less: imputed interest | <u>(57,191,366)</u> |
| Present value of minimum lease payments | <u><u>\$ 40,740,724</u></u> |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

5. LINE OF CREDIT

For the purpose of short-term borrowing needs, the District has an unsecured line of credit (LOC) agreement with U.S. Bank National Association. The purpose of the line of credit is to meet the District's liquidity needs stemming from the timing of cash receipts from Federal and State awards. The line is subject to a \$29,000,000 limit and matures on September 30, 2017. Subsequent to fiscal year end the credit agreement with US Bank was amended and now expires on September 29, 2018. The interest rate for the LOC with U.S. Bank for the used portion of the LOC was at LIBOR plus 1.50% and the unused portion was a fixed 0.75% for the fiscal year ending June 30, 2017.

As of June 30, 2017, the District reported compliance with the short-term borrowing requirements stated under the California Government Code and with the financial covenants required by U.S. Bank.

The LOC balance at June 30, 2017, is summarized as follows:

| | |
|-------------------|-----------------------------|
| Beginning Balance | \$ 27,000,000 |
| Draws | 50,100,000 |
| Payments | <u>(61,100,000)</u> |
| Ending Balance | <u><u>\$ 16,000,000</u></u> |

6. LONG-TERM DEBT

FAREBOX REVENUE BONDS (Revenue Bonds), SERIES 2012

In November 2012, the District issued Revenue Bonds totaling \$86,865,000 with interest rates ranging from 3% to 5%. The Revenue Bonds were issued to (i) finance a portion of the costs of an extension to the District's light rail system and related improvements and acquisition of certain buses and other vehicles and other capital projects, and to (ii) refund all of the outstanding Farebox Revenue Certificates of Participation (COP), 2003 Series-C. The Revenue Bonds are a special obligation of the District and are secured solely by a pledge of farebox revenues through 2042.

The Series 2012 Bonds maturing on and after March 1, 2021, shall be subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds. The Bonds maturing on March 1, 2036, will be subject to redemption in part, by lot, from mandatory sinking account payments required by the Indenture on each March 1 on or after March 1, 2033, at the principal amount of the Series 2012 Bonds to be redeemed plus accrued interest, if any. The Series 2012 Bonds maturing on March 1, 2042, will be subject to redemption in part, by lot, from mandatory sinking account payments required by the indenture on each March 1 on or after March 1, 2037, at the principal amount of the Series 2012 Bonds to be redeemed plus accrued interest, if any.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

6. LONG-TERM DEBT (Continued)

CURRENT YEAR DEFEASANCE

On February 14, 2017 the District placed into an irrevocable trust escrow account \$45,400,732 for the purpose of paying debt service for fiscal years 2017 through 2019, based upon the original 2012 amortization schedule, and legally defeasing \$33,142,500 of the Series 2012 Farebox Revenue Bonds to receive level savings on future debt service payments beginning in fiscal year 2020 through fiscal year 2042.

The net cash flow to continue normal payments on the 2012 Farebox Revenue Bonds through 2042 was \$142,723,500, at the time of defeasance. The subsequent debt service payments totaled \$78,074,275, for a savings of \$64,649,225. The present value of savings was \$44,232,947.

However, an economic loss (difference between the present value of the old and new debt service payments) was generated by the partial defeasance of the 2012 Farebox Revenue Bonds. The economic loss was determined via present value of savings from cash flow of \$44,232,947 less the refunding cash on hand on the date of defeasance of \$48,944,160, resulting in an economic loss of \$4,711,213.

The total principal and interest remaining to be paid on the Revenue Bonds was \$78,074,275 at June 30, 2017. All principal and interest payments for the years ending June 30, 2017, 2018, and 2019 are being paid out of an irrevocable trust escrow account established with the February 14, 2017 partial defeasance. Annual principal and interest payments on the Revenue Bonds are not expected to require funding from farebox revenues. Farebox revenues were \$30,487,098 for the fiscal year ending June 30, 2017.

As of June 30, 2017, debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30: | Principal | Interest | Total |
|-----------------------------|----------------------|----------------------|----------------------|
| 2018 | \$ - | \$ - | \$ - |
| 2019 | - | - | - |
| 2020 | 862,500 | 1,711,575 | 2,574,075 |
| 2021 | 1,210,000 | 2,224,600 | 3,434,600 |
| 2022 | 1,270,000 | 2,164,100 | 3,434,100 |
| 2023-2027 | 7,355,000 | 9,803,500 | 17,158,500 |
| 2028-2032 | 9,395,000 | 7,770,500 | 17,165,500 |
| 2033-2037 | 11,740,000 | 5,411,500 | 17,151,500 |
| 2038-2042 | 14,855,000 | 2,301,000 | 17,156,000 |
| Total | <u>\$ 46,687,500</u> | <u>\$ 31,386,775</u> | <u>\$ 78,074,275</u> |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

6. LONG-TERM DEBT (Continued)

As of June 30 2017, the unamortized premium associated with the Revenue Bonds was \$4,329,796. The amortization of the premium for fiscal year ended June 30, 2017, was \$2,954,135.

As of June 30, 2017, the Districted reported compliance with all financial covenants of the Farebox Revenue Bonds.

LOANS PAYABLE

Loans payable at June 30, 2017, include \$13,988,074 received in November 2013 from the Public Transportation account (PTA) in the State Transportation Fund pursuant to Section 2 of Chapter 527, Statutes of 2013 (AB 1222). The loan was extended by the State to temporarily replace a Federal Transit Administration grant that lapsed due to the application of the Federal Transit Act's "13(c)" provision to the California Public Employee Pension Reform Act of 2013 (PEPRA). The federal funds remain appropriated and the issue is in litigation. The loan is due on or before 60 days after either a federal district court rules that the US Department of Labor erred in determining that application of PEPRA precludes certification under subsection (b) of Section 5533 of Title 49 of the United States Code or certification by the US Department of Labor that results in the receipt of the federal grant funds but, in any case, no later than January 1, 2019. The PTA loan accrues interest at the rate earned by the State Pooled Money Investment Account at the time of the loan which was 0.266%. As of June 30, 2017, the principal balance of the PTA loan was \$13,988,074 and accrued interest was \$137,774.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

| | Beginning Balance | Additions | Deductions | Ending Balance | Due Within One Year |
|---------------------------------|-----------------------|----------------------|------------------------|-----------------------|------------------------|
| 2012 Revenue Bonds | \$ 79,830,000 | \$ - | \$ (33,142,500) | \$ 46,687,500 | \$ - |
| Issuance Premium | 7,283,931 | - | (2,954,135) | 4,329,796 | 175,532 |
| Total 2012 Revenue Bonds | <u>87,113,931</u> | <u>-</u> | <u>(36,096,635)</u> | <u>51,017,296</u> | <u>175,532</u> |
| Compensated Absences | 10,049,131 | 7,337,765 | (7,454,321) | 9,932,575 | 7,405,994 |
| Net Pension Liability | 92,413,915 | 44,495,872 | (20,408,463) | 116,501,324 | - |
| Loans Payable | 13,988,074 | - | - | 13,988,074 | - |
| Advances from Other Governments | 27,929,822 | 9,935,857 | (14,247,455) | 23,618,224 | 7,010,071 |
| Claims Payable | 19,871,339 | 6,338,724 | (3,712,225) | 22,497,838 | 7,754,291 |
| Lease/Leaseback Payable | 38,752,526 | 1,988,198 | - | 40,740,724 | - |
| Long-Term Liabilities | <u>\$ 290,118,738</u> | <u>\$ 70,096,416</u> | <u>\$ (81,919,099)</u> | <u>\$ 278,296,055</u> | <u>\$ 22,345,888</u> |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

7. FUNDING SOURCES

The District is dependent upon funds from several sources to meet its operating, maintenance, and capital requirements. The receipt of such funds is controlled by statutes, the provisions of various grant contracts, regulatory approvals, and, in some instances, is dependent on the availability of grantor and local matching funds.

FEDERAL GRANTS

Federal grant funding is obtained from the Federal Transit Administration (FTA) and Department of Homeland Security. Federal funding for the fiscal year ended June 30, 2017, is comprised of the following:

| | 2017 |
|--|---------------|
| Operating assistance grants: | |
| FTA Section 5307 | \$ 23,551,870 |
| FTA Section 5337 | 11,580,302 |
| FTA Section 5309 | 407,971 |
| Dept of Homeland Security | 68,161 |
| FTA Section 5339 | 2,400 |
| Total Federal operating assistance grants | 35,610,704 |
| Capital grants: | |
| FTA Section 5309 | 2,934,484 |
| FTA Section 5307 | 4,734,972 |
| FTA Section 5339 | 743,139 |
| FTA Section 5317 | 600,418 |
| Total Federal capital grants | 9,013,013 |
| Total Federal operating and capital grants | \$ 44,623,717 |

The FTA retains its interest in assets acquired with Federal funds should they be disposed of before the end of their economic lives or not used for public transit.

Under provisions of Section 5307 of the Urban Mass Transportation Act of 1964, as amended, Federal resources are made available for planning, capital, and operating assistance, subject to certain limitations. Funds are apportioned annually based on a statutory formula and are available for a period of five years following the close of the fiscal year for which they were apportioned. Any unobligated funds at the end of such period revert to the federal government. In general, funds received for operations must, at a minimum, be matched 50% with local contributions and funds for capital projects must be matched 20% with local contributions.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

7. FUNDING SOURCES (Continued)

STATE AND LOCAL GRANTS

The District qualifies for and receives distributions from Local Transportation Funds and State Transit Assistance under claims approved by the Sacramento Area Council of Governments (SACOG) in accordance with provisions of the Transportation Development Act (TDA).

State and local grant funding for the fiscal year ended June 30, 2017, is comprised of the following:

| | |
|---|-----------------------|
| Operating assistance grants: | |
| Measure A Sales Tax Revenue | \$ 39,131,573 |
| Local Transportation Funds | 38,731,878 |
| State Transit Assistance | 7,156,739 |
| Low Carbon Transit Operations Program | 1,891,065 |
| Total state and local operating assistance grants | <u>86,911,255</u> |
| Capital grants: | |
| Traffic Congestion Relief Program | 42,129,104 |
| Proposition 1B | 13,787,196 |
| Sacramento Area Council of Governments | 2,898,123 |
| Transit and Intercity Rail Program | 2,791,534 |
| Sacramento Housing and Redevelopment | 134,138 |
| Measure A Sales Tax Revenue | 131,923 |
| Department of Transportation | 61,497 |
| County of Sacramento | (1,195,850) |
| Developer Fees | (2,544,046) |
| Other | 49,590 |
| Total state and local capital grants | <u>58,243,209</u> |
| Total state and local grants | <u>\$ 145,154,464</u> |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

7. FUNDING SOURCES (Continued)

ADVANCES FROM OTHER GOVERNMENTS

Advances from other governments at June 30, 2017, consisted of the following:

| | |
|---|-----------------------------|
| Developer Fees | \$ 12,021,297 |
| Proposition 1B | 5,403,084 |
| Sacramento Emergency Clean Air & Transportation (SECAT) | 2,203,213 |
| Environmental Council of Sacramento (ECOS) | 1,693,695 |
| Sacramento County | 1,229,803 |
| Low Carbon Operations Transit Program | 1,053,316 |
| Other | 13,816 |
| Total advances from other governments | <u><u>\$ 23,618,224</u></u> |

The advances from other governments are grants, fees from area developers designated specifically for transit improvements, and lawsuit settlement proceeds received, but not yet spent; utilized principally for capital projects. There are no payments due on these advances. Management makes an estimate of the amount that will be recognized in the next fiscal year and classifies this amount as current.

8. FARE RECOVERY RATIO

The District is required to maintain a fare revenue-to-operating expense ratio of 23% in accordance with the Transportation Development Act. To demonstrate compliance with this Fare Recovery Ratio, the District has supplemented, per California Public Utilities Code Section 99268.19, a portion of its Local Measure A funds in order to meet the required ratio. The fare revenue-to-operating expense ratio for the District is calculated as follows for the fiscal year ended June 30, 2017:

| | |
|---|------------------------------|
| Fare Revenues | \$ 30,487,098 |
| Local Fund Supplementation (Measure A) | 8,227,464 |
| Total Revenues | <u><u>\$ 38,714,561</u></u> |
| Operating Expenses | \$ 212,283,275 |
| Less Allowable Exclusions: | |
| Depreciation and Amortization | (43,959,095) |
| Net Operating Expenses | <u><u>\$ 168,324,180</u></u> |
| Fare Revenue Ratio | <u><u>23.00%</u></u> |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS

DESCRIPTION OF PLANS

The District contributes to three single-employer defined benefit pension plans:

- The Sacramento Regional Transit District Retirement Plan for members of ATU, Local 256 (ATU Plan),
- The Sacramento Regional Transit District Retirement Plan for members of IBEW Local 1245 (IBEW Plan), and
- The Sacramento Regional Transit District Retirement Plan for Salaried Employees (Salaried Plan) who are members of the:
 - Administrative Employees' Association (AEA),
 - Management and Confidential Employees Group (MCEG), and
 - American Federation of State, County and Municipal Employees (AFSCME), which is further broken down into the following groups for bargaining and contract purposes:
 - AFSCME-Technical
 - AFSCME-Supervisors

As discussed in Note 1 to the financial statements, the ATU Plan and IBEW Plan were accounted for as one plan for accounting purposes prior to 2017. Effective July 1, 2016, separate trust agreements and financial record keeping were created for the ATU Plan and IBEW Plan based on actuarial calculations and trustee transactions. Each trust allows for accumulation of assets solely for the payment of benefits to plan members. The changes were approved and required by the Internal Revenue Service in order to establish the individual trusts. Prior to July 1, 2016, the ATU Plan and the IBEW Plan were accounted for by the District as one plan (collectively, the ATU/IBEW Plan). Because the District reports its pension activity on a one year lag from the pension plans, information reported in this note disclosure reflects the combined ATU/IBEW Plan which still existed on the District's reporting date of June 30, 2016.

