



2017

San Diego Association of Governments

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2017

San Diego, California



San Diego Association of Governments

San Diego, California

Comprehensive Annual Financial Report

For the year ended June 30, 2017

PREPARED BY THE SAN DIEGO ASSOCIATION OF GOVERNMENTS

FINANCE DEPARTMENT

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San Diego Association of Governments

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INTRODUCTORY SECTION

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December 15, 2017

Honorable Chair and Members of the Board of Directors
 San Diego Association of Governments

We are pleased to present the basic financial statements of the San Diego Association of Governments (SANDAG), for the fiscal year ended June 30, 2017. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of SANDAG. A comprehensive framework of internal controls has been designed and implemented to ensure the assets of SANDAG are protected from loss, theft, or misuse, and to ensure that financial information is accurate and complete. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position including results of SANDAG operations. All disclosures necessary to enable the reader to gain an understanding of SANDAG financial activities have been included.

Davis Farr, LLP, has issued an unmodified (“clean”) opinion on SANDAG financial statements for the fiscal year ended June 30, 2017.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Reporting Entity

SANDAG is the San Diego region’s Council of Governments (COG). Local elected officials throughout the United States have joined together to form similar COGs to deal cooperatively with issues that go beyond jurisdictional boundaries, such as transportation, growth management, environmental quality, and other public facility needs. SANDAG is a statutorily created agency, codified in California state law. Voting among the agency’s 18 cities and county government is based upon both membership and the population of each jurisdiction, providing for an equitable representation of the region’s residents. Caltrans, United States Department of Defense, San Diego Unified Port District, San Diego Metropolitan Transit System (MTS), North County Transit District (NCTD), San Diego County Water Authority, Imperial County, Southern California Tribal Chairmen’s Association, and Mexico (Consulate General of Mexico) are nonvoting advisory members of SANDAG.

MEMBER AGENCIES

- Cities of*
- Carlsbad*
- Chula Vista*
- Coronado*
- Del Mar*
- El Cajon*
- Encinitas*
- Escondido*
- Imperial Beach*
- La Mesa*
- Lemon Grove*
- National City*
- Oceanside*
- Poway*
- San Diego*
- San Marcos*
- Santee*
- Solana Beach*
- Vista*
- and*
- County of San Diego*

ADVISORY MEMBERS

- Imperial County*
- California Department of Transportation*
- Metropolitan Transit System*
- North County Transit District*
- United States Department of Defense*
- San Diego Unified Port District*
- San Diego County Water Authority*
- Southern California Tribal Chairmen’s Association*
- Mexico*

SANDAG traces its origins to the 1960s as local planners and decision-makers saw the need for coordinated efforts to solve a growing list of regional issues. In 1972, a Joint Powers Agreement was formalized among local governments, creating a COG, then known as the Comprehensive Planning Organization, with independent staffing and cooperative financing from the local members and project grants from state and federal agencies. In 1980, the name was changed from the Comprehensive Planning Organization to the San Diego Association of Governments, to better reflect the agency's purpose. In 2003, Senate Bill 1703 (Peace, 2003), as amended by Assembly Bill 361 (Kehoe, 2003), called for the consolidation of certain MTS and NCTD transit functions into SANDAG. SANDAG is now responsible for long-range transit planning, programming, project development, and construction of transportation projects in the region. This structure is intended to streamline regional decision making to improve the transportation system, protect open space and habitat, bolster our infrastructure, and sustain our quality of life.

The San Diego County Regional Transportation Commission (Commission) is a blended component unit of SANDAG and therefore, is considered part of the SANDAG primary government. The SANDAG Board of Directors also serves as the Commission's Board of Directors. The Commission is responsible for the implementation and administration of transportation improvement programs funded by the San Diego countywide one-half percent sales tax. This tax became effective on April 1, 1988, as a result of the passage of Proposition A – The San Diego County Transportation Improvement Program, known as *TransNet*. The sales tax funds were used for highway, public transit, local street and road improvements, bicycle and pedestrian facilities, and administration.

In November 2004, the voters of San Diego County extended the one-half cent sales tax another 40 years to 2048. The extension of *TransNet* will help SANDAG continue to implement the region's transportation program, as well as provide funding for bicycle, pedestrian, and neighborhood safety projects; major corridor capital projects; environmental mitigation projects; smart growth projects; local street and road projects; transit system projects; and provide the funding to operate the new transit services. The Extension Ordinance includes a mandate that an Independent Taxpayer Oversight Committee (ITOC) for *TransNet* be formed to provide an enhanced level of accountability for the expenditure of funds under the *TransNet* expenditure plan. The ITOC also helps ensure that all voter mandates are carried out as required and develops recommendations for improvements to the financial integrity and performance of the program. The Commission is authorized to issue limited tax bonds payable from the sales tax receipts, the proceeds of which can be used to finance approved *TransNet* projects. The Commission has created a Plan of Finance (POF) for the *TransNet* program, which is updated at least annually. A summary of the most recent POF is provided near the end of this letter.

SANDAG Bylaws require the Board of Directors to approve a preliminary budget no later than April 1 of each year, with final approval by June 30. The preliminary budget is distributed to the funding agencies in March of each year to acquire formal comments and approval. The annual budget serves as the foundation for SANDAG financial planning and control. The budget is prepared by function, including the Capital Program, the Administration and Board budgets, the Overall Work Program (including all regional planning activities), Operations, and the *TransNet* program. Costs and funding are strictly appropriated between these five major components and carefully monitored and amended as necessary. Once the budget is formally approved, SANDAG Board Policy authorizes the Executive Director to enter into agreements not currently incorporated in the budget and make other modifications to the budget in an amount up to \$100,000 cumulatively per project per fiscal year, so long as the overall budget remains in balance. The Executive Director has further delegated budget

transfers with no budgetary impact or significant project delay to an Executive Team member and the Director of Finance within the same project and up to \$50,000 between projects. Board Policy requires the Executive Director to report to the Board these actions taken by the Executive Director or his or her designee. The budget is monitored on an ongoing basis, and quarterly progress reports are generated at all levels, variances are analyzed, and corrective action is taken to align actual expenses and the budget as closely as possible. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

San Diego's Regional Economy

Basics of the San Diego Economy

San Diego is a diverse, growing region of 3.2 million people, who are younger than the national average, richer in terms of per capita income, and better educated with more college and advanced degrees. The \$220 billion economy is also diverse and well positioned for the future in innovative and recession-resilient sectors.

Blessed with a beautiful natural environment, 70 miles of coastline, mild weather, and a plethora of outdoor activities, the city is often referred to as "America's Finest City." This moniker pays tribute to the natural amenities that make San Diego one of the most desirable places to live and work in the nation, and one to which most people would consider relocating.

This offers employers a highly skilled workforce, and forecasts for the next 20 years show a growing population, adding roughly 30,000 residents annually. The San Diego job base and economy continue to diversify over the forecast period, and the housing market that took a significant hit during the great recession has recovered to pre-recession levels.