The plans are administered by the District under the direction of five separate Retirement Boards of Directors, each representing one of the aforementioned bargaining and employee groups of ATU, IBEW, AEA, AFSCME and MCEG. The District's administrative functions include: payments to retirees, accounting, financial management, Plan document management, correspondence with retirees, pension calculations, and other administrative tasks. The Retirement Boards of Directors are responsible for investment decisions, approving the annual actuarial valuation and annual contributions, approving the annual audited financial statements, approving retirements, and other tasks. All expenses incurred in the administration of the plans are paid by the plans.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

Each Retirement Board is comprised of equal representation; District Management by a member from the District's Board of Directors and General Manager, and two members from the represented group. Each Board member serves a four year term, with no limit on the amount of terms that can be served. The ATU, IBEW and Salaried Plans issue a publicly available combined financial report that includes audited financial statements and required supplementary information. The report may be obtained by writing to Sacramento Regional Transit District, Attention: Chief Financial Officer, P.O. Box 2110, Sacramento, CA 95812, or online at www.sacrt.com.

Plan Transfers – Transfers between Plans occur when an active employee of any Plan transfers to a new position within a different Plan. When a transfer takes place contributions made on behalf of that employee must be assessed to determine if the assets need to be moved to the new Plan.

Plan Tier Definition – As a result of labor negotiations and the court ruling on the Public Employees' Pension Reform Act (PEPRA), Tier 2 was created in the ATU, IBEW and Salaried Plans, as well as a Tier 3 for the ATU only. The Tier effective date was directly affected by labor negotiations and whether the union/employee group was under a current Memorandum of Understanding (MOU). As of December 30, 2014, the ATU, IBEW, and AFSCME-Technical unions were bound by a current MOU. Whereas, the AEA, MCEG, and AFSCME-Supervisors had not settled negotiations and were not bound by a current MOU; therefore, PEPRA was required to be implemented for these groups.

- IBEW and AFSCME-Technical – Tier 1 consists of all employees hired on or before December 31, 2014, Tier 2 consists of all employees hired on or after January 1, 2015.
- ATU – Tier 1 consists of all employees hired on or before December 31, 2014, Tier 2 consists of all employees hired on or after January 1, 2016, Tier 3 consists of all employees hired during the time period January 1, 2015 to December 31, 2015.
- AEA, MCEG, and AFSCME-Supervisors – Tier 1 consists of all employees hired on or before December 30, 2014, Tier 2 consists of all employees hired on or after December 31, 2014.

Tier 1 and Tier 3 are closed to new entrants as all newly hired employees will be placed into the respective Tier 2 plans.

Plan Termination – If the ATU, IBEW or Salaried Plans are terminated, the Plan's net position will first be applied to provide for retirement benefits to retired members. Any remaining net position will be allocated to other members, oldest first both active and inactive, on the basis of the actuarial present value of their benefits.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

BENEFITS PROVIDED

Contributions to the ATU, IBEW and Salaried Plans are authorized or amended by the Retirement Boards based on an actuarial basis. The authority under which benefit provisions are established and amended rests with the District's Board of Directors as a result of labor negotiations.

The ATU, IBEW and Salaried Plans provide defined pension, disability, and death benefits to employees who are members of the ATU, IBEW, AEA, MCEG, AFSCME-Technical, and AFSCME-Supervisors bargaining units.

The benefits for Tier 1, Tier 2, and Tier 3 members begin at retirement and continue for the participant's life with no cost of living adjustment. The participant can elect to receive reduced benefits with continuing benefits to a beneficiary after death.

Disability Benefits – A participant is eligible for a disability benefit if the participant is unable to perform the duties of his or her job with the District, cannot be transferred to another job with the District, and has submitted satisfactory medical evidence of permanent disqualification from his or her job. Members are required to be vested in their respective union or employee group to qualify for disability retirement. The disability benefit is equal to the retirement allowance, as defined by the ATU, IBEW or Salaried Plan, multiplied by service accrued through the date of disability. The disability benefit cannot exceed the retirement benefit. The benefit begins at disability and continues until recovery or for the participant's life unless the participant elects to receive reduced benefits with continuing benefits to a beneficiary after death.

Pre-Retirement Death Benefit – A participant's surviving spouse is eligible for a pre-retirement death benefit if the participant is vested, based on the respective bargaining agreements. The pre-retirement death benefit is the actuarial equivalent of the normal retirement benefit, as if the participant retired on the date of death. The death benefit begins when the participant dies and continues for the life of the surviving spouse.

ATU, IBEW and Salaried Plan membership for Tier 1, Tier 2 and Tier 3 at June 30, 2017, consisted of:

| | <u>ATU</u> | <u>IBEW</u> | <u>Salaried</u> |
|--|------------|-------------|-----------------|
| Retirees and beneficiaries currently receiving benefits | 436 | 128 | 300 |
| Terminated members entitled to but not yet collecting benefits | 21 | 19 | 51 |
| Current active members | <u>529</u> | <u>197</u> | <u>223</u> |
| | <u>986</u> | <u>344</u> | <u>574</u> |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

Table 1 below presents a summary of the retirement benefits for Tier 1 and Tier 3 employees for each of the employee groups represented by the ATU, IBEW and Salaried Plans for fiscal year ending June 30, 2017.

Table 1

| TIER 1 & TIER 3 Employee Union/ Groups | ATU Plan | IBEW Plan | Salaried Plan | | | |
|--|--|-----------|--|-------------------------|-----------|-----------|
| | ATU | IBEW | AFSCME - Technical | AFSCME - Supervisors | AEA | MCEG |
| Plan Terms | MOU | MOU | MOU | MOU | MOU | MOU |
| Vesting Period: Years of Service - % Vested | 10 - 100% | 5 - 100% | 5 - 20% 6 - 40% 7 - 60% 8 - 80% 9 - 100% | 9 - 100% | 5 - 100% | 5 - 100% |
| Wages used in pension calculation | Ranges from 48 to 60 months depending on date of separation. See Plan documents for specific provisions. | | | | | |
| Vacation and sick leave sell back towards pension calculation | Allowable | Allowable | Allowable | Allowable | Allowable | Allowable |
| Disability Retirement Multiplier | Equal to applicable retirement age multiplier or 2% if age and service are not met. Vesting required | | | | | |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

Table 2 below presents a summary of the retirement benefits for Tier 2 employees for each of the employee groups represented by the ATU, IBEW and Salaried Plans effective for fiscal year ending June 30, 2017.

Table 2

| TIER 2 | ATU Plan | IBEW Plan | Salaried Plan | | | |
|---|---|-----------|--|----------------------|---------------|---------------|
| Employee Unions/Groups | ATU | IBEW | AFSCME - Technical | AFSCME - Supervisors | AEA | MCEG |
| Plan Terms | PEPRA | MOU | MOU | PEPRA | PEPRA | PEPRA |
| Vesting Period: Years of Service - % Vested | 5 - 100% | 10 - 100% | 5 - 10% 6 - 30% 7 - 50% 8 - 70% 9 - 90% 10 - 100% | 5 - 100% | 5 - 100% | 5 - 100% |
| Wages used in pension calculation | Highest consecutive 48 months | | | | | |
| Vacation and sick leave sell back towards pension calculation | Not Allowable | Allowable | Allowable | Not Allowable | Not Allowable | Not Allowable |
| Disability Retirement Multiplier | If allowable, equal to applicable retirement age multiplier or 2% if age and service are not met. Vesting required | | | | | |

The retirement ages, years of service and pension calculation multipliers vary by employee union/group. The multipliers and years of service range from 2% at age 55 or 25 years of service to 2.5% at age 60 or 30 or more years of service for Tier 1 and Tier 3. Tier 2 is varied depending on the bargaining unit's MOU and PEPRA regulations.

Contributions

The ATU, IBEW and Salaried Plans' funding policies provide for actuarially determined periodic contributions. Contribution rates for retirement benefits are determined using the entry age normal cost method and are approved by the Retirement Boards of Directors annually. During the fiscal year ended June 30, 2017, the District made 100% of the actuarially determined contributions. Contributions to the ATU, IBEW, and Salaried Plan for fiscal year ended June 30, 2017, were \$7,987,367, \$3,315,379, \$7,321,138, respectively.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

Table 3 presents the employer and employee contribution rates and for Tier 1 and Tier 3 employees as of June 30, 2017:

Table 3

| <u>Employee Group</u> | Tier 1 | | Tier 3 | |
|-------------------------|-----------------|-----------------|-----------------|-----------------|
| | <u>Employer</u> | <u>Employee</u> | <u>Employer</u> | <u>Employee</u> |
| ATU | 27.10% | 0.00% | 24.10% | 3.00% |
| IBEW | 27.10% | 0.00% | - | - |
| AEA, MCEG and AFSCME | 31.48% | 0.00% | - | - |

As of January 1, 2015, all new employees were required to contribute to their pension based upon the terms of the bargaining groups MOU or based on PEPRA. Table 4 presents the employer and employee contribution rates for Tier 2 employees as of June 30, 2017:

Table 4

| <u>Employee Group</u> | Tier 2 | |
|---|---------------------|-------------------|
| | <u>Employer</u> | <u>Employee</u> |
| ATU | 20.60% | 6.50% |
| IBEW | 22.60% to 25.60% | 1.50% to 4.50% |
| AFSCME - Technical | 26.98% to 29.98% | 1.50% to 4.50% |
| AEA, MCEG, and AFSCME - Supervisors | 27.73% | 3.75% |

The employee contributions to the ATU, IBEW, and Salaried Plan for the fiscal year ended June 30, 2017, were \$168,463, \$39,287, and \$53,706, respectively.

The employee contribution rates calculated in compliance with PEPRA, for June 30, 2017, were actuarially determined as part of the valuations dated July 1, 2015.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

NET PENSION LIABILITY

The District's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, and projected to June 30, 2016 for the ATU, IBEW and Salaried Plans. As of July 1, 2016, separate trust agreements and financial record keeping were created for the ATU Plan and IBEW Plan based on actuarial calculations and trustee transactions. The ATU received 70.88% and the IBEW received 29.12% of the assets and liabilities. The Plans were split using the methodology outlined in the July 1, 2015 actuarial valuation taking into account both inactive and active liabilities. As of the measurement date June 30, 2016, the ATU and IBEW Plans were still combined for reporting purposes; therefore, the total and net pension liability disclosures below are combined. The ATU and IBEW Plan information will be presented separately for financial statement disclosure for the year ending June 30, 2018. Update procedures were used to roll forward the total pension liability to the measurement date. The reporting date is June 30, 2017, for all Plans.

Actuarial Assumptions – The total pension liability in the June 30, 2016 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement for the ATU, IBEW, and Salaried Plans. The following changes to actuarial assumptions were made between the fiscal year ending June 30, 2017 and 2016 for the ATU, IBEW and Salaried Plans: the investment rate of return and discount rate was reduced from 7.65% to 7.50%, the real investment rate of return rate decreased from 4.50% to 4.35%.

| | |
|---------------------------|----------------------------------|
| Inflation | 3.15% |
| Amortization growth rate | 3.15% |
| Salary Increases | 3.15%, plus merit component |
| Investment Rate of Return | 7.50%, net of investment expense |
| Discount Rate | 7.50% |

Mortality rates were based on the RP-2014 Combined Blue Collar Mortality, adjusted by 115% for males and 130% for females, with generational projection using Scale MP-215 for the ATU/IBEW Plan, and the RP-2014 Retired Pensioners Mortality, adjusted by 130% for females, with generational projection using Scale MP-2015 for the Salaried Plan.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2006 through June 30, 2011.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

For the ATU, IBEW, and the Salaried Plans, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--|-------------------|--|
| Domestic Equity Large Cap | 32.00% | 8.85% |
| Domestic Equity Small Cap | 8.00% | 9.85% |
| International Equity Developed Large Cap | 14.00% | 9.55% |
| International Equity Developed Small Cap | 5.00% | - |
| International Equity Emerging | 6.00% | 11.15% |
| Domestic Fixed Income | 35.00% | 3.05% |
| Total | 100.00% | |

Discount rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the current contribution rate and that the District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

CHANGES IN THE NET PENSION LIABILITY

Table 5 below presents the changes in the net pension liability for the ATU/IBEW Plan as of June 30, 2017:

Table 5

| | ATU/IBEW Plan | | |
|--|--|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at 6/30/2016 | \$ 222,705,517 | \$ 172,106,054 | \$ 50,599,463 |
| Changes for the year: | | | |
| Service Cost | 5,760,060 | - | 5,760,060 |
| Interest | 16,758,356 | - | 16,758,356 |
| Differences between expected and actual experience | (1,456,639) | - | (1,456,639) |
| Changes of assumptions | 8,176,501 | - | 8,176,501 |
| Contributions - employer | - | 10,447,190 | (10,447,190) |
| Contributions - member | - | 54,714 | (54,714) |
| Net Investment Income | - | (1,121,417) | 1,121,417 |
| Benefit Payments, including refunds of employee contributions | (13,180,874) | (13,180,874) | - |
| Administrative Expense | - | (290,647) | 290,647 |
| Net Changes | <u>16,057,404</u> | <u>(4,091,034)</u> | <u>20,148,438</u> |
| Balances at 6/30/2017 | <u>\$ 238,762,921</u> | <u>\$ 168,015,020</u> | <u>\$ 70,747,901</u> |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

Table 6 below presents the changes in net pension liability for the Salaried Plan as of June 30, 2017:

Table 6

| | Salaried Plan | | |
|--|--|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at 6/30/2016 | \$ 116,410,752 | \$ 74,596,300 | \$ 41,814,452 |
| Changes for the year: | | | |
| Service Cost | 3,594,919 | | 3,594,919 |
| Interest | 8,807,953 | | 8,807,953 |
| Differences between expected and actual experience | (852,040) | | (852,040) |
| Changes of assumptions | (680,161) | | (680,161) |
| Contributions - employer | - | 7,576,866 | (7,576,866) |
| Contributions - member | - | 21,014 | (21,014) |
| Net Investment Income | - | (396,556) | 396,556 |
| Benefit Payments, including refunds of employee contributions | (6,190,981) | (6,190,981) | - |
| Administrative Expense | - | (269,624) | 269,624 |
| Net Changes | <u>4,679,690</u> | <u>740,719</u> | <u>3,938,971</u> |
| Balances at 6/30/2017 | <u>\$ 121,090,442</u> | <u>\$ 75,337,019</u> | <u>\$ 45,753,423</u> |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

Table 7 below presents the changes in net pension liability combined for the ATU/IBEW and Salaried Plans as of June 30, 2017:

Table 7

| | ATU/IBEW and Salaried Plan | | |
|--|--|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at 6/30/2016 | \$ 339,116,269 | \$ 246,702,354 | \$ 92,413,915 |
| Changes for the year: | | | |
| Service Cost | 9,354,979 | - | 9,354,979 |
| Interest | 25,566,309 | - | 25,566,309 |
| Differences between expected and actual experience | (2,308,679) | - | (2,308,679) |
| Changes of assumptions | 7,496,340 | - | 7,496,340 |
| Contributions - employer | - | 18,024,056 | (18,024,056) |
| Contributions - member | - | 75,728 | (75,728) |
| Net Investment Income | - | (1,517,973) | 1,517,973 |
| Benefit Payments, including refunds of employee contributions | (19,371,855) | (19,371,855) | - |
| Administrative Expense | - | (560,271) | 560,271 |
| Net Changes | <u>20,737,094</u> | <u>(3,350,315)</u> | <u>24,087,409</u> |
| Balances at 6/30/2017 | <u>\$ 359,853,363</u> | <u>\$ 243,352,039</u> | <u>\$ 116,501,324</u> |

There are no special funding situations for either the ATU/IBEW Plan or the Salaried Plan for the fiscal year ending June 30, 2017.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the District, calculated using the discount rate of 7.50%, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

| | <u>1% Decrease (6.50%)</u> | <u>Current Discount Rate (7.50%)</u> | <u>1% Increase (8.50%)</u> |
|-----------------------------------|------------------------------------|--|------------------------------------|
| District’s net pension liability: | | | |
| ATU/IBEW Plan | \$ 95,766,377 | \$ 70,747,901 | \$ 49,385,608 |
| Salaried Plan | 59,936,123 | 45,753,423 | 33,722,287 |
| Total | <u>\$ 155,702,500</u> | <u>\$ 116,501,324</u> | <u>\$ 83,107,895</u> |

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued Retirement Plans for the Sacramento Regional Transit District Employees financial report. The Plan assets, for investing purposes, have been comingled to reduce investment expenses.

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The total pension expense recognized by the District for the ATU/IBEW Plan and Salaried Plan for the fiscal year ended June 30, 2017, was \$13,006,606 and \$7,625,561, respectively, totaling \$20,632,167. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Net difference between projected and actual earnings on pension plan investments: | | |
| ATU/IBEW Plan | \$ 11,920,498 | \$ - |
| Salaried Plan | 5,098,629 | - |
| Differences between expected and actual experience: | | |
| ATU/IBEW Plan | - | 2,636,200 |
| Salaried Plan | - | 1,058,170 |
| Changes of assumptions: | | |
| ATU/IBEW Plan | 7,351,987 | - |
| Salaried Plan | 465,431 | 544,129 |
| Total of inflows and outflows before employer contributions | <u>24,836,545</u> | <u>4,238,499</u> |
| Employer contributions subsequent to the measurement date of the net pension liability: | | |
| ATU/IBEW Plan | 11,302,746 | - |
| Salaried Plan | 7,321,138 | - |
| Total employer contributions | <u>18,623,884</u> | <u>-</u> |
| Total deferred inflows and outflows | <u>\$ 43,460,429</u> | <u>\$ 4,238,499</u> |

Deferred outflows of resources resulting from contributions made subsequent to the measurement date in the amount of \$18,623,884 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | <u>ATU/IBEW Plan</u> | <u>Salaried Plan</u> | <u>Total</u> |
|---------------------|----------------------|----------------------|----------------------|
| 2018 | \$ 3,306,875 | \$ 723,395 | \$ 4,030,270 |
| 2019 | 3,306,874 | 723,392 | 4,030,266 |
| 2020 | 5,843,355 | 1,592,239 | 7,435,594 |
| 2021 | 4,179,181 | 922,735 | 5,101,916 |
| 2022 | - | - | - |
| Thereafter | - | - | - |
| Total | <u>\$ 16,636,285</u> | <u>\$ 3,961,761</u> | <u>\$ 20,598,046</u> |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

PAYABLE TO THE PENSION PLAN

At June 30, 2017, the District reported a receivable from the ATU, IBEW, and Salaried Plans of \$285,369, \$67,672, and \$72,986, respectively. The receivables from the Plans are the differences between required contributions and payments to vendors made by the District on behalf of the Plans.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

10. OTHER POST-EMPLOYMENT BENEFITS

DESCRIPTION OF THE PLANS

The District provides health care benefits under provisions of Personnel Rules and Procedures, Collective Bargaining Agreements and certain Calpers requirements for active and retired members of AEA, AFSCME, MCEG, ATU, and IBEW. The District also provides life insurance benefits to active and retired members of the AEA, AFSCME, and MCEG. The benefits are mandated by contracted agreements between the District and the respective employee groups and may be amended at any time. Employees and their dependents may become eligible for such benefits if the employees reach normal retirement age while working for the District. Medical, dental, and life insurance benefits for active employees are provided through an insurance company whose premiums are based on the benefits paid during the year.

The District established an irrevocable trust under the California Employers' Retiree Benefit Trust Program (CERBT) to prefund subsidized medical, dental and life insurance for the AEA, AFSCME, and MCEG as well as subsidized medical benefits for the ATU and IBEW active and retired members. The funds in the CERBT are held in trust and will be administered by the California Public Employees' Retirement System (CalPERS) as an agent multiple-employer plan. Benefit provisions are established and may be amended by District labor agreements which are approved by the Board of Directors. The District's Other Post-Employment Benefits (OPEB) financial statements will be included in the CalPERS CAFR. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

FUNDING POLICY

The District received Board approval on July 25, 2011, to create sub-accounts within the AEA, AFSCME, and MCEG's irrevocable trust to prefund the ATU and IBEW's required contribution for their respective health benefits. The obligation of the District to contribute to the plans is established by the Board of Directors. The District currently funds the OPEB at 100% of the annual required contribution of the employer (ARC) for all plans.

The District contributes 90% or 92% of the cost for retired members of AEA, AFSCME, and MCEG hired after 1993, and 100% for plan members hired prior to 1994. The District is required to contribute the unequal minimum required contribution set under the Public Employees' Medical & Hospital Care Act (PEMHCA) for retired members of the ATU and IBEW. A total of 670 retirees and/or their beneficiaries were eligible to receive such benefits at June 30, 2017.

The District's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

FUNDING POLICY (Continued)

The CERBT fund, which is an IRC Section 115 Trust, is set up for the purpose of (i) receiving employer contributions to prefund health and other post-employment benefits for retirees and their beneficiaries, (ii) investing contributed amounts and income therein, and (iii) disbursing contributed amounts and income therein, if any, to pay for costs of administration of the fund and to pay for health care costs or other post-employment benefits in accordance with the terms of the District's OPEB plan.

ANNUAL OPEB COST AND NET OPEB OBLIGATION – AEA, AFSCME, AND MCEG

The ARC for the fiscal year ended June 30, 2017, was determined as part of the July 1, 2015, actuarial valuation. As of June 30, 2017, the ARC was \$3,654,991. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation:

| | | | |
|--|--|----|-------------|
| Annual Required Contribution | | \$ | 3,654,991 |
| Interest on Net OPEB Obligation | | | - |
| Adjustment to Annual Required Contribution | | | - |
| Annual OPEB Cost (Expense) | | | 3,654,991 |
| | | | |
| Contributions Made | | | (3,654,991) |
| Change in Net OPEB Obligation | | \$ | - |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2017, and the two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|---------------------|--|------------------------|
| 06/30/2015 | \$ 2,743,750 | 100.0% | - |
| 06/30/2016 | \$ 3,545,336 | 100.0% | - |
| 06/30/2017 | \$ 3,654,991 | 100.0% | - |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

FUNDING STATUS AND FUNDING PROGRESS – AEA, AFSCME, AND MCEG

The funded status of the plan as of July 1, 2016, was as follows:

| | |
|---|----------------------|
| Actuarial Accrued Liability (AAL) | \$ 49,486,152 |
| Actuarial Value of Plan Assets | 15,244,408 |
| Unfunded Actuarial Accrued Liability (UAAL) | <u>\$ 34,241,744</u> |
| | |
| Funded Ratio (Actuarial Value of Plan Assets/AAL) | 30.81% |
| | |
| Covered Payroll (Active Plan Members) | \$ 22,545,072 |
| UAAL as a Percentage of Covered Payroll | 151.88% |

ANNUAL OPEB COST AND NET OPEB OBLIGATION – ATU

The ARC for the fiscal year ended June 30, 2017, was determined as part of the July 1, 2015 actuarial valuation. As of June 30, 2017, the ARC was \$1,478,274. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation:

| | |
|--|--------------------|
| Annual Required Contribution | \$ 1,478,274 |
| Interest on Net OPEB Obligation | - |
| Adjustment to Annual Required Contribution | - |
| Annual OPEB Cost (Expense) | <u>1,478,274</u> |
| | |
| Contributions Made | <u>(1,478,274)</u> |
| Change in Net OPEB Obligation | <u>\$ -</u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2017, and the preceding two years were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-----------------------------|---|--------------------------------|
| 06/30/2015 | \$ 583,471 | 100.0% | \$ - |
| 06/30/2016 | \$ 1,433,363 | 100.0% | \$ - |
| 06/30/2017 | \$ 1,478,274 | 100.0% | \$ - |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

FUNDING STATUS AND FUNDING PROGRESS – ATU

The funded status of the plan as of July 1, 2016, was as follows:

| | | |
|---|----|----------------------|
| Actuarial Accrued Liability (AAL) | \$ | 14,630,807 |
| Actuarial Value of Plan Assets | | 4,336,203 |
| Unfunded Actuarial Accrued Liability (UAAL) | | <u>\$ 10,294,604</u> |
| | | |
| Funded Ratio (Actuarial Value of Plan Assets/AAL) | | 29.64% |
| | | |
| Covered Payroll (Active Plan Members) | \$ | 24,471,474 |
| UAAL as a Percentage of Covered Payroll | | 42.07% |

ANNUAL OPEB COST AND NET OPEB OBLIGATION – IBEW

The ARC for the fiscal year ended June 30, 2017, was determined as part of the July 1, 2015 actuarial valuation. As of June 30, 2017, the ARC was \$610,538. The following table shows the components of the District’s annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and the changes in the District’s net OPEB obligation:

| | | |
|--|----|------------------|
| Annual Required Contribution | \$ | 610,538 |
| Interest on Net OPEB Obligation | | - |
| Adjustment to Annual Required Contribution | | - |
| Annual OPEB Cost (Expense) | | <u>610,538</u> |
| | | |
| Contributions Made | | <u>(610,538)</u> |
| Change in Net OPEB Obligation | \$ | <u>-</u> |

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2017, and the two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|---------------------|--|------------------------|
| 06/30/2015 | \$ 193,581 | 100.0% | \$ - |
| 06/30/2016 | \$ 591,866 | 100.0% | \$ - |
| 06/30/2017 | \$ 610,538 | 100.0% | \$ - |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

FUNDING STATUS AND FUNDING PROGRESS – IBEW

The funded status of the plan as of July 1, 2016, was as follows:

| | | |
|---|----|----------------------------|
| Actuarial Accrued Liability (AAL) | \$ | 5,065,678 |
| Actuarial Value of Plan Assets | | 1,599,064 |
| Unfunded Actuarial Accrued Liability (UAAL) | | <u><u>\$ 3,466,614</u></u> |
| | | |
| Funded Ratio (Actuarial Value of Plan Assets/AAL) | | 31.57% |
| | | |
| Covered Payroll (Active Plan Members) | \$ | 10,432,521 |
| UAAL as a Percentage of Covered Payroll | | 33.23% |

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress immediately following the notes to the financial statements presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the July 1, 2015, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 7.28% investment rate of return and an annual healthcare cost trend rate of 7.50% for fiscal year 2017, reduced by decrements of 0.50% a year to an ultimate rate of 4.64% at 2025 and thereafter. The actuarial valuation also includes a 3.25% salary increase annually and an inflation increase of 2.75% annually.