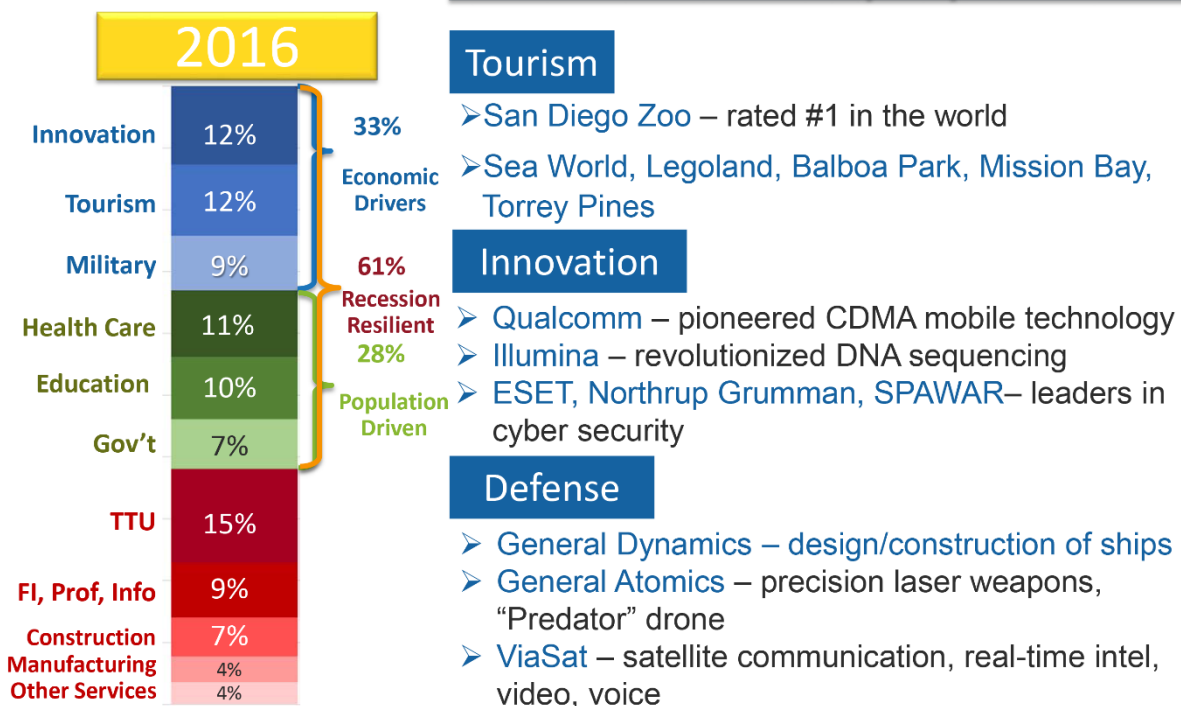
History of the San Diego Economy

Once characterized as a sleepy Navy town, and later as a tourist destination, San Diego's economy has diversified and matured over the last 75 years. The population has increased from under 300,000 to over 3.2 million residents. Before WWII, 70 percent of jobs in the local economy were in traditional sectors such as the Military, Manufacturing, Construction, Finance, and Retail and Wholesale Trade; today it is less than 50 percent. The military accounted for about 20 percent of the region's employment in 1940 (and ballooned to nearly half during the early 1950s) and stayed prominent throughout the Cold War.

The 1960s brought the emergence of the Tourism and Hospitality industry, the opening of UC San Diego (which became a key economic engine), as well as the approval of maquiladoras in Mexico, allowing U.S. firms access to low-cost manufacturing. By the 1980s, tourism was booming, and the nascent life sciences sector was beginning to take root. Base Re-alignment and Closure, shuttered the Naval Training Center in the early 1990s and helped reduce the Military sector to today's 9 percent, despite a steady military presence. The 2000s brought the dot-com bust, 9/11, and the Great Recession.

Today, San Diego boasts an economy that is not dominated by any one sector and, in fact, no sector accounts for more than 15 percent of the regional economy. Several sectors are “economic drivers,” specifically Tourism, the Military, and the “Innovation” sectors, which together make up a third of the regional economy. Tourism is a clear winner, with the weather, beaches, San Diego Zoo, and Convention Center. The Military is pivoting toward Asia and has committed to San Diego, as have many military contractors, like General Dynamics (makers of the Predator drone) and ViaSat (satellite communications leaders). Moreover, Innovation will continue to drive San Diego’s economy, with forward-looking technologies with massive growth potential from companies like Qualcomm (pioneers in mobile phone technology), Illumina (revolutionized DNA sequencing with tremendous potential to improve health care and quality of life), and ESET (cybersecurity experts).

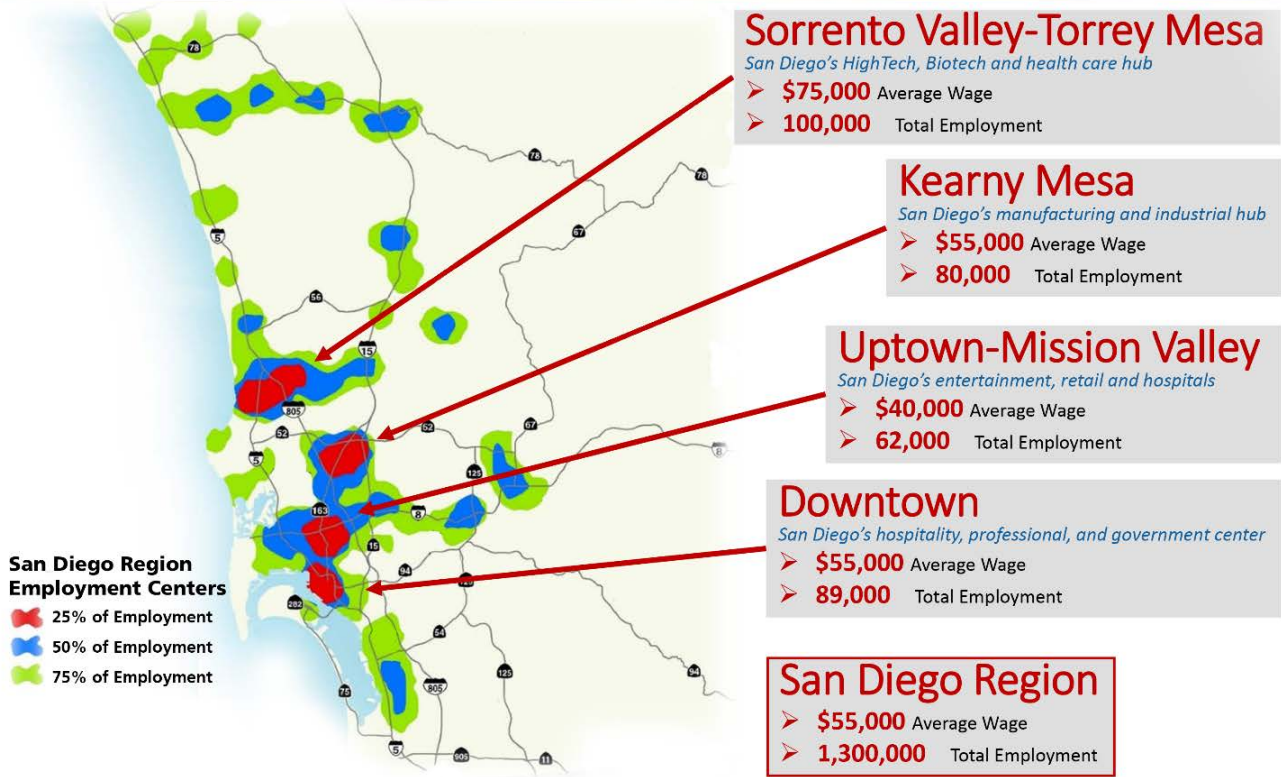
SAN DIEGO 2017: DIVERSE AND EXPANDING ECONOMIC BASE



San Diego also fares well in industries like Health Care, Education, and a lean Government sector. These sectors are generally population driven (rising in tandem with population), and together with the economic driver sectors, have proven through the Great Recession to be less affected by economic cycles. In sum, “recession-resilient” sectors account for over 60 percent of the San Diego economy.