The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the EAN cost method the plan's normal cost is developed as a level amount over the participants' working lifetime. The AAL is the cumulative value, on the valuation date, of prior service costs. For retirees, the AAL is the present value of all projected benefits.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Effective in the July 1, 2011 valuation, the District transitioned to a closed amortization period. The amortization payment for the fiscal year ended June 30, 2017, was developed using a 25-year period with payments determined as a level percent of payroll. The amortization period will decline by one year each fiscal year hereafter. The ARC under this method equals the normal cost plus the amortization of unfunded AAL over a 30-year closed period and is being amortized as a level percentage of increasing payroll. The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold for many years in the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true plan costs.

11. SELF-INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Coverage provided by self-insured and excess coverage is generally as follows as of June 30, 2017:

| <u>Type of Coverage</u> | <u>Self-insurance Commercial Insurance Coverage (per occurrence)</u> | <u>Excess Coverage Self-Insured Coverage (per occurrence)</u> |
|------------------------------|--|---|
| Workers' Compensation | Up to \$2,000,000 | \$2,000,000 to \$25,000,000 |
| Commercial General Liability | | |
| Bus | Up to \$5,000,000 | \$5,000,000 to \$290,000,000 |
| Light Rail | Up to \$5,000,000 | \$5,000,000 to \$290,000,000 |
| *Property: | | |
| Perils | Up to \$100,000 | \$100,000 to \$250,000,000 |
| Collision | Up to \$500,000 | \$500,000 to \$250,000,000 |
| Flood | Up to \$250,000 | \$250,000 to \$10,000,000 |

* includes revenue and non-revenue vehicles

The District purchases commercial insurance for claims in excess of self-insured amounts and for all other risks of loss to a stated maximum amount. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the previous year.

The claims liability of \$22,497,838 reported at June 30, 2017, is based on estimates of the amounts needed to pay prior and current year claims and to allow accrual of estimated incurred but not reported claims. Non-incremental claims adjustment expenses have been included as part of the liability. As of June 30, 2017, the Public Liability and Property Damage (PLPD) liability is discounted using a discount factor of 1.0% as the District holds in a reserve fund of \$3,190,277 at June 30, 2017. The Workers' Compensation liability is not discounted.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

11. SELF-INSURANCE (Continued)

These claim estimates are actuarially determined and based on the requirements of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the District's claims liability amount during the fiscal years ended June 30, 2017 and 2016, were as follows:

| Fiscal Year Ended | Beginning of the Year Liability | Current Year Claims and Changes in Estimate | Claims Payments | End of the Year Liability |
|----------------------|------------------------------------|--|-----------------|------------------------------|
| June 30, 2017 | \$ 19,871,339 | \$ 6,338,724 | \$ (3,712,225) | \$ 22,497,838 |
| June 30, 2016 | \$ 19,049,013 | \$ 4,330,246 | \$ (3,507,920) | \$ 19,871,339 |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

12. CONTINGENT LIABILITIES AND COMMITMENTS

The District is involved in various claims and litigation arising from its operations. District management, after consultation with the District's general counsel, believes that the resolution of such matters will not have a material adverse effect on the District's financial position or results of operations.

The District receives funding for specific purposes that is subject to review and audit by the granting agencies or funding source. Such audits could result in a request for reimbursement for expenses disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

The District has construction contracts and property acquisition commitments of \$20,506,137 at June 30, 2017. Federal, state, and local grant funds have been approved for such construction.

**PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE
ENHANCEMENT ACCOUNT (PTMISEA)**

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4.000 billion was set aside by the State as instructed by statute as the PTMISEA. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement. PTMISEA receipts are included as part of Proposition 1B state and local capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position. PTMISEA activity for the fiscal year ended June 30, 2017, was as follows:

| | |
|----------------------------------|--------------------|
| Receipts | \$ 11,844,196 |
| Expenditures: | |
| LRT Crossing Enhancements | (13,983) |
| UTDC Retrofit | (2,337,789) |
| Bus Maintenance Facility | (146,634) |
| ADA Transit Plan Improvements | (14,561) |
| South Line Phase 2 Extension | (1,362,157) |
| Connect Card | (29,882) |
| 29th Street Station Enhancements | (11,658) |
| Replace Non-Revenue Vehicles | (165,807) |
| Downtown/Riverfront Streetcar | (62,587) |
| CNG Bus Replacement 40' | (7,698,069) |
| Fulton Bus Shelter | (1,069) |
| Net Activity | <u><u>\$ -</u></u> |



Required Supplementary Information (Other than MD&A)

**SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

| | ATU/IBEW PLAN | | |
|---|-----------------------|-----------------------|-----------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Total pension liability | | | |
| Service cost | \$ 5,760,060 | \$ 5,753,143 | \$ 5,599,479 |
| Interest | 16,758,356 | 16,384,487 | 15,740,342 |
| Difference between expected and actual returns | (1,456,639) | (2,941,777) | - |
| Changes of assumptions | 8,176,501 | 1,621,574 | - |
| Transfers out - Salaried Plan | - | - | (174,166) |
| Benefit payments, including refunds of member contributions | (13,180,874) | (13,157,985) | (12,877,177) |
| Net change in total pension liability | <u>16,057,404</u> | <u>7,659,442</u> | <u>8,288,478</u> |
| Total pension liability - beginning | <u>222,705,517</u> | <u>215,046,075</u> | <u>206,757,597</u> |
| Total pension liability - ending | <u>\$ 238,762,921</u> | <u>\$ 222,705,517</u> | <u>\$ 215,046,075</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 10,447,190 | \$ 10,343,620 | \$ 9,711,107 |
| Contributions - member | 54,714 | 3,682 | 22,425 |
| Net investment income | (1,121,417) | 4,609,506 | 22,631,819 |
| Transfers out - salaried plan | - | - | (174,166) |
| Benefit payments, including refunds of member contributions | (13,180,874) | (13,157,985) | (12,877,177) |
| Administrative expense | (290,647) | (190,442) | (230,365) |
| Net change in plan fiduciary net position | <u>(4,091,034)</u> | <u>1,608,381</u> | <u>19,083,643</u> |
| Plan fiduciary net position - beginning | <u>172,106,054</u> | <u>170,497,673</u> | <u>151,414,030</u> |
| Plan fiduciary net position - ending | <u>\$ 168,015,020</u> | <u>\$ 172,106,054</u> | <u>\$ 170,497,673</u> |
| Net pension liability - beginning | <u>50,599,463</u> | <u>44,548,402</u> | <u>\$ 55,343,567</u> |
| Net pension liability - ending | <u>\$ 70,747,901</u> | <u>\$ 50,599,463</u> | <u>\$ 44,548,402</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 70.37% | 77.28% | 79.28% |
| Covered payroll | \$ 39,996,326 | \$ 37,950,269 | \$ 38,857,668 |
| Net pension liability as a percentage of covered payroll | 176.89% | 133.33% | 114.65% |

Notes to Schedule:

Benefit changes – There were no substantial changes to the benefits in FY2017.

Changes of assumptions – the investment rate of return and discount rate was reduced from 7.65% to 7.50%, during the year ended June 30, 2016, which is the measurement year for reporting. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Future years will be added for the ATU and IBEW as stand-alone plans based on the changes discussed in Note 1 and Note 9 of the financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

| | SALARIED PLAN | | |
|---|------------------------------|------------------------------|------------------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Total pension liability | | | |
| Service cost | \$ 3,594,919 | \$ 3,476,103 | \$ 3,321,337 |
| Transfers In - ATU/IBEW plan | - | - | 174,166 |
| Interest (includes interest on service cost) | 8,807,953 | 8,434,365 | 7,978,675 |
| Difference between expected and actual returns | (852,040) | (753,076) | - |
| Changes of assumptions | (680,161) | 930,863 | - |
| Benefit payments, including refunds of member contributions | (6,190,981) | (5,502,144) | (5,664,400) |
| Net change in total pension liability | <u>4,679,690</u> | <u>6,586,111</u> | <u>5,809,778</u> |
| Total pension liability - beginning | <u>116,410,752</u> | <u>109,824,641</u> | <u>104,014,863</u> |
| Total pension liability - ending | <u><u>\$ 121,090,442</u></u> | <u><u>\$ 116,410,752</u></u> | <u><u>\$ 109,824,641</u></u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 7,576,866 | \$ 7,335,308 | \$ 6,609,083 |
| Contributions - member | 21,014 | 261 | 1,678 |
| Transfers in - ATU/IBEW plan | - | - | 174,166 |
| Net investment income | (396,556) | 2,132,136 | 9,297,644 |
| Benefit payments, including refunds of member contributions | (6,190,981) | (5,502,144) | (5,664,400) |
| Administrative expense | (269,624) | (194,209) | (176,367) |
| Net change in plan fiduciary net position | <u>740,719</u> | <u>3,771,352</u> | <u>10,241,804</u> |
| Plan fiduciary net position - beginning | <u>74,596,300</u> | <u>70,824,948</u> | <u>60,583,144</u> |
| Plan fiduciary net position - ending | <u><u>\$ 75,337,019</u></u> | <u><u>\$ 74,596,300</u></u> | <u><u>\$ 70,824,948</u></u> |
| Net pension liability - beginning | <u>41,814,452</u> | <u>38,999,693</u> | <u>43,431,719</u> |
| Net pension liability - ending | <u><u>\$ 45,753,423</u></u> | <u><u>\$ 41,814,452</u></u> | <u><u>\$ 38,999,693</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 62.22% | 64.08% | 64.49% |
| Covered payroll | \$ 24,341,878 | \$ 23,022,281 | \$ 22,008,809 |

Notes to Schedule:

Benefit changes – There were no substantial changes to the benefits in FY2017.

Changes of assumptions – the investment rate of return and discount rate was reduced from 7.65% to 7.50%, during the year ended June 30, 2016, which is the measurement year for reporting. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST 10 FISCAL YEARS**

**EMPLOYEES WHO ARE MEMBERS OF
ATU/IBEW PLAN
(Dollar amounts in thousands)**

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|-----------|-----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Actuarially determined contribution | \$ 10,447 | \$ 10,343 | \$ 9,711 | \$ 8,694 | \$ 7,885 | \$ 6,809 | \$ 7,426 | \$ 6,970 | \$ 7,681 | \$ 7,088 |
| Contributions in relation to the actuarially determined contribution | 10,447 | 10,343 | 9,711 | 8,694 | 7,885 | 6,809 | 7,426 | 6,970 | 7,681 | 7,088 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | 39,996 | 37,950 | 38,858 | 37,110 | 38,558 | 38,343 | 43,626 | 44,916 | 44,718 | 42,897 |
| Contributions as a percentage of covered payroll | 26.12% | 27.25% | 24.99% | 23.43% | 20.45% | 17.76% | 17.02% | 15.52% | 17.18% | 16.52% |

Note: This schedule uses covered payroll which is different than actual payroll and therefore the contributions as a percentage of covered payroll will differ from what was actually contributed.

Notes to Schedule:

Valuation Date 7/1/2015 (to determine FY16-17 contribution)
Timing Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year

Key methods and assumptions used to determine contribution rates:

| | |
|--------------------------|--|
| Actuarial cost method | Entry Age |
| Amortization method | Level percentage of payroll, closed 17 year period as of 7/1/2015 |
| Asset valuation method | 5-year smoothed market |
| Discount Rate | 7.65% |
| Amortization growth rate | 3.15% |
| Price inflation | 3.15% |
| Salary Increases | 3.15%, plus merit component on employee classification and years of service |
| Mortality | Sex distinct RP-2000 Combined White Collar Mortality, 3 year setback for females |

Other information: A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2017, can be found in the July 1, 2015 actuarial valuation report. Future years will be added for the ATU and IBEW as stand-alone plans based on the changes discussed in Note 1 and Note 9 of the financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST 10 FISCAL YEARS**

**SALARIED PLAN
(Dollar amounts in thousands)**

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Actuarially determined contribution | \$ 7,577 | \$ 7,335 | \$ 6,609 | \$ 5,800 | \$ 4,580 | \$ 3,718 | \$ 4,269 | \$ 3,820 | \$ 4,123 | \$ 3,694 |
| Contributions in relation to the actuarially determined contribution | 7,577 | 7,335 | 6,609 | 5,800 | 4,580 | 3,718 | 4,269 | 3,820 | 4,123 | 3,694 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | 24,342 | 23,002 | 22,009 | 19,627 | 19,105 | 19,466 | 22,602 | 21,115 | 21,929 | 21,363 |
| Contributions as a percentage of covered payroll | 31.13% | 31.89% | 30.03% | 29.55% | 23.97% | 19.10% | 18.89% | 18.09% | 18.80% | 17.29% |

Note: This schedule uses covered payroll which is different than actual payroll and therefore the contributions as a percentage of covered payroll will differ from what was actually contributed.

Notes to Schedule:

Valuation Date 7/1/2015 (to determine FY16-17 contribution)
Timing Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year

Key methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age
Amortization method Level percentage of payroll, closed 17 year period as of 7/1/2015
Asset valuation method 5-year smoothed market
Discount Rate 7.65%
Amortization growth rate 3.15%
Price inflation 3.15%
Salary Increases 3.15%, plus merit component on employee classification and years of service
Mortality Sex distinct RP-2000 Combined White Collar Mortality, 3 year setback for females

Other information A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2017, can be found in the July 1, 2015 actuarial valuation report.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
AS OF JUNE 30, 2017**

Sacramento Regional Transit District
Other Post-Employment Benefits (OPEB) Trust
For Active and Retired Members of MCEG, AEA, AFSCME

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---------------------------------------|---------------------------|--------------------|----------------------------|--|
| 07/01/2011 | 7,581,083 | 33,126,230 | 25,545,147 | 22.89% | 18,833,173 | 135.64% |
| 07/01/2013 | 10,564,908 | 37,074,015 | 26,509,107 | 28.50% | 21,203,620 | 125.02% |
| 07/01/2015 | 15,244,408 | 49,486,152 | 34,241,744 | 30.81% | 22,545,072 | 151.88% |

Sacramento Regional Transit District
Other Post-Employment Benefits (OPEB) Trust
For Active and Retired Members of ATU

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---------------------------------------|---------------------------|--------------------|----------------------------|--|
| 07/01/2011 | 384,527 | 7,591,486 | 7,206,959 | 5.07% | 23,350,887 | 30.86% |
| 07/01/2013 | 2,191,062 | 6,661,707 | 4,470,645 | 32.89% | 23,626,704 | 18.92% |
| 07/01/2015 | 4,336,203 | 14,630,807 | 10,294,604 | 29.64% | 24,471,474 | 42.07% |

Sacramento Regional Transit District
Other Post-Employment Benefits (OPEB) Trust
For Active and Retired Members of IBEW

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---------------------------------------|---------------------------|--------------------|----------------------------|--|
| 07/01/2011 | \$ 118,014 | \$ 2,125,047 | \$ 2,007,033 | 5.55% | \$ 10,237,545 | 19.60% |
| 07/01/2013 | 762,342 | 1,876,037 | 1,113,695 | 40.64% | 10,093,613 | 11.03% |
| 07/01/2015 | 1,599,064 | 5,065,678 | 3,466,614 | 31.57% | 10,432,521 | 33.23% |

The District is currently funding the OPEB plans at 100% of the ARC. No contributions are required by plan members.



Combining Statements - Fiduciary Funds

**SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2017**

| | ATU | IBEW | Salaried | Total |
|--|-----------------------|----------------------|----------------------|-----------------------|
| ASSETS | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 2,372,976 | \$ 978,186 | \$ 1,497,515 | \$ 4,848,677 |
| Receivables: | | | | |
| Securities Sold | 2,049,009 | 833,196 | 1,187,135 | 4,069,340 |
| Interest and Dividends | 214,924 | 87,591 | 126,412 | 428,927 |
| Other Receivables and Prepaids | 12,619 | 11,512 | 11,846 | 35,977 |
| Total Receivables | <u>2,276,552</u> | <u>932,299</u> | <u>1,325,393</u> | <u>4,534,244</u> |
| Investments: | | | | |
| Equity Securities | 85,304,971 | 35,645,247 | 58,411,300 | 179,361,518 |
| Fixed Income Securities | 48,433,618 | 19,661,325 | 27,813,256 | 95,908,199 |
| Total Investments | <u>133,738,589</u> | <u>55,306,572</u> | <u>86,224,556</u> | <u>275,269,717</u> |
| Total Assets | <u>138,388,117</u> | <u>57,217,057</u> | <u>89,047,464</u> | <u>284,652,638</u> |
| LIABILITIES | | | | |
| Liabilities: | | | | |
| Securities Purchased Payable | 7,367,193 | 2,992,346 | 4,242,494 | 14,602,033 |
| Accounts Payable | 432,469 | 139,592 | 172,660 | 744,721 |
| Total Liabilities | <u>7,799,662</u> | <u>3,131,938</u> | <u>4,415,154</u> | <u>15,346,754</u> |
| NET POSITION HELD IN TRUST FOR PENSION BENEFITS | <u>\$ 130,588,455</u> | <u>\$ 54,085,119</u> | <u>\$ 84,632,310</u> | <u>\$ 269,305,884</u> |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

| | <u>ATU</u> | <u>IBEW</u> | <u>Salaried</u> | <u>Total</u> |
|---|-----------------------|----------------------|----------------------|-----------------------|
| ADDITIONS | | | | |
| Contributions: | | | | |
| Employer | \$ 7,987,367 | \$ 3,315,379 | \$ 7,321,138 | \$ 18,623,884 |
| Member | 168,463 | 39,287 | 53,706 | 261,456 |
| Total Contributions | <u>8,155,830</u> | <u>3,354,666</u> | <u>7,374,844</u> | <u>18,885,340</u> |
| Investment Income: | | | | |
| Net Decrease in Fair Value of Investments | 13,054,187 | 4,831,699 | 8,574,742 | 26,460,628 |
| Interest, Dividends, and Other Income | 1,922,434 | 707,950 | 1,159,507 | 3,789,891 |
| Investment Expenses | (556,634) | (207,237) | (345,373) | (1,109,244) |
| Net Investment Gain | <u>14,419,987</u> | <u>5,332,412</u> | <u>9,388,876</u> | <u>29,141,275</u> |
| Total Additions | <u>22,575,817</u> | <u>8,687,078</u> | <u>16,763,720</u> | <u>48,026,615</u> |
| DEDUCTIONS | | | | |
| Benefits Paid to Participants | 10,776,986 | 3,281,167 | 7,179,362 | 21,237,515 |
| Administrative Expenses | 306,818 | 239,370 | 289,067 | 835,255 |
| Total Deductions | <u>11,083,804</u> | <u>3,520,537</u> | <u>7,468,429</u> | <u>22,072,770</u> |
| Net Increase in Net Position | 11,492,013 | 5,166,541 | 9,295,291 | 25,953,845 |
| Net Position Held in Trust for Pension Benefits - July 1 | <u>119,096,442</u> | <u>48,918,578</u> | <u>75,337,019</u> | <u>243,352,039</u> |
| Net Position Held in Trust for Pension Benefits - June 30 | <u>\$ 130,588,455</u> | <u>\$ 54,085,119</u> | <u>\$ 84,632,310</u> | <u>\$ 269,305,884</u> |



Statistical Section (Unaudited)

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

This part of the Sacramento Regional Transit District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

CONTENTS **Page**

Financial Trends **77**

These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.

Revenue Capacity **79**

These schedules contain information to help the reader assess the factors affecting the District’s ability to generate its fares.

Debt Capacity **81**

These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.

Demographic and Economic Information **83**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place and to help make comparisons over time and with other governments.

Operating Information **86**

These schedules contain information about the District’s operations and resources to help the reader understand how the District’s financial information relates to the services the District provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant year. The District implemented GASB Statements No. 63 and 65 in the fiscal year ended June 30, 2013. Schedules comparative results are retroactively presented.*

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

| Net Position | | | | | | | | | | |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Last Ten Fiscal Years | | | | | | | | | | |
| (accrual basis of accounting) | | | | | | | | | | |
| (amounts expressed in thousands) | | | | | | | | | | |
| Fiscal Year | | | | | | | | | | |
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Net Position | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 752,243 | \$ 771,045 | \$ 770,304 | \$ 778,152 | \$ 787,711 | \$ 799,650 | \$ 798,019 | \$ 864,160 | \$ 878,849 | \$ 889,347 |
| Restricted for: | | | | | | | | | | |
| Capital Projects | 1,699 | 2,580 | 1,841 | 1,840 | 4,474 | 2,845 | 1,211 | 1,751 | - | - |
| Debt Service | - | - | - | - | - | 2,278 | 2,279 | 1,829 | 1,831 | - |
| Unrestricted | 2,695 | 1,446 | (2,093) | (4,287) | (526) | 1,689 | 31,723 | (48,259) | (50,474) | (48,012) |
| Total Net Position | <u>\$ 756,637</u> | <u>\$ 775,071</u> | <u>\$ 770,052</u> | <u>\$ 775,705</u> | <u>\$ 791,658</u> | <u>\$ 806,463</u> | <u>\$ 833,232</u> | <u>\$ 819,481</u> | <u>\$ 830,205</u> | <u>\$ 841,335</u> |

Source: Comprehensive Annual Financial Report

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

| Changes in Net Position Last Ten Fiscal Years (accrual basis of accounting) (expressed in thousands) | | | | | | | | | | |
|---|-----------------|------------------|-------------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Fiscal Year | | | | | | | | | | |
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Operating Revenues | | | | | | | | | | |
| Fares | \$ 29,866 | \$ 32,571 | \$ 30,864 | \$ 28,967 | \$ 28,964 | \$ 29,759 | \$ 29,157 | \$ 28,396 | \$ 28,056 | \$ 30,487 |
| Operating Expenses | | | | | | | | | | |
| Labor and Fringe Benefits | 93,780 | 91,580 | 91,203 | 79,366 | 82,209 | 88,064 | 94,755 | 93,182 | 99,692 | 108,886 |
| Professional and Other Services | 26,505 | 26,584 | 24,797 | 20,720 | 21,417 | 24,996 | 26,130 | 27,533 | 29,332 | 30,342 |
| Spare Parts and Supplies | 12,188 | 12,950 | 11,044 | 8,524 | 9,785 | 10,517 | 11,996 | 10,549 | 8,526 | 11,996 |
| Utilities | 5,550 | 5,545 | 5,531 | 5,741 | 5,587 | 5,639 | 5,646 | 5,816 | 6,288 | 6,619 |
| Casualty and Liability Costs | 11,159 | 7,104 | 2,286 | 6,540 | 6,353 | 7,910 | 8,343 | 7,906 | 7,160 | 9,317 |
| Depreciation and Amortization | 28,445 | 30,699 | 30,870 | 31,238 | 31,392 | 31,380 | 33,982 | 34,128 | 39,925 | 43,959 |
| Indirect Costs Allocated to Capital Programs | - | (2,172) | (863) | (881) | (824) | (763) | (887) | (1,204) | (1,038) | (538) |
| Other | 1,896 | 1,680 | 1,402 | 1,547 | 1,492 | 1,396 | 1,460 | 1,541 | 1,434 | 1,702 |
| Total Operating Expenses | <u>179,524</u> | <u>173,970</u> | <u>166,270</u> | <u>152,795</u> | <u>157,411</u> | <u>169,139</u> | <u>181,426</u> | <u>179,450</u> | <u>191,318</u> | <u>212,283</u> |
| Operating Loss | (149,658) | (141,399) | (135,407) | (123,828) | (128,447) | (139,380) | (152,269) | (151,054) | (163,263) | (181,796) |
| Non-Operating Revenues (Expenses) | | | | | | | | | | |
| Operating Assistance: | | | | | | | | | | |
| State and Local | 84,558 | 70,725 | 58,135 | 58,109 | 69,132 | 72,723 | 78,318 | 80,350 | 81,518 | 86,911 |
| Federal | 22,804 | 30,788 | 34,552 | 27,374 | 28,670 | 31,007 | 32,620 | 32,764 | 36,156 | 35,611 |
| Investment Income | 8,145 | 8,911 | 6,439 | 4,113 | 2,456 | 1,755 | 1,941 | 1,996 | 2,129 | 2,124 |
| Interest Expense | (7,951) | (9,154) | (6,792) | (4,401) | (2,722) | (2,522) | (3,223) | (2,982) | (3,675) | (2,352) |
| Pass Through to Subrecipients | (1,378) | (478) | (3,638) | (4,043) | (4,216) | (1,672) | (3,401) | (2,933) | (2,030) | (1,075) |
| Professional and Other Services-Funded | - | - | - | - | - | - | - | - | - | (6,161,752) |
| Contract Services | 4,732 | 4,311 | 4,599 | 4,362 | 5,245 | 5,607 | 5,530 | 5,810 | 6,110 | 6,260 |
| Other | 4,336 | 3,304 | 2,758 | 3,946 | 2,485 | 3,414 | 2,863 | 4,193 | 5,325 | 4,353 |
| Total Non-Operating Revenues | <u>115,246</u> | <u>108,407</u> | <u>96,052</u> | <u>89,461</u> | <u>101,049</u> | <u>110,310</u> | <u>114,648</u> | <u>119,197</u> | <u>125,533</u> | <u>125,669</u> |
| Loss Before Capital Contributions | <u>(34,412)</u> | <u>(32,992)</u> | <u>(39,355)</u> | <u>(34,367)</u> | <u>(27,398)</u> | <u>(29,071)</u> | <u>(37,620)</u> | <u>(31,857)</u> | <u>(37,730)</u> | <u>(56,127)</u> |
| Capital Contributions | | | | | | | | | | |
| State and Local | 29,606 | 42,441 | 29,381 | 36,482 | 33,474 | 34,389 | 15,878 | 25,635 | 18,376 | 58,243 |
| Federal | 4,575 | 8,985 | 4,955 | 3,538 | 10,016 | 9,331 | 48,512 | 74,926 | 30,078 | 9,013 |
| Increase (Decrease) in Net Position before Special Item | (230) | 18,433 | (5,019) | 5,653 | 16,092 | 14,650 | 26,769 | 68,704 | 10,724 | 11,129 |
| Extraordinary (Loss) Gain on Early Extinguishment of Debt | - | - | - | - | - | 155 | - | - | - | - |
| Special Items | - | - | - | - | - | - | - | - | - | - |
| Increase (Decrease) in Net Position after Special Item | <u>\$ (230)</u> | <u>\$ 18,433</u> | <u>\$ (5,019)</u> | <u>\$ 5,653</u> | <u>\$ 16,092</u> | <u>\$ 14,805</u> | <u>\$ 26,769</u> | <u>\$ 68,704</u> | <u>\$ 10,724</u> | <u>\$ 11,129</u> |