Many of these sectors are physically clustered in San Diego’s “employment centers,” which allow opportunities to develop a more compact development pattern. And in analyzing the travel patterns, regional agencies can plan for improved transportation options, such as the in-progress Mid-Coast Corridor Transit Project.

EMPLOYMENT CENTERS: 25%, 50% AND 75% OF TOTAL EMPLOYMENT



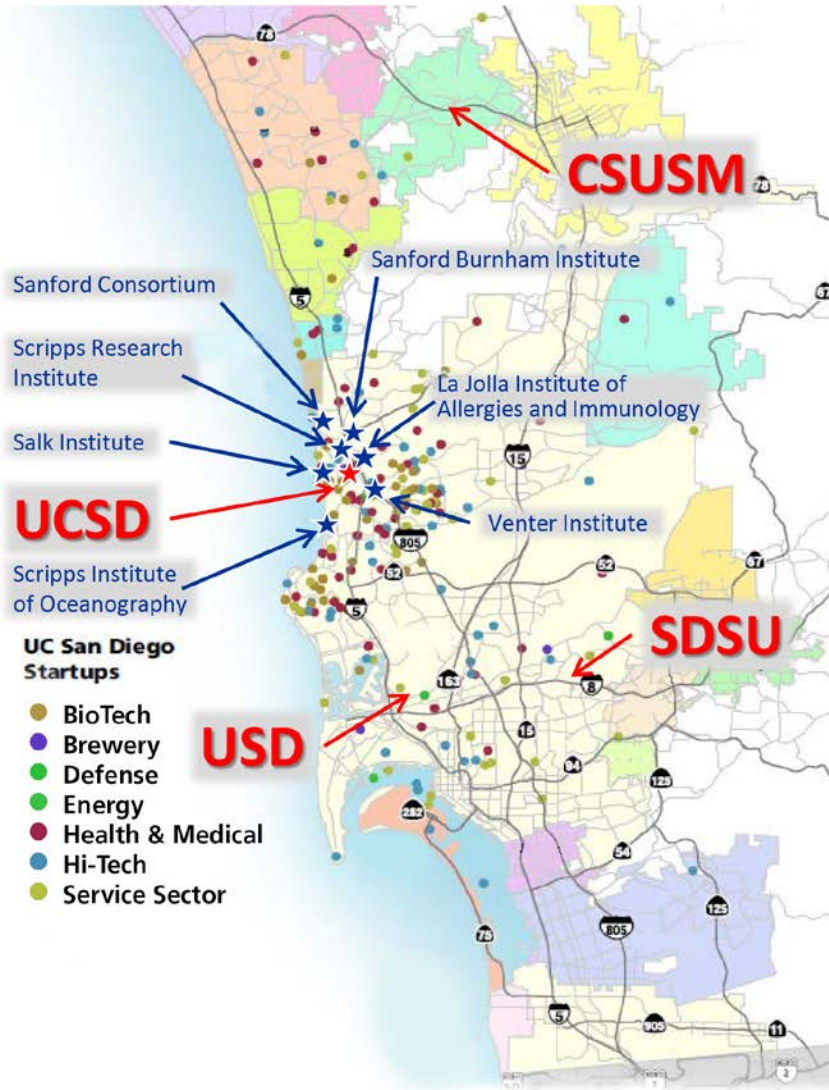
Sectors of the San Diego Economy

As mentioned, the San Diego economy is balanced and not reliant on any one industry, with no single sector accounting for more than 15 percent of regional employment. The diverse distribution of employment helps buffer San Diego from economic downturns, with 60 percent of regional employment in recession-resilient sectors (i.e., sectors less impacted by national business cycles). The Military and Tourism sectors provide a stable and diverse employment base, but the economy is also well-positioned for the 21st century, fueled by the next wave of business drivers, our "Innovation Sector": Biotech and Biomedical, Information Technology, Cleantech, and Aerospace.

Much of San Diego's forward-looking economy can be traced back to our higher learning institutions and research facilities, like the Salk Institute, Scripps Institute of Oceanography, San Diego State University, the University of San Diego, Cal State San Marcos, and UC San Diego. Nineteen different institutions of higher education enroll 270,000 students in the region. UC San Diego specifically is a highly ranked research university that has spawned hundreds of businesses, many of which remain important local employers, and which together employ about 4 percent of San Diego workers. Moreover, UC San Diego's commitment to generating economic opportunity is evident through their business-friendly approach to licensing technologies to new startup companies that simplifies the transfer of copyrights and licenses for a minimal equity in the company.

SAN DIEGO: HIGHER EDUCATION AND RESEARCH

19 institutions of higher education enroll over 270,000 students



University of California San Diego

- Office of Innovation and Commercialization
- “Open Flow” process simplifies copyright and licensing of inventions

Statistics:

- #14 university in the world
- #5 globally for R&D
- \$1 billion invested in research
- 200+ active local companies

UCSD companies contribute:

- \$31 billion in annual sales
- 30,000 direct jobs
- 4% of San Diego employment

Incubated by world-class research institutions, San Diego’s Innovation sector has grown considerably over the last 25 years, posting a growth rate ten times that of the rest of the economy. It now represents nearly 12 percent of our local economy and employs almost 170,000 people in high-paying jobs. The Innovation sector is also itself diverse, featuring Information and Communication Technology, Biotechnology and Biomedical, Aerospace and Navigation, and CleanTech. San Diego is the most patent-intensive region in the United States, the top destination for National Institutes of Health research funding, first in life-sciences laboratory space, and the number one place in the United States to launch a startup.

As noted, San Diego has a long and successful relationship with the military. San Diego's economy will benefit from the decision (dubbed the "Pacific Pivot") to reallocate 60 percent of military assets to the West Coast over the next decade. During the next few years, 50 percent more ships will be berthed in San Diego, and billions of dollars will be invested by the Navy in infrastructure like the Seal training facility. The presence of the military also attracts \$8.4 billion in government contracts each year, and 125,000 jobs, about 1 in 11 San Diegans, are directly employed by the military or Department of Defense. Many of these jobs are highly skilled, and all generate indirect employment effects in many other sectors throughout the economy. With a large deepwater port, a dozen military installations, and a well-developed support economy, San Diego is an irreproducible ecosystem for the military.

When most people think about San Diego, they think about it as a tourism destination, and in large part, they are correct. San Diego is routinely listed as the number one domestic travel destination, such as in Money magazine's 2016 assessment. And as a result, San Diego's Hospitality sector grew four times as fast as our overall economy during the past 27 years. Nearly 35 million visitors come to San Diego annually, bringing almost \$10 billion into the regional economy. While tourism jobs pay slightly less than the average, they do provide ample entry-level employment.

International Trade

San Diego is home to the largest land crossing in the western hemisphere, and the economic impact is significant. Over the past 14 years, trade through the border has doubled but increased only one percent from 2015 to 2016. This increase was in large part due to the North American Free Trade Agreement, but also because the maquiladoras provide highly skilled workers in technologically advanced factories where costs average a fraction of the cost in the United States; this keeps companies in San Diego.