Source: Comprehensive Annual Financial Report

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

Operating Revenues by Source
Last Ten Fiscal Years

| Fiscal Year | Farebox | Fare Prepayment/ Outlet Sales | Special/ Contracted | Other | Total |
|-------------|--------------|-------------------------------------|------------------------|-----------|---------------|
| 2008 | \$ 8,549,841 | \$ 19,672,827 | \$ 1,622,660 | \$ 20,482 | \$ 29,865,810 |
| 2009 | 8,801,118 | 22,156,898 | 1,592,215 | 21,228 | 32,571,459 |
| 2010 | 8,219,357 | 20,876,281 | 1,747,750 | 20,313 | 30,863,701 |
| 2011 | 7,572,658 | 19,550,718 | 1,823,577 | 20,275 | 28,967,228 |
| 2012 | 7,846,435 | 19,385,804 | 1,713,635 | 18,274 | 28,964,148 |
| 2013 | 7,971,366 | 19,311,009 | 2,462,865 | 13,439 | 29,758,679 |
| 2014 | 8,069,001 | 19,305,312 | 1,771,265 | 11,342 | 29,156,920 |
| 2015 | 8,047,861 | 18,514,485 | 1,822,565 | 11,191 | 28,396,102 |
| 2016 | 7,423,668 | 18,304,088 | 2,320,645 | 7,403 | 28,055,804 |
| 2017 | 8,028,861 | 18,729,711 | 3,719,407 | 9,119 | 30,487,098 |

Source: Comprehensive Annual Financial Report

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

Principal Fare Revenue Payers
Current Year and Nine Years Ago

| Customers | Fiscal Year 2017 Sales | | Fiscal Year 2008 Sales | |
|--|------------------------------|----------------|------------------------------|----------------|
| | Amount | % | Amount | % |
| Los Rios Community College District | \$ 2,459,099 | 8.07% | \$ - | |
| Department of Human Assistance | 2,047,575 | 6.72% | 1,951,033 | 9.95% |
| Raley's Family of Fine Stores | 1,402,485 | 4.60% | - | 0.00% |
| California State University Sacramento | 1,141,769 | 3.75% | - | |
| Health & Human Services | 1,027,377 | 3.37% | 929,078 | 4.74% |
| Alta California Regional Center | 1,007,500 | 3.30% | 825,573 | 4.21% |
| Department of Transportation | 996,440 | 3.27% | 1,020,130 | 5.20% |
| California Environmental Protection Agency | 948,816 | 3.11% | 803,279 | 4.10% |
| Employment Development Department | 911,065 | 2.99% | 1,096,789 | 5.59% |
| Franchise Tax Board | 905,670 | 2.97% | 807,357 | 4.12% |
| County of Sacramento | 576,825 | 1.89% | - | 0.00% |
| Water Resources Department | 549,750 | 1.80% | 441,277 | 2.25% |
| Board of Equalization | 524,700 | 1.72% | 521,090 | 2.66% |
| Subtotal (10 Largest) | 12,039,972 | 39.49% | 8,395,606 | 42.81% |
| Balance from other customers | 18,447,126 | 60.51% | 11,213,686 | 57.19% |
| Grand Total | <u>\$ 30,487,098</u> | <u>100.00%</u> | <u>\$ 19,609,292</u> | <u>100.00%</u> |

Grand Total Source: Comprehensive Annual Financial Report

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Farebox Revenue Bonds Series 2012 | Lease/ Leaseback Payable | Certificates of Participation 2003 | Notes Payable | Total Debt | Six-County Region Percentage of Personal Income | Six-County Region Per Capita |
|-------------|---|--------------------------------|--|------------------|----------------|---|---------------------------------------|
| 2008 | \$ - | \$ 190,508,944 | \$ 12,841,557 | \$ - | \$ 203,350,501 | 0.01% | 89.43 |
| 2009 | - | 146,527,940 | 11,235,574 | - | 157,763,514 | 0.01% | 68.63 |
| 2010 | - | 100,681,155 | 9,554,590 | - | 110,235,745 | 0.01% | 47.48 |
| 2011 | - | 57,411,268 | 7,788,606 | - | 65,199,874 | 0.01% | 27.83 |
| 2012 | - | 35,482,912 | 5,942,622 | 8,230,039 | 49,655,573 | 0.01% | 21.02 |
| 2013 | 95,000,484 | 33,351,437 | - | 8,642,509 | 136,994,430 | 0.09% | 57.42 |
| 2014 | 92,006,633 | 35,062,503 | - | 13,988,074 | 141,057,210 | 0.08% | 58.42 |
| 2015 | 88,927,782 | 36,861,364 | - | 13,988,074 | 139,777,220 | 0.07% | 57.17 |
| 2016 | 87,113,931 | 38,752,526 | - | 13,988,074 | 139,854,531 | Not available | 57.23 |
| 2017 | 51,017,296 | 40,740,724 | - | 13,988,074 | 105,746,094 | Not available | 42.76 |

Source: Comprehensive Annual Financial Report

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

Pledged Revenue Coverage
Last Ten Fiscal Years

| Fiscal Year | Fare Revenue | Non-Fare Revenues | Total Revenue | Less Operating Expense | Net Available Revenue | Debt Service | | Coverage |
|-------------|---------------|-------------------|----------------|------------------------|-----------------------|--------------|------------|----------|
| | | | | | | Principal | Interest | |
| 2008 | \$ 29,865,810 | \$ 115,572,834 | \$ 145,438,644 | \$ 149,029,101 | \$ (3,590,457) | \$ 1,470,000 | \$ 611,508 | (1.72) |
| 2009 | 32,571,459 | 108,754,008 | 141,325,467 | 139,829,027 | 1,496,440 | 1,530,000 | 549,033 | 0.72 |
| 2010 | 30,863,701 | 96,360,868 | 127,224,569 | 131,552,128 | (4,327,559) | 1,605,000 | 472,533 | (2.08) |
| 2011 | 28,967,228 | 89,726,163 | 118,693,391 | 120,627,827 | (1,934,436) | 1,690,000 | 392,282 | (0.93) |
| 2012 | 28,964,148 | 101,258,250 | 130,222,398 | 124,598,383 | 5,624,015 | 1,770,000 | 307,783 | 2.71 |
| 2013 | 29,758,679 | 109,004,025 | 138,762,704 | 136,103,794 | 2,658,910 | 5,740,000 | 2,347,098 | 0.33 |
| 2014 | 29,156,920 | 115,299,629 | 144,456,549 | 144,777,141 | (320,592) | 2,710,000 | 4,123,100 | (0.05) |
| 2015 | 28,396,102 | 119,886,619 | 148,282,721 | 146,515,212 | 1,767,509 | 2,795,000 | 4,041,800 | 0.26 |
| 2016 | 28,055,804 | 126,809,242 | 154,865,046 | 152,830,940 | 2,034,106 | 1,530,000 | 3,957,950 | 0.37 |
| 2017 | 30,487,098 | 131,596,154 | 162,083,252 | 157,379,743 | 4,703,509 | 33,142,500 | - | 0.14 |

Notes: Details regarding the District's debt can be found in the notes to the financial statements. Operating expenses do not include depreciation and amortization and capital funded expenses.

A portion of the 2012 Revenue Bond interest is funded with Federal Capital Revenue

Capital revenue has been excluded from this schedule.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

Demographic and Economic Indicators
Last Ten Fiscal Years

| | Population ^{1,2} | | Personal Income ^{1,2} (In Thousands) | | Per Capital Personal ¹ Income | | Unemployment Rate ³ | |
|------|---------------------------|----------------------|--|----------------------|---|----------------------|--------------------------------|----------------------|
| | Sacramento County | Six-County Region | Sacramento County | Six-County Region | Sacramento County | Six-County Region | Sacramento County | Six-County Region |
| 2008 | 1,394,438 | 2,273,938 | 54,773,648 | 93,435,532 | 39,280 | 41,090 | 7.2% | 7.4% |
| 2009 | 1,408,601 | 2,298,630 | 53,826,177 | 91,656,582 | 38,213 | 39,874 | 11.0% | 11.2% |
| 2010 | 1,422,010 | 2,321,680 | 54,666,004 | 93,469,366 | 38,443 | 40,259 | 12.6% | 12.7% |
| 2011 | 1,435,548 | 2,342,797 | 57,498,308 | 98,692,407 | 40,053 | 42,126 | 12.1% | 12.2% |
| 2012 | 1,448,466 | 2,362,778 | 59,775,785 | 102,890,880 | 41,268 | 43,547 | 10.5% | 10.7% |
| 2013 | 1,462,338 | 2,385,958 | 61,654,690 | 106,063,477 | 42,162 | 44,453 | 8.9% | 9.0% |
| 2014 | 1,481,474 | 2,414,366 | 65,391,250 | 112,177,005 | 44,139 | 46,462 | 7.3% | 7.4% |
| 2015 | 1,501,335 | 2,445,149 | 69,870,482 | 119,593,593 | 46,539 | 48,911 | 6.0% | 6.1% |
| 2016 | 1,496,619 | 2,443,657 | Not available | Not available | Not available | Not available | 5.4% | 5.5% |
| 2017 | 1,514,770 | 2,473,098 | Not available | Not available | Not available | Not available | 4.9% | 5.1% |

Source: Six-county region includes Sacramento, Placer, Yolo, El Dorado, Yuba and Sutter counties.

1. 2007-2015 U.S. Department of Commerce, Bureau of Economic Analysis, *CA1-3 Personal income population, per capital personal income*.
2. 2016-2017 State of California, Department of Finance, E-1 City, County and State Population Estimates, 2016–2017.
3. State of California, Employment Development Department, Labor Force & Employment Data

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

Principal Employers
Current Year and Nine Years Ago

| Employer | Fiscal Year 2017 | | | Fiscal Year 2008 | | |
|---|------------------|------|--|------------------|------|--|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| State of California | 74,462 | 1 | 10.73% | 73,872 | 1 | 10.49% |
| Sacramento County | 12,514 | 2 | 1.80% | 14,513 | 2 | 2.06% |
| Kaiser Permanente | 10,517 | 3 | 1.52% | 6,260 | 6 | 0.89% |
| UC Davis Health | 10,467 | 4 | 1.51% | 7,927 | 3 | 1.13% |
| U.S. Government | 10,322 | 5 | 1.49% | | | |
| Sutter Health | 9,911 | 6 | 1.43% | 7,140 | 4 | 1.01% |
| Dignity Health | 8,039 | 7 | 1.16% | 5,647 | 9 | 0.80% |
| Intel Corporation | 6,000 | 8 | 0.86% | 6,000 | 7 | 0.85% |
| Apple Inc. | 5,000 | 9 | 0.72% | | | |
| Elk Grove Unified School District | 4,620 | 10 | 0.67% | | | |
| Sacramento City Unified School District | | | | 7,000 | 5 | 0.99% |
| Los Rios Community College District | | | | 6,000 | 8 | 0.85% |
| San Juan Unified School District | | | | 4,999 | 10 | 0.71% |
| Total | <u>151,852</u> | | <u>21.88%</u> | <u>139,358</u> | | <u>19.78%</u> |

Source: Sacramento Business Journal

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

CONTINUING DISCLOSURE REQUIREMENTS

SEC Rule 15c2-12

The following summary provides the District's specific and continuing Securities and Exchange Commission (SEC) disclosure requirements (Rule 15c2-12) in connection with the 2012 Series Revenue Bonds. All Disclosure requirements can be found in the District's Comprehensive Annual Financial Report (CAFR) and the District's Adopted Budget.

| | FY 2017 CAFR Page No. | FY 2017 Adopted Budget Page No. |
|---|-----------------------------|------------------------------------|
| Management Discussion and Analysis, Audited Financial Statements and Statistical Information | 3-96 | |
| <p>Tabular or numerical information of the types contained in the Official Statement relating to the 2012 Series Revenue Bonds under the following subscriptions:</p> | | |
| Ridership and Farebox Revenues (i) | 91,92,93,94 | |
| Historical Operating Results | 6,78,79 | |
| Farebox Recovery Ratios (ii) | 46,89 | |
| Historical Nonoperating Revenues – 10 year funds (iii) | 87,88 | |
| Measure A Sales Tax Funding Trends (iv) | 45,88 | |
| LTF Revenues claimed and expended by the District (v) | 45,88 | |
| STA Funds Claimed and Utilized by the District (vi) | 45,88 | |
| Federal Grant Funds Utilized by the District (v) | 44,87 | |
| Adopted Operating Budget (vi) | | 50,51 |
| Capital Project Expenditure Plan | | 129 |

Covenants of the Issuer

The following summary provides the District's specific and continuing covenants of the issuer in connection with the 2012 Series Revenue Bonds. All Disclosure requirements can be found in the Official Statement, the District's Comprehensive Annual Financial Report (CAFR).

| | 2012 Official Statement | FY 2017 CAFR Page No. |
|---------------------------------|-------------------------------|-----------------------------|
| Punctual Payments | 43 | 42 |
| Application of Farebox Revenues | 44 | 14 |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**DISTRICT PROFILE
As of June 30, 2017**

| | |
|--------------------------------------|--|
| Date the Authority began Operations | April 1, 1973 |
| Form of Governance | Board of Directors, with General Manager |
| Metropolitan Population | 1.4 million |
| Total Employees | 974 |
| Service Area | All of Sacramento County, with services to Citrus Heights, Carmichael, Fair Oaks, Elk Grove, Folsom and Rancho Cordova |
| Population of Service Area | Approximately 1.7 million |
| Local Financial Support | Local Transportation Funds Measure A Sales Tax Revenue |
| Number of Bus Routes | 69 |
| Number of Rail Lines | 3 |
| Miles of Rail | 42.9 |
| Weekday Bus Revenue Service Miles | 21,342 |
| Weekday Rail Revenue Service Miles | 14,962 |
| Average Weekday Bus and Rail Riders | 77,164 |
| Number of Vehicles in Service | 223 CNG Buses 97 Rail Vehicles 29 Shuttle Vans |
| Paratransit | 113 Paratransit Vehicles |
| Park and Ride Lots | 22 |
| Bus and Light Rail Transfer Stations | 32 |
| Bus Stops | 3,100+ |
| Rail Stations | 52 |

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

TEN YEAR FUNDING HISTORY

The following table shows available funding that the District has been awarded over the last ten years from our major federal funding sources, followed by a brief description of each source.

| FEDERAL FUNDS | | | | | | | | | |
|-----------------------|-----------------|-----------------------------------|---------------------|---------------------------------|--|-----------------|-----------------|------------|---------|
| Federal Transit Funds | | | | | | | | | |
| | Section 5307 | Section 5309 Fixed Guideway | Section 5309 Bus | Section 5316/5317 JARC/NF | Federal Highway Discretionary Funds | Section 5339 | Section 5337 | ARRA | Other |
| 2008 | \$ 17,177,791 | \$ 4,562,242 | \$ 434,720 | \$ 4,410,000 | \$ 7,100,000 | \$ - | \$ - | \$ - | \$ - |
| 2009 | 17,981,339 | 4,797,633 | 451,440 | 6,930,000 | 1,363,000 | - | - | 16,240,000 | - |
| 2010 | 19,028,000 | 4,638,430 | - | 38,000,000 | 2,300,000 | - | - | 15,057,612 | - |
| 2011 | 17,880,540 | 5,582,436 | - | - | - | - | - | - | - |
| 2012 | 18,676,000 | 6,003,331 | 5,000,000 | - | - | - | - | - | 384,912 |
| 2013 | 19,907,689 | - | - | 40,000,000 | 3,229,327 | 524,211 | 8,872,128 | - | 93,287 |
| 2014 | 19,877,317 | - | - | 45,660,000 | 21,071,200 | 794,629 | 10,004,225 | - | 247,500 |
| 2015 | 19,679,867 | - | - | - | - | 1,093,451 | 10,011,827 | - | 29,029 |
| 2016 | 19,579,876 | - | - | - | 6,386,370 | 2,092,903 | 11,487,417 | - | 100,430 |
| 2017 | 20,806,330 | - | - | - | 350,000 | 1,971,320 | 11,580,302 | - | 36,347 |

Federal Funds

Section 5307 Funds: Funds distributed by formula to large and small urban areas for a variety of transit planning, capital and preventive maintenance needs.

Section 5309 Fixed Guideway Funds: Funds distributed by formula to urban rail transit operators for repair and rehabilitation of commuter and light rail systems.

Section 5309 Bus Funds: Funds for bus purchases and bus support facility projects. These funds are specifically earmarked by Congress each year.

Section 5309 New Starts Funds: Funds for fixed guideway (i.e. light rail, commuter rail, etc.) projects. New Start projects are recommended by the Federal Transit Administration and based on rigorous criteria and selected for funding by Congress.

Section 5316 Jobs Access & Reverse Commute (JARC): Funds for operating new service that provides increased access to job opportunities, either through new service routes or expansions of existing routes into non-traditional service hours.

Section 5317 New Freedom (NF): Funds to reduce barriers to transportation services and expand the transportation mobility options available to people with disabilities beyond the requirements of the Americans with Disabilities Act (ADA) of 1990.

Federal Highway Discretionary Funds: Funds distributed for a variety of transportation planning, construction, and equipment acquisition needs. Projects are approved for funding by local agencies and forwarded to appropriate state and federal agencies for funding authorization.

Section 5339 Bus and Facilities Funds: A portion of the funds distributed by formula and a portion of the funds are distributed through a competitive process. Funds are used for bus renovations, purchases and bus support facility projects.

Section 5337 State of Good Repair Funds: Funds distributed for formula to repair and upgrade rail transit systems along with high-density motor bus systems that use high occupancy vehicle (HOV) lanes including bus rapid transit (BRT).

ARRA Funds: On February 17, 2009 the President signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). The Act provides direct funding from the federal government for infrastructure, fiscal stabilization and other programs over the next several years. ARRA is designed to create or save jobs, and invest in science, health care, transportation, education, and energy efficiency.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

TEN YEAR FUNDING HISTORY (Continued)

The following table shows available funding that the District has been awarded over the last ten years from our major state and local funding sources, followed by a brief description of each source.

| STATE FUNDS | | LOCAL FUNDS | | | |
|---|---------------|---------------|---------------------------------|-----------------------------|--|
| State Transportation Improvement Program | Other | Measure A | Local Transportation Fund | State Transit Assistance | |
| \$ 10,125,000 | \$ 19,512,000 | \$ 48,105,515 | \$ 32,459,480 | \$ 8,541,278 | |
| - | 1,558,699 | 35,372,181 | 33,056,759 | 4,908,090 | |
| - | 7,979,439 | 79,836,086 | 24,698,724 | 5,151,088 | |
| 10,128,000 | 3,650,232 | 29,075,732 | 27,382,646 | 5,304,891 | |
| - | 25,984,490 | 31,045,187 | 34,671,997 | 9,596,963 | |
| - | 36,576,736 | 32,368,073 | 30,043,310 | 10,019,397 | |
| - | 2,718,257 | 33,972,533 | 34,608,256 | 9,520,611 | |
| - | 10,702,271 | 36,131,514 | 36,098,557 | 8,869,049 | |
| - | 8,867,914 | 36,914,890 | 36,950,479 | 7,049,491 | |
| - | 3,706,018 | 39,131,573 | 38,731,878 | 7,156,739 | |

State Funds

State Transportation Improvement Program: Funds distributed by the State for projects, including transit construction projects that relieve traffic congestion on state and local roads and highways.

Other: These funds include Transit Capital Improvement funds for projects approved for funding in FY 1997 and earlier (the last year that TCI funds were made available by the State), Traffic Congestion Relief Program funds approved in the FY 2000 State Budget for specific District capital projects, Proposition 1B funds approved for funding in FY 2007, and Cap-and-Trade Program funds.

Local Funds

Measure A is a 1/2 cent sales tax ordinance that supports road and public transportation improvements in Sacramento County. Passed by voters in 1998, it expired in April 2009. The District received approximately 1/3 of the tax (1/6 cent). In November 2004, voters approved an extension of the Measure A ordinance until 2039 with transit receiving 38.25% of the 1/2-cent tax.

Local Transportation Fund: Funds generated by the state sales tax, and used for transit operating support purposes. The Transportation Development Act (TDA) allocates a portion of the state sales tax for transportation purposes.

State Transit Assistance Funds: Funds generated by the sales tax on gasoline and diesel fuel sales. These funds are disbursed to transit agencies for a variety of transit capital and operating support needs.

Other: This funding is from City of Sacramento, City of Rancho Cordova, County of Sacramento, City of Roseville, Sacramento Area Council of Governments (SACOG) and Sacramento Housing, Redevelopment Agency (SHRA), Bus Fire Insurance Proceeds, and cost reimbursement agreements with local agencies.

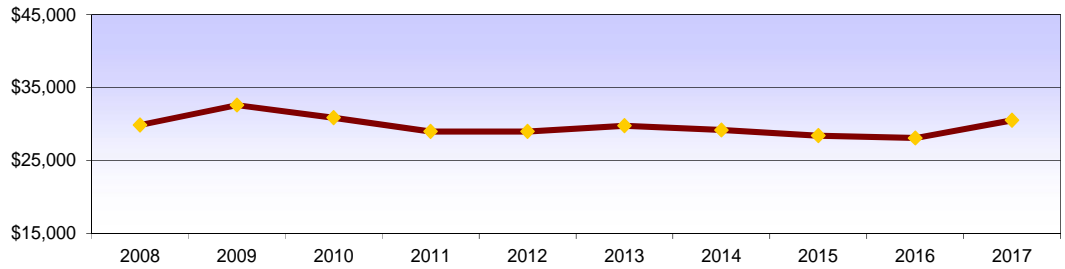
**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**FARE RECOVERY
LAST TEN FISCAL YEARS**

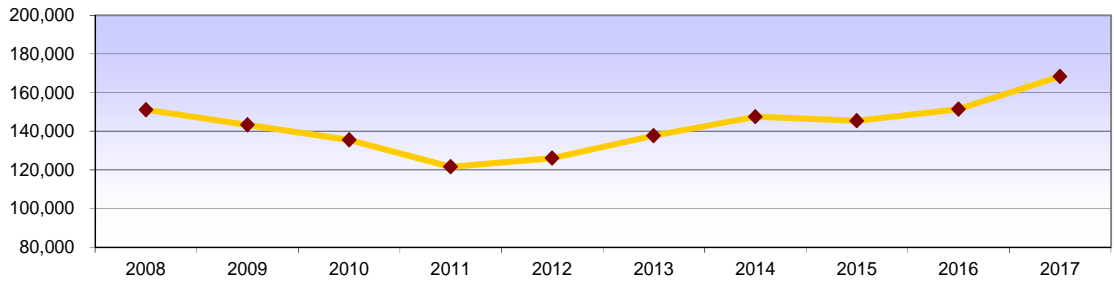
(amounts expressed in thousands)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Fare Revenue | \$29,866 | \$32,571 | \$30,864 | \$28,967 | \$28,964 | \$29,759 | \$29,156 | \$28,396 | \$28,056 | \$30,487 |
| Local Fund Supplementation | 8,659 | 3,963 | 3,663 | 2,030 | 3,171 | 5,370 | 8,441 | 8,661 | 6,765 | 8,227 |
| Total Operating Expenses | 151,079 | 143,271 | 135,400 | 121,557 | 126,019 | 137,759 | 147,443 | 145,323 | 151,394 | 168,324 |
| Fare Recovery Ratio | 25.5% | 25.5% | 25.5% | 25.5% | 25.5% | 25.5% | 25.5% | 25.5% | 23.0% | 23.0% |

FARE REVENUE



TOTAL OPERATING EXPENSES



C

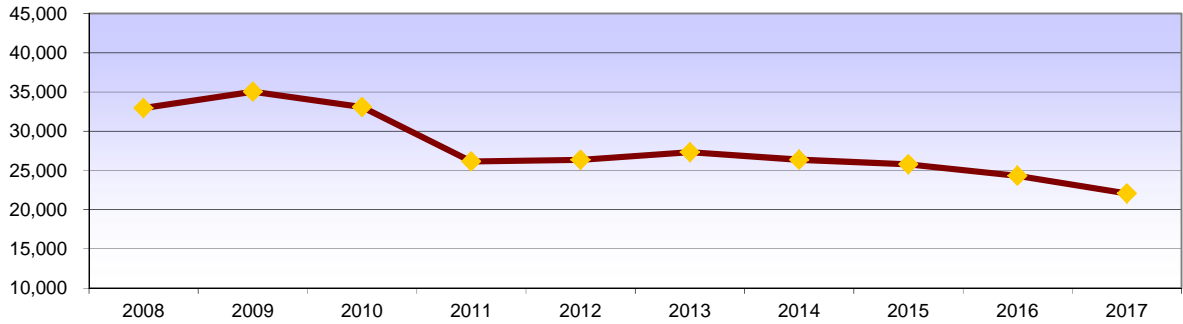
Source: Comprehensive Annual Financial Report

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**RIDERSHIP
LAST TEN FISCAL YEARS**
(amounts expressed in thousands)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------|--------|--------|---------|----------|--------|--------|---------|---------|---------|---------|
| Ridership | 32,951 | 35,050 | 33,060 | 26,161 | 26,338 | 27,298 | 26,368 | 25,768 | 24,330 | 22,050 |
| % change | 3.13% | 6.37% | (5.68%) | (20.87%) | 0.68% | 3.64% | (3.41%) | (2.28%) | (5.58%) | (9.37%) |

RIDERSHIP



Source: District Planning Department
NTD Statistics

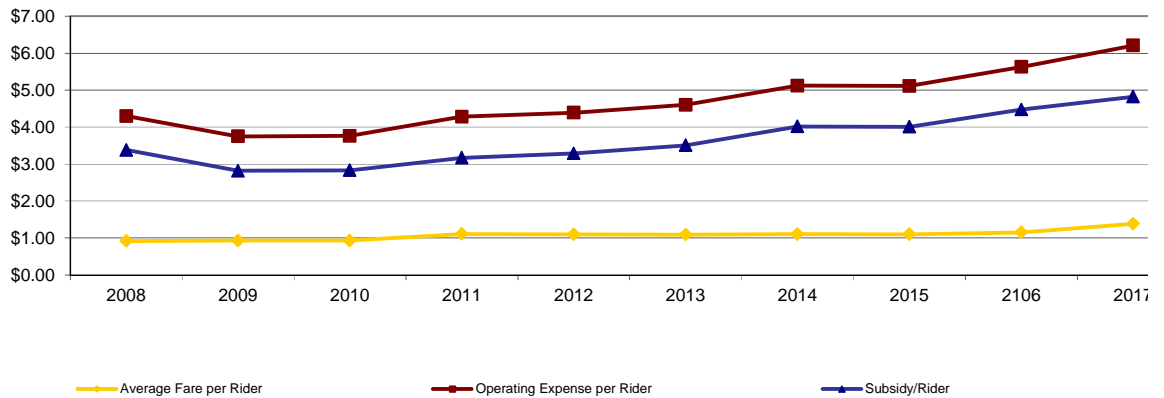
SACRAMENTO REGIONAL TRANSIT DISTRICT STATISTICAL INFORMATION (UNAUDITED)

OPERATING SUBSIDY LAST TEN FISCAL YEARS

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2106 | 2017 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Average Fare per Rider | \$0.92 | \$0.93 | \$0.93 | \$1.11 | \$1.10 | \$1.09 | \$1.11 | \$1.10 | \$1.15 | \$1.38 |
| Operating Expense per Rider ¹ | \$4.30 | \$3.75 | \$3.76 | \$4.28 | \$4.39 | \$4.60 | \$5.12 | \$5.11 | \$5.63 | \$6.21 |
| Subsidy/Rider | \$3.38 | \$2.82 | \$2.83 | \$3.17 | \$3.29 | \$3.51 | \$4.02 | \$4.01 | \$4.47 | \$4.83 |

¹ Operating expense per rider excludes Paratransit and depreciation costs.