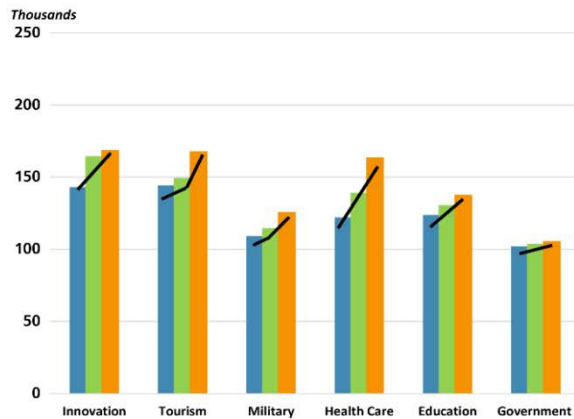
Jobs, Wages, and Housing

The diverse and robust San Diego economy presented above has resulted in strong job growth and low unemployment for San Diegans, and also in a regional economy that is less susceptible to traditional business cycles. San Diego's unemployment rate stands at 4.2 percent, lower than both California (4.8%) and the United States as a whole (4.4%). The brutal Great Recession and the protracted national recovery that saw San Diego and the nation take six and a half years to regain the employment level of December 2007 highlighted the importance of San Diego's recession-resilient sectors. Locally, Innovation, Tourism, Military, Health Care, Education, and Government sectors (representing 60% of all jobs in the region) continued to grow through the recession; other traditional sectors like Retail, Professional Services, Construction, Finance, and Manufacturing, endured deep employment contractions, and several sectors (e.g., Construction) have not recovered yet.

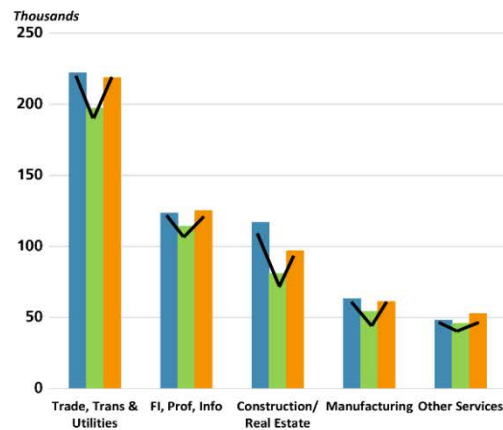
SAN DIEGO REGIONAL EMPLOYMENT BY SECTOR

2007 Peak, 2010 Trough, 2015 Recovery

Recession Resilient Sectors



Recession Susceptible Sectors



The San Diego region is in the midst of a reassessment of past housing and development practices. In prior eras, it was assumed that housing would continue to spread east into the back-country, but jurisdictions throughout the county have responded to residents' concerns about sprawl and adjusted their general plans to concentrate growth in existing communities. On the positive side, much of the recent development has been in multifamily housing in downtown areas, which is generally both less expensive and attractive to younger, high-skill workers (and some senior buyers) who prefer active, vibrant communities. As open land acceptable for residential development is in short supply, demand continues to outstrip the pace of building, and while San Diego housing costs are less than those of comparable coastal metros, prices and rents are higher than California or the United States as whole and represent a challenge to additional economic growth and to the economic well-being of many residents.

Outlook

The San Diego economy is healthy, but it is tethered to the global, national, and state economies. Globally, the economies of both advanced and emerging nations have begun to retain momentum. Still, global growth looks to be in the 3.5 percent range in 2017 according to the Organization for Economic Cooperation and Development, which is an improvement over previous years. Nationally, growth continues slow and steady, with the Federal Open Market Committee revising their growth forecast for 2017 up to 2.2 percent, with the national economy seeming to shrug off political tensions. Wage growth has also begun to move forward, after a decade of stasis. In California, the economy also continues to overcome challenges, with significant increases in High-Tech, Health Care, and Tourism more than offsetting lagging sectors.

In San Diego, economic drivers like the Innovation sector should continue to thrive, the Travel and Hospitality sector will see expenditures outpace gross domestic product growth in 2017, and the Military will begin to expand its strong presence. For population-driven Sectors, the Health Care sector, both in the United States and globally, is expected to see continued growth as the population ages, and as new therapies and treatments are available to more people. Education remains both a

stable sector and a long-term driver of economic growth, and Government typically grows proportional to population and is forecast to increase. Traditional Economic sectors like Trade, Transportation, and Utilities are dominated by retail where the outlook is relatively weak. The Financial, Professional, and Information sector (excluding Innovation sectors), is expected to see slow but steady growth. Construction and Real Estate is expecting continued strong growth through 2018, with rises in new homes starts for single and multifamily, and new and existing home sales. Manufacturing should continue its steady recovery, and Other Services, which includes many types of businesses, will continue to see slow growth through 2018.

Major Budget Initiatives and *TransNet* Plan of Finance Update

The fiscal year 2018 Program Budget will see the continuation or completion of several significant work efforts and the start of several new activities, as summarized below:

Overall Work Program

- Continue implementation of San Diego Forward: The Regional Plan (Regional Plan) and its Sustainable Communities Strategy, including identifying potential funding strategies; advancing the regional Transit-Oriented Development strategy; continued development of regional Mobility Hubs and construction of major corridor projects; and implementation of the regional Complete Streets policy and active transportation, such as Safe Routes to Transit.
- Develop and implement a data governance program for the agency including establishing formalized data management standards and quality assurance procedures to reduce potential errors and to provide consistent and accurate data throughout the agency in support of public policy decision making.
- Implement improved quality control and data maintenance as part of the enhancements to the transportation, land use, demographic, and economic models. Emphasis will be on the completion of an updated demographic and economic forecasting model, and enhancements to the Geographic Information System (GIS) data needed for the agency's suite of models used for regional analysis and decision making.
- Incorporate the results from the Household Travel Behavior and On-Board Transit Surveys into the transportation planning models to provide key base data for the next Regional Plan.
- Finalize the local housing allocations in coordination with local land use authorities, and validate the new SANDAG population, housing, and economic forecasting model, incorporating recommendations from an independent review committee comprised of experts in economics, demographics, and land use who reviewed the methods, data sources, and assumptions of the new SANDAG forecasting model in early 2017.
- Complete the comprehensive update analysis of the impacts of border delays, including economic and climate change impacts.
- Evaluate San Diego County's implementation of Assembly Bill 109 (Committee on Budget, 2011) regarding public safety realignment, monitoring and documenting the potential regional impacts of the restructuring of California's justice system.

- Through the SANDAG Service Bureau, continue to provide professional products and services in the areas of feasibility studies and strategic planning, GIS mapping and analysis, demographic data and analysis, economic services, transportation modeling and analysis, and survey design for new and established clients.
- Participate in the development of emerging freight funding programs at the federal, state, and local levels.
- Continue efforts on habitat conservation, energy and climate planning, and collaborative efforts with member agencies to produce energy efficiency upgrades.
- Continue to administer the *TransNet* Smart Growth Incentive, Active Transportation, Senior and Disabled Transit Services, and Environmental Mitigation Programs, which provide resources and incentives to member agencies, transit operators, and other organizations.
- Advance regional Transportation Demand Management (TDM) strategies as identified in the Regional Plan, including the development of a TDM and Transportation System Management Traffic Impact Analysis Toolbox, expansion of shared mobility services, and increasing participation in the Regional Vanpool Program.
- Update the regional Intelligent Transportation Systems Strategic Plan and continue to operate regional systems, including the Interstate 15 (I-15) Integrated Corridor Management and Regional Arterial Management Systems.
- Develop a new SANDAG website using responsive design techniques to enable ease of use across all platforms.
- Monitor and respond to implementation of the Fixing America's Surface Transportation Act, and pursue additional resources and funding mechanisms.
- Finalize and disseminate the Social Equity Analysis Tool to California agencies for their use.