OPERATING EXPENSE & SUBSIDY PER RIDER

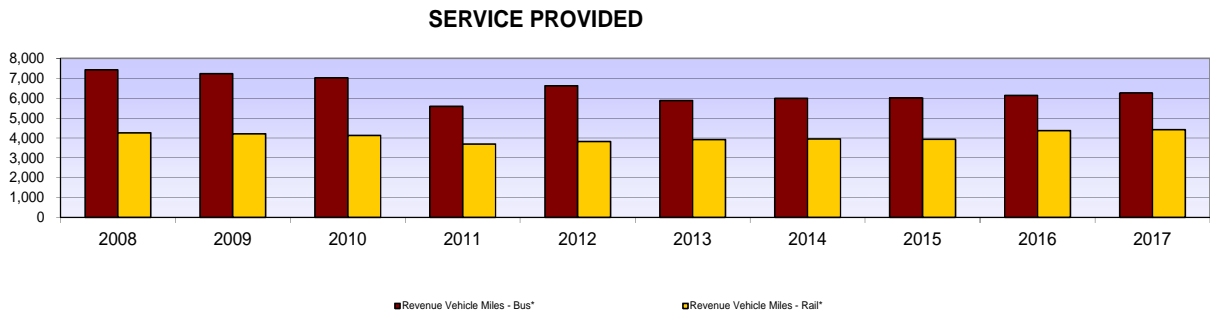


Source: Comprehensive Annual Financial Report
District Planning Department
NTD Statistics

SACRAMENTO REGIONAL TRANSIT DISTRICT STATISTICAL INFORMATION (UNAUDITED)

SERVICE PERFORMANCE DATA LAST TEN FISCAL YEARS (* amounts expressed in thousands)

| SERVICE PROVIDED | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------------|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| BUS | | | | | | | | | | | |
| Revenue Vehicle Miles - Bus* | | 7,431 | 7,244 | 7,032 | 5,590 | 6,632 | 5,893 | 6,002 | 6,023 | 6,152 | 6,269 |
| Revenue Vehicle Hours* | | 677.7 | 652.0 | 628.2 | 501.2 | 506.0 | 532.0 | 548.0 | 549.8 | 558.0 | 558.5 |
| # Vehicles | | 271 | 271 | 233 | 229 | 229 | 232 | 232 | 232 | 223 | 223 |
| RAIL | | | | | | | | | | | |
| Revenue Vehicle Miles - Rail* | | 4,267 | 4,213 | 4,120 | 3,697 | 3,823 | 3,921 | 3,947 | 3,936 | 4,370 | 4,422 |
| Revenue Vehicle Hours* | | 216.7 | 213.1 | 208.6 | 191.1 | 203.3 | 217.2 | 218.6 | 218.1 | 245.2 | 248.9 |
| Train Revenue Hours* | | 81.9 | 81.7 | 81.4 | 69.3 | 70.0 | 82.0 | 83.2 | 83.2 | 93.0 | 94.9 |
| # of Vehicles | | 76 | 76 | 76 | 76 | 76 | 76 | 76 | 76 | 87 | 96 |



| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| BUS | | | | | | | | | | |
| Passengers* | 17,466 | 17,735 | 17,579 | 13,617 | 13,146 | 13,784 | 13,658 | 13,706 | 12,114 | 10,608 |
| Passenger Miles* | 57,444 | 59,001 | 61,417 | 47,525 | 46,521 | 49,440 | 53,133 | 52,346 | 43,911 | 39,468 |
| RAIL | | | | | | | | | | |
| Passengers* | 15,485 | 17,315 | 15,481 | 12,544 | 13,192 | 13,513 | 12,710 | 12,062 | 12,216 | 11,442 |
| Passenger Miles* | 85,807 | 93,087 | 83,409 | 72,860 | 74,706 | 75,797 | 74,580 | 68,717 | 69,171 | 68,760 |
| TOTAL | | | | | | | | | | |
| Passengers* | 32,951 | 35,050 | 33,060 | 26,161 | 26,338 | 27,298 | 26,368 | 25,768 | 24,330 | 22,050 |
| Passenger Miles* | 143,251 | 152,088 | 144,826 | 120,385 | 121,227 | 125,237 | 127,713 | 121,063 | 113,082 | 108,228 |
| FLEET | | | | | | | | | | |
| Bus | 271 | 271 | 233 | 229 | 229 | 232 | 232 | 232 | 223 | 223 |
| Rail | 76 | 76 | 76 | 76 | 76 | 76 | 76 | 76 | 87 | 96 |
| TOTAL EMPLOYEES | 1,125 | 1,087 | 907 | 901 | 901 | 940 | 933 | 937 | 982 | 974 |

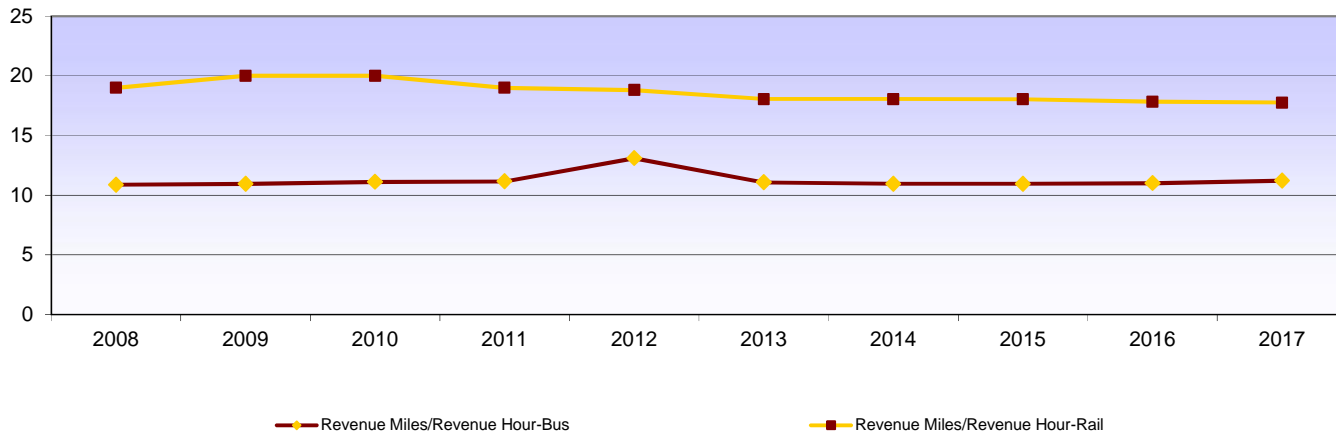
Source: District Planning Department; NTD Statistics

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**SERVICE PERFORMANCE DATA (Continued)
LAST TEN FISCAL YEARS**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------|------|------|------|------|------|------|------|------|------|------|
| Revenue Miles/Revenue Hour-Bus | 11 | 11 | 11 | 11 | 13 | 11 | 11 | 11 | 11 | 11 |
| Revenue Miles/Revenue Hour-Rail | 19 | 20 | 20 | 19 | 19 | 18 | 18 | 18 | 18 | 18 |

SERVICE PERFORMANCE DATA



Source: District Planning Department; NTD Statistics

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**FARES
As of June 30, 2017**

Single and Daily Pass Fares

| <u>Rider Type</u> | <u>Fare Type</u> | <u>Single Ride</u> | <u>Daily Pass</u> |
|-------------------------------|------------------|--------------------|-------------------|
| Age 19-61 | Basic | \$ 2.75 | \$ 7.00 |
| Senior (62 & older) | Discount | \$ 1.35 | \$ 3.50 |
| Individuals with Disabilities | Discount | \$ 1.35 | \$ 3.50 |
| Medicare Cardholder | Discount | \$ 1.35 | \$ 3.50 |
| Student (grades K-12) | Discount | \$ 1.35 | \$ 3.50 |

Golden 1 Center Event Fares

| | | <u>Round Trip</u> |
|---------------------------------|------------|-------------------|
| Event Round-Trip Pass* | Per Person | \$ 5.50 |
| Discount Event Round-Trip Pass* | Per Person | \$ 2.70 |

* Purchase a round-trip fare prior to an event with a single transaction. Rider must have a valid Golden 1 Center event ticket. Can only be purchased at a Parkeon light rail station fare kiosk.

Pre-Paid Ticket Books

| <u>Fare Book Type</u> | <u>Fare Type</u> | <u># of Tickets</u> | <u>Book Price</u> |
|-----------------------|------------------|---------------------|-------------------|
| Single Fare | Basic | 10 | \$ 27.50 |
| Single Fare | Discount | 10 | \$ 13.50 |
| Daily Fare | Basic | 10 | \$ 70.00 |
| Daily Fare | Discount | 10 | \$ 35.00 |

Monthly Passes and Stickers

| <u>Fare/Rider Type</u> | <u>Price</u> |
|--|--------------|
| Basic Monthly Pass | \$ 110.00 |
| Basic Semi-Monthly Pass | \$ 60.00 |
| Senior/Disabled Monthly Sticker | \$ 55.00 |
| Senior/Disabled Semi-Monthly Sticker | \$ 30.00 |
| Super Senior Monthly Sticker (age 75+) | \$ 42.00 |
| Student Semi-Monthly Sticker | \$ 27.50 |
| Yolo Express Sticker* | \$ 25.00 |

*Yolobus Express stickers are available for transferring between RT and Yolobus Express buses to Davis, Winters, and Woodland. Requires an RT Monthly Pass.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

PERFORMANCE MEASURES

| Performance Measures in Sacramento's Peer Transit Agencies | | | | | | |
|--|----------------------------|--------------------|-----------------------|-----------------------|-----------------------|------------------------|
| City, State | 2010 Urban Area Population | 2015 Statistics | | | | |
| | | Cost per Passenger | Cost per Revenue Mile | Cost per Revenue Hour | Subsidy per Passenger | Farebox Recovery Ratio |
| | (UZA Rank) | (Peer Rank) | (Peer Rank) | (Peer Rank) | (Peer Rank) | (Peer Rank) |
| BUS PEERS | | | | | | |
| Sacramento, CA | 1,723,634 (28) | \$ 5.64 (3) | \$ 12.82 (6) | \$ 140.40 (6) | \$ 4.53 (3) | 19.6% (5) |
| Los Angeles, CA | 12,150,996 (2) | 2.91 (7) | 13.70 (5) | 145.67 (5) | 2.12 (7) | 27.2% (3) |
| Oakland, CA | 3,281,212 (13) | 5.55 (4) | 17.30 (3) | 183.93 (3) | 4.43 (4) | 20.3% (4) |
| San Carlos, CA | 3,281,212 (13) | 8.41 (1) | 21.70 (2) | 258.55 (1) | 7.08 (1) | 15.8% (6) |
| San Diego, CA | 2,956,746 (15) | 3.35 (5) | 9.56 (7) | 113.41 (7) | 2.36 (5) | 29.7% (1) |
| San Francisco, CA | 3,281,212 (13) | 3.06 (6) | 24.65 (1) | 195.14 (2) | 2.19 (6) | 28.4% (2) |
| San Jose, CA | 1,664,496 (29) | 7.32 (2) | 15.65 (4) | 183.27 (4) | 6.42 (2) | 12.2% (7) |
| Average for Bus Peers | 4,435,979 | 5.10 | 17.09 | 180.00 | 4.10 | 22.3% |
| RAIL PEERS | | | | | | |
| Sacramento, CA | 1,723,634 (28) | 4.72 (2) | 14.46 (4) | 260.88 (4) | 3.62 (2) | 23.4% (2) |
| Los Angeles, CA | 12,150,996 (2) | 4.23 (3) | 19.39 (3) | 390.69 (1) | 3.47 (3) | 18.0% (4) |
| San Diego, CA | 2,956,746 (15) | 1.82 (5) | 8.50 (5) | 147.48 (5) | 0.80 (5) | 56.3% (1) |
| San Francisco, CA | 3,281,212 (13) | 3.75 (4) | 37.89 (1) | 359.49 (3) | 2.88 (4) | 23.2% (3) |
| San Jose, CA | 1,664,496 (29) | 7.17 (1) | 23.11 (2) | 366.66 (2) | 6.28 (1) | 12.4% (5) |
| Average for Rail Peers | 5,013,363 | 2.42 | 22.22 | 316.08 | 3.36 | 27.5% |

Source: National Transit Database, 2015 Transit Profiles - All Agencies

In 2015 the Sacramento urban area, ranked 28th in the US based on population. Table 1 compares the District's 2015 performance to 6 other bus peer transit properties and 4 other rail peer transit properties. This table indicates the following:

Bus

The District ranks 3rd in Cost per Passenger and Subsidy per Passenger among its Bus peer transit agencies.
The District ranks 5th in Farebox Recovery Ratio among its Bus peer transit agencies.
The District ranks 6th in Cost per Revenue Mile and Cost per Revenue Hour among its Bus peer transit agencies.

Rail

The District ranks 2nd in Cost per Passenger, Subsidy per Passenger and Farebox Recovery Ratio among its Bus peer transit agencies.
The District ranks 4th in Cost per Revenue Mile and Cost per Revenue Hour among its Rail peer transit agencies.



Sacramento Regional Transit District

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