Regional Operations and Services

- Continue operations of the State Route 125 (SR 125) Toll Road, including implementing plans for a centralized back office tolling system.
- Continue operations of the Freeway Service Patrol, including implementation of a fleet management system, right sizing the physical call box network to meet the needs of the region, and expanding the use of the mobile call box service.
- Deploy additional Automated Regional Justice Information System enhancements in member agency connectivity and disaster recovery, implement a regional law enforcement information technology training program, and expand the use of the Graffiti Tracking Program.

Capital Program

- Continue major construction of the Mid-Coast Corridor Transit Project, extending Blue Line Trolley service from Santa Fe Depot in Downtown San Diego to the University City community, serving major activity centers such as Old Town, UC San Diego, and Westfield UTC.

- Continue major construction activities for the Interstate 5 (I-5) North Coast: Two High Occupancy Vehicle Lanes Project from Manchester Avenue to the north, including installation of 1.5 miles of new rail track, replacement of rail bridge, and installation of new signals at the San Elijo Lagoon.
- Complete construction of the I-5/Genesee Interchange and Widening Project, which along with the replacement of the overcrossing, widens the freeway access ramps, adds an auxiliary lane in the northbound direction on I-5 between Genesee Avenue and Roselle Street, and provides a new, separated bicycle/pedestrian path.
- Along with improvements to I-5 and the double tracking of the railroad in the North Coast Corridor, start significant work on the major lagoon restoration pursuant to a permit issued to the infrastructure improvements. Over the next five to seven years, increased Environmental Mitigation Program funding will be utilized to fund the necessary lagoon restoration projects.
- Complete construction of the State Route 76 (SR 76) East Segment Project, the final segment in a series of three improvement projects to the SR 76 corridor located between I-15 and I-5. This segment creates a four-lane highway from South Mission Road to Old Highway 395, including upgrades to the SR 76/I-15 interchange.
- Begin construction of the Poinsettia Station Improvements Project. This project will renovate the Poinsettia Station to improve traveler wait times, provide easier access, reduce train delays, enhance pedestrian safety, and upgrade station amenities.
- Continue construction of the Elvira to Morena Double Track Project, converting 2.6 miles of single track to double track and installing new signals on the coastal rail corridor from State Route 52 to just south of Balboa Avenue.
- Continue construction of the San Diego River Bridge Double Track Project, adding a second main track from Tecolote Road to just north of the Old Town Transit Center. The project includes double tracking across the San Diego River with a new double-track bridge, construction of associated site improvements, and signal modifications.
- Continue construction of the South Bay *Rapid* Project. When completed, this project will include 11 stations along a 21-mile-long corridor from the Otay Mesa border area, through Chula Vista, and along the Interstate 805 (I-805) Corridor and State Route 94 Corridor, to Downtown San Diego.
- Complete the design and begin construction of new infrastructure on the shoulder of I-805 to implement lane keeping and blind spot warning bus technology to support South Bay *Rapid* operations. Procurement of 16 new vehicles also is anticipated during fiscal year 2018.
- Continue design and right-of-way acquisition for the State Route 11 and Otay Mesa East Port of Entry. The focus in fiscal year 2018 will be on the design of a four-lane toll highway between Enrico Fermi Drive and the Port of Entry.
- Continue to implement the *TransNet* Regional Bike Plan Early Action Plan, including the initiation of construction activities on four segments, as well as opening the State Route 15 Commuter Bike Facility, Bayshore Bikeway Segments 4 and 5, and San Diego River Trail: Qualcomm Stadium Segment.
- Complete the replacement of four aging timber trestle railway bridges in the Los Peñasquitos Lagoon.

- Complete pedestrian improvements in the area connecting the Middletown light rail station and the planned airport shuttle stop west of Pacific Highway.
- Complete pavement preservation of SR 125 between Otay Mesa Road and State Route 54.

The *TransNet* POF is updated as necessary, but at least on an annual basis as part of the overall SANDAG budgeting process. The updated POF is reviewed by the *TransNet* ITOC and the SANDAG Transportation Committee and is approved by the SANDAG Board of Directors. The most recent POF was approved by the SANDAG Board of Directors on January 22, 2016. A *TransNet* Program Update was conducted in December 2016. Draft assumptions for the next POF Update were provided to the SANDAG Transportation Committee in March 2017. The next POF Update is scheduled for early fall 2017. The December 2016 Program Update focused mainly on updated costs, specifically costs based on the region's long-range Regional Transportation Plan and updated sales tax revenues, including a consensus-based average of three nationally recognized sales tax forecasts. The *TransNet* Program Update allowed for continued progress on the *TransNet* Early Action Program (EAP). The EAP is a set of projects identified in the Ordinance considered a priority for early implementation, including projects such as Mid-Coast Trolley extension to the University City area, the South Bay Bus *Rapid* Transit, and the I-5 North Coast Corridor. The advance delivery of major projects has allowed the region to benefit from congestion relief and better mobility choices. The ability to advance major projects as discussed below is through the issuance of bonds against the sales tax receipts.

Acknowledgments

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to SANDAG for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the ninth consecutive year that SANDAG has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report 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 was accomplished with the cooperation of SANDAG management, financial staff, and SANDAG independent auditors, Davis Farr, LLP. We express our appreciation to the staff members and the auditors who contributed to the preparation of this report.

Respectfully submitted,



ANDRÉ DOUZDJIAN
Director of Finance



RAY MAJOR
Chief Economist

BOARD OF DIRECTORS



The 18 cities and county government are SANDAG serving as the forum for regional decision-making. SANDAG builds consensus; plans, engineers, and builds public transit; makes strategic plans; obtains and allocates resources; and provides information on a broad range of topics pertinent to the region's quality of life.

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(A) Laurie Berman, District 11 Director
(A) Ann Fox, Deputy Director

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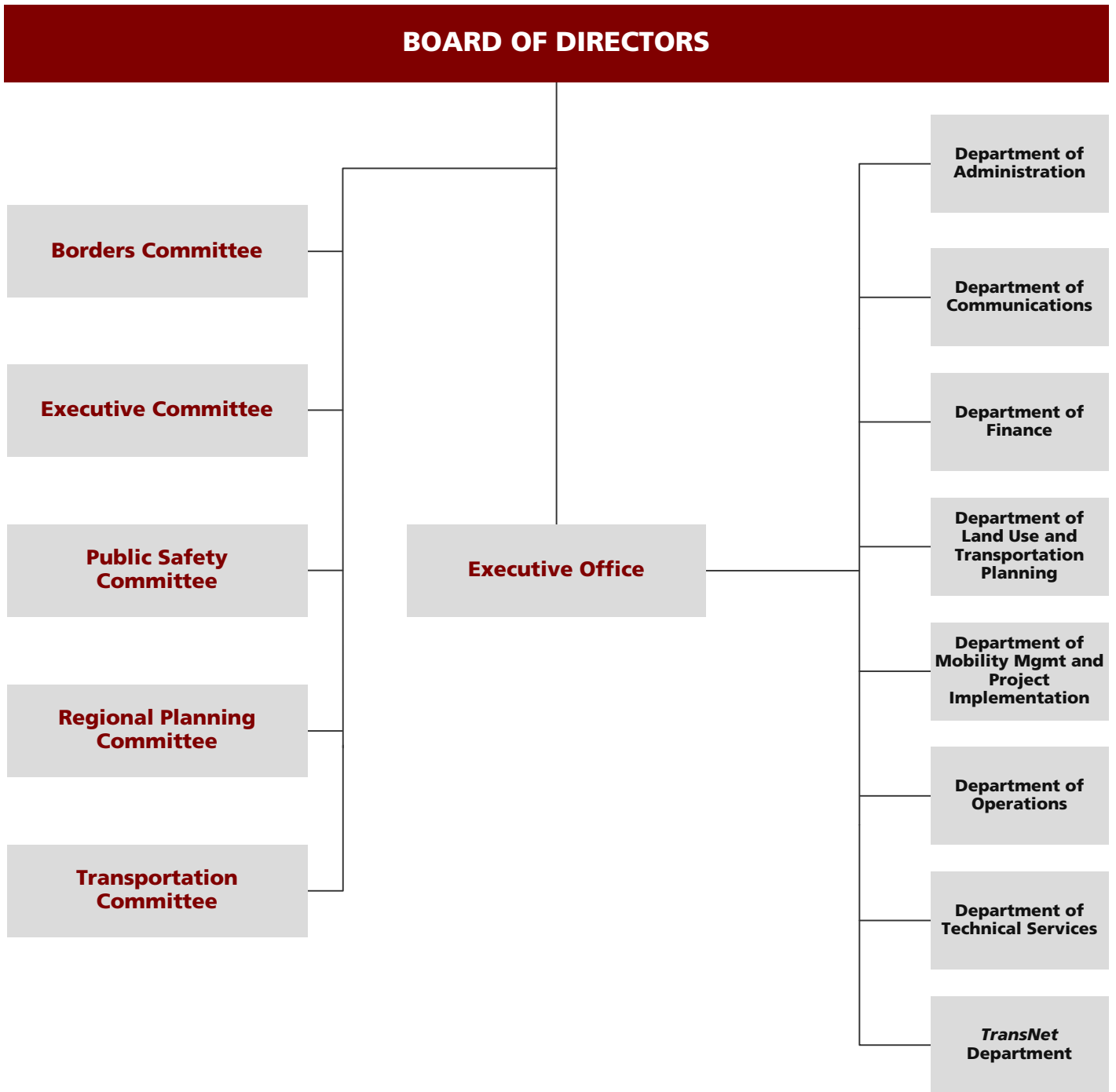
SAN DIEGO ASSOCIATION OF GOVERNMENTS

SANDAG Executive Staff

As of June 30, 2017

| | |
|--|-----------------------|
| Executive Director | Gary L. Gallegos |
| Chief Deputy Executive Director | Kim Kawada |
| General Counsel | John Kirk |
| Director of Administration | Laura Coté |
| Director of Finance | André Douzdjian |
| Director of Land Use and Transportation Planning and Director of Communications, Acting | Charles “Muggs” Stoll |
| Director of Mobility Management and Project Implementation | Jim Linthicum |
| Director of Operations | Ray Traynor |
| Director of Technical Services and Chief Economist | Ray Major |
| <i>TransNet</i> Department Director | José Nuncio |
| Principal Government Relations Analyst | Victoria Stackwick |

San Diego Association of Governments Organization Chart





Government Finance Officers Association

**Certificate of
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in Financial
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Presented to

**San Diego Association
of Governments, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

FINANCIAL SECTION

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Board of Directors
San Diego Association of Governments
San Diego, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the San Diego Association of Governments (SANDAG), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SANDAG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

Board of Directors
San Diego Association of Governments
San Diego, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of SANDAG, 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 budgetary comparison information of the general fund and major special revenue funds, the schedule of funding progress, the schedule of change in net pension liability and the schedule of plan contributions* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SANDAG's basic financial statements. The *combining and individual nonmajor fund financial statements and schedules, the introductory section and the statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *combining and individual nonmajor fund financial statements and schedules* are the responsibility of management and were 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 and individual nonmajor fund financial statements and schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section and the statistical section* 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 it.

Board of Directors
San Diego Association of Governments
San Diego, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of SANDAG'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 SANDAG's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 15, 2017

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Management's Discussion and Analysis

As management of the San Diego Association of Governments (SANDAG), we provide this narrative overview and analysis of the financial activities of SANDAG for the fiscal year ended June 30, 2017. The intent of this analysis is to assist the readers of SANDAG financial statements in better understanding the overall financial condition of the agency. The information presented here should be considered in conjunction with the information provided in the Letter of Transmittal.

Financial Highlights

- SANDAG reported net position of \$210,645,961. Of this amount, net position (deficit) of (\$130,937,250) is considered unrestricted. A significant factor related to the net position balance is the issuance of \$2,045,585,000 in bonds issued in 2008, 2010, 2012, 2014, and 2016 as part of the Early Action Program to expedite congestion relief projects focusing on jump-starting construction of the region's top priority transportation infrastructure projects.
- SANDAG total net position increased by \$23,307,402 in fiscal year 2017. This increase is primarily due to an increase in SANDAG capital asset and asset held for distribution activities offset by higher *TransNet* program expenses, utilizing proceeds from the bond issuances, as well as increased net pension liabilities.
- As of the close of the current fiscal year, SANDAG governmental funds reported combined ending fund balances of \$722,094,278. Of this total amount, \$715,215,568 is restricted for debt service and project spending, \$638,129 as nonspendable prepaid items, and \$6,240,581 as an unassigned fund balance.
- SANDAG total debt balance at the close of the current fiscal year increased by \$329,293,422 comparing to that of fiscal year 2016. This is primarily due to the issuance of \$325,000,000 Series A tax-exempt bond with \$78,818,562 bond premium in fiscal year 2017, offset by bond principal repayments of \$29,677,429 and the \$48,250,000 principal repayment of commercial paper. At the end of the current fiscal year, the San Diego County Regional Transportation Commission (Commission), a blended component unit of SANDAG, had a total debt outstanding of \$1,955,398,386, and State Route 125 toll road fund (SR 125 fund) had a debt balance of \$115,405,218 in Transportation Infrastructure Finance and Innovation Act (TIFIA) notes with \$49,360,606 of unamortized debt adjustment at acquisition.

Overview of the Financial Statements

The SANDAG annual financial report consists of five parts: (1) management's discussion and analysis; (2) basic financial statements; (3) required supplementary information; (4) an optional section that presents combining statements and additional supplementary information; and (5) a statistical section, which furnishes relevant statistical data of the agency.

Management's discussion and analysis provided here is intended to serve as an introduction to SANDAG basic financial statements. SANDAG basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) the notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of SANDAG finances, in a manner similar to a private sector business.

The *statement of net position* presents financial information on all SANDAG assets and liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SANDAG is improving or deteriorating.

The *statement of activities* presents information showing changes in the SANDAG net position during the most recent fiscal year. All changes in net position are reported when the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of SANDAG that are principally supported by sales taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of SANDAG include general government, net of cost recovery, modeling and research, criminal justice, sustainable development, sustainable mobility programs and services, internal and external coordination, Service Authority for Freeway Emergency Operations (SAFE) program, bicycle facilities, Independent Taxpayer Oversight Committee (ITOC), major corridor capital projects, major corridor environmental mitigation, local project environmental mitigation, local street improvements, smart growth, new major corridor transit operations, transit system improvements, transit capital contributions, and interest on long-term debt. Intermodal planning and implementation as one of the areas of emphasis in previous years has merged with sustainable mobility programs and services.

The business-type activities of SANDAG include the Service Bureau, which provides informational and technical services to member agencies, nonmember government agencies, private organizations, and individuals to enhance the quality and extent of demographic, economic, transportation, land use, criminal justice, and other information maintained in the Regional Information System; the Property Management Fund, which provides property management functions for the commercial buildings purchased by the agency this fiscal year; the Interstate 15 (I-15) *FasTrak*[®] program, which allows solo drivers to pay a toll to use the express lanes on I-15; and the State Route 125 (SR 125) toll road operations, an 11.2-mile, limited-access highway in the County of San Diego.

The government-wide financial statements include not only SANDAG itself (known as the primary government), but also a legally separate nonprofit corporation (SourcePoint), which provides regional information services and technical assistance to private clients and public agencies, and a legally separate Joint Powers Agency, Automated Regional Justice Information System (ARJIS), which provides a regional complex criminal justice enterprise information system utilized by more than 50 local, state, and federal agencies in the San Diego region. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Commission, although also legally separate, functions for all practical purposes as a program of SANDAG and, therefore, has been reported as a blended component unit and included as an integral part of the primary government.

The government-wide financial statements can be found on pages 25 to 27 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SANDAG, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SANDAG are either governmental-type funds or proprietary funds.

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

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

SANDAG maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, *TransNet* fund, Commission sales tax projects fund, capital projects fund, and Commission debt service fund, which are considered to be major funds. Data from the two nonmajor funds which are: (1) the general services fund; and (2) the SAFE program fund, are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

Proprietary funds. SANDAG maintains four proprietary funds. Proprietary funds can either be enterprise funds or internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. SANDAG uses enterprise funds to account for its I-15 *FasTrak* program, Service Bureau program, property management of the commercial buildings, and the SR 125 toll road operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the SR 125 fund, which is considered to be a major fund. Data from the other three nonmajor proprietary funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor proprietary funds are provided in the form of combining statements in the combining and individual fund statements and schedules of this report.

The basic proprietary fund financial statements can be found on pages 43 to 45 of this report.

Notes to the basic financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49 to 101 of this report.

Other information. In addition to the basic financial statements, required supplementary information can be found on pages 105 to 114 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and proprietary funds are presented immediately following the required supplementary information on pensions and other post-employment benefits. Combining and individual fund statements and schedules can be found on pages 117 to 121 of this report.

San Diego Association of Governments' Net Position

| | Governmental activities | | Business-type activities | | Total | |
|------------------------------------|-------------------------|-----------------|--------------------------|-----------------|----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Interfund balances | \$ 55,399,041 | \$ 48,343,228 | \$ (55,399,041) | \$ (48,343,228) | \$ - | \$ - |
| Capital assets | 15,558,636 | 9,168,262 | 344,524,281 | 356,799,945 | 360,082,917 | 365,968,207 |
| Other assets | 2,028,419,917 | 1,647,911,508 | 105,166,226 | 76,028,115 | 2,133,586,143 | 1,723,939,623 |
| Total assets | 2,099,377,594 | 1,705,422,998 | 394,291,466 | 384,484,832 | 2,493,669,060 | 2,089,907,830 |
| Deferred outflows of resources | 107,393,722 | 146,340,707 | 1,169,616 | 633,202 | 108,563,338 | 146,973,909 |
| Current liabilities | 205,769,274 | 209,094,408 | 6,455,300 | 4,673,754 | 212,224,574 | 213,768,162 |
| Restricted liabilities | 44,522,931 | 36,396,348 | - | - | 44,522,931 | 36,396,348 |
| Noncurrent liabilities | 1,964,066,920 | 1,631,609,478 | 169,398,827 | 165,302,268 | 2,133,465,747 | 1,796,911,746 |
| Total liabilities | 2,214,359,125 | 1,877,100,234 | 175,854,127 | 169,976,022 | 2,390,213,252 | 2,047,076,256 |
| Deferred inflows of resources | 1,174,560 | 2,134,912 | 198,625 | 332,012 | 1,373,185 | 2,466,924 |
| Net Position: | | | | | | |
| Net investment in capital assets | 15,558,636 | 9,168,262 | 179,758,457 | 195,346,143 | 195,317,093 | 204,514,405 |
| Restricted for: | | | | | | |
| Debt service | 42,315,044 | 39,337,425 | 3,624 | 2,133 | 42,318,668 | 39,339,558 |
| Environmental mitigation | 1,124,533 | 1,119,056 | - | - | 1,124,533 | 1,119,056 |
| Major maintenance post-acquisition | - | - | 69,230,054 | 58,640,048 | 69,230,054 | 58,640,048 |
| Project revenue | - | - | 7,099,391 | 3,152,752 | 7,099,391 | 3,152,752 |
| Toll road operations | - | - | 26,454,909 | 19,699,661 | 26,454,909 | 19,699,661 |
| Property management | - | - | 38,563 | - | 38,563 | - |
| Unrestricted (deficit) | (67,760,582) | (77,096,184) | (63,176,668) | (62,030,737) | (130,937,250) | (139,126,921) |
| Total net position | \$ (8,762,369) | \$ (27,471,441) | \$ 219,408,330 | \$ 214,810,000 | \$ 210,645,961 | \$ 187,338,559 |

Government-Wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of SANDAG, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$210,645,961 at the close of the most recent fiscal year.

In fiscal year 2017, \$1,162,526,438 was the balance of assets held for future distributions, which includes the accumulative costs of various regional transportation infrastructure improvement projects. These assets remain held until such time as these projects are complete and operational. Upon completion, the assets, as well as the legal title of the assets, if applicable, are transferred to other governmental agencies to reflect the other governments' custodial accountability for the operation and maintenance of the assets.

The majority of the SANDAG net position includes \$195,317,093 net investment in capital assets. These capital assets are used to provide services to citizens by SANDAG; therefore, it is not available for future spending. A total of \$146,266,118 is restricted for debt service, environmental mitigation projects, major maintenance, project revenue, toll road operations, and property management. The remaining offsetting balance of net position is the unrestricted net deficit of \$130,937,250.

Factors contributing to the unrestricted net deficit of \$130,937,250 include debt activities of the Commission and SR 125 fund, and the SANDAG net pension liability.

In fiscal year 2017, there is a total of \$115,405,218 TIFIA notes payable with a valuation adjustment at acquisition, net of amortization of \$49,360,606, which is offset by \$76.3 million restricted cash set aside for major maintenance and capital expenditures for the SR 125 fund.

The Commission's outstanding debt of \$1,955,398,386 is included in the statement of net position. The debt is issued to advance fund various *TransNet* projects in the region as part of the Early Action Plan (EAP) and is repaid using annual sales tax revenue. Funds are set aside each month to cover monthly 2008 bond interest and swap payments, one-sixth of upcoming interest payments on all other bonds, and one-twelfth of upcoming principal payments.

Offsetting the outstanding Commission debt balance are \$69.8 million of related balances of cash and investments used for future debt service payments and the reserve account for the 2008 sales tax bond; due from other governments for debt proceeds passed through to another government, net of principal retirement for a balance of \$53.5 million; \$2.8 million of cash and investments held as receipt of collateral to the 2018 basis rate swaps; and \$573.4 million of cash and investments related to *TransNet* balances not yet requested by recipient agencies.

The liabilities from restricted assets consist of the following purposes:

- \$6,805,263 will be used to repay outstanding Commission bonds.
- \$26,750,000 will be used to repay a portion of the outstanding commercial paper notes issued to buy the North County Transit District (NCTD) Certificates of Participation (COPs) investment.
- \$252,278 is a restricted deposit payable from NCTD for commercial paper interest payments related to the COPs.
- \$10,715,390 is being held for retention on regional transportation improvement projects and will be paid once the projects are complete.

Restricted net position includes resources subject to externally imposed restrictions that must be used for debt repayments and environmental mitigation projects. At the end of fiscal year 2017, the SANDAG net pension liability balance is \$47,179,261, which includes \$2,420,296 of net pension liability of ARJIS, a discretely presented unit of SANDAG.

Additional information on SANDAG long-term debt can be found in Note II.H, and additional information on SANDAG capital assets can be found in Note II.C in the notes to the basic financial statements of this report.

San Diego Association of Governments' Change in Net Position

| | Governmental activities | | Business-type activities | | Total | |
|--|-------------------------|--------------------|--------------------------|-------------------|--------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 3,702,414 | \$ 3,643,791 | \$ 51,135,058 | \$ 47,851,454 | \$ 54,837,472 | \$ 51,495,245 |
| Operating grants and contributions | 32,714,717 | 31,489,804 | - | - | 32,714,717 | 31,489,804 |
| Capital grants and contributions | 202,046,295 | 132,821,561 | - | - | 202,046,295 | 132,821,561 |
| General Revenues: | | | | | | |
| Local <i>TransNet</i> sales tax funds | 286,965,955 | 276,383,787 | - | - | 286,965,955 | 276,383,787 |
| Local Transportation Development Act funds | 15,635,044 | 12,144,169 | - | - | 15,635,044 | 12,144,169 |
| Investment earnings | 14,043,487 | 550,944 | 468,559 | 294,466 | 14,512,046 | 845,410 |
| Other revenues | 53,972 | 173,282 | 38,563 | - | 92,535 | 173,282 |
| Total revenues | 555,161,884 | 457,207,338 | 51,642,180 | 48,145,920 | 606,804,064 | 505,353,258 |
| Expenses: | | | | | | |
| General government, net of cost recovery | 668,106 | 1,916,776 | - | - | 668,106 | 1,916,776 |
| Modeling and research | 8,198,683 | 6,212,388 | - | - | 8,198,683 | 6,212,388 |
| Criminal justice | 1,524,153 | 1,214,864 | - | - | 1,524,153 | 1,214,864 |
| Sustainable development | 6,975,752 | 6,765,168 | - | - | 6,975,752 | 6,765,168 |
| Sustainable mobility programs and services | 19,198,685 | 18,012,242 | - | - | 19,198,685 | 18,012,242 |
| Internal and external coordination | 6,707,729 | 6,016,306 | - | - | 6,707,729 | 6,016,306 |
| SAFE program | 1,631,813 | 1,436,053 | - | - | 1,631,813 | 1,436,053 |
| Bicycle facilities | 2,772,067 | 2,446,815 | - | - | 2,772,067 | 2,446,815 |
| Independent Taxpayer Oversight Committee | 100,853 | 98,320 | - | - | 100,853 | 98,320 |
| Major corridor capital projects | 1,932,128 | 564,642 | - | - | 1,932,128 | 564,642 |
| Major corridor environmental mitigation | 23,857 | 12,172 | - | - | 23,857 | 12,172 |
| Local project environmental mitigation | 20,181 | 10,845 | - | - | 20,181 | 10,845 |
| Local street improvements | 83,303,412 | 110,896,814 | - | - | 83,303,412 | 110,896,814 |
| Smart growth | 3,224,585 | 5,680,797 | - | - | 3,224,585 | 5,680,797 |
| New major corridor transit operations | 11,521,508 | 11,794,749 | - | - | 11,521,508 | 11,794,749 |
| Transit system improvement | 46,459,496 | 44,659,647 | - | - | 46,459,496 | 44,659,647 |
| Transit capital contributions | 261,986,096 | 129,905,775 | - | - | 261,986,096 | 129,905,775 |
| Interest on long-term debt | 85,266,788 | 71,181,207 | 10,511,546 | 8,507,448 | 95,778,334 | 79,688,655 |
| Service Bureau | - | - | 496,667 | 513,539 | 496,667 | 513,539 |
| Interstate 15 <i>FasTrak</i> | - | - | 7,738,446 | 7,191,848 | 7,738,446 | 7,191,848 |
| State Route 125 toll road | - | - | 23,234,111 | 22,140,101 | 23,234,111 | 22,140,101 |
| Total expenses | 541,515,892 | 418,825,580 | 41,980,770 | 38,352,936 | 583,496,662 | 457,178,516 |
| Change in net position before transfers | 13,645,992 | 38,381,758 | 9,661,410 | 9,792,984 | 23,307,402 | 48,174,742 |
| Transfers in (out) | 5,063,080 | 1,136,158 | (5,063,080) | (1,136,158) | - | - |
| Change in net position | 18,709,072 | 39,517,916 | 4,598,330 | 8,656,826 | 23,307,402 | 48,174,742 |
| Net position, beginning of year | (27,471,441) | (66,989,357) | 214,810,000 | 206,153,174 | 187,338,559 | 139,163,817 |
| Net position, end of year | \$ (8,762,369) | \$ (27,471,441) | \$ 219,408,330 | \$ 214,810,000 | \$ 210,645,961 | \$ 187,338,559 |

Governmental activities. Governmental activities increased the SANDAG net position by \$18,709,072, which is due to total revenue of \$555,161,884 exceeding total expenses of \$541,515,892 by \$13,645,992 plus a transfer in of \$5,063,080.

Key elements of the revenue and expense differences between fiscal years 2017 and 2016 for governmental activities are as follows:

Total revenues increased by \$97,954,546, or 21.4 percent, over the prior year. Key factors for this net increase are as follows:

- The increase in capital grant and contributions of \$69,224,734, or 15.1 percent, is the result of several major capital improvement projects transitioning from initial planning or preconstruction to construction phases in the current fiscal year, which include the Mid-Coast Corridor Transit Project incurring construction costs of \$287 million in fiscal year 2017, a total of \$205 million more costs compared to that of the prior fiscal year, 48 percent of which was funded by capital grant. This increase is offset by a decrease of \$35 million in costs of several completed or substantially completed capital projects which include the East County Bus Maintenance Facility project, San Ysidro Inter-Model Freight Capacity project, and South Line Rail Freight Capacity project in fiscal year 2017.

- Operating grants and contributions increased by \$1,224,913. This increase is primarily due to the Modeling and Research program undergoing a major program improvement effort in fiscal year 2017. These projects include the Travel Demand Modeling project, Transportation Studies project, and a new Regional Land Inventory System project incurring costs of \$4,254,203 million in the current fiscal year, an increase of approximately \$1.5 million comparing to that of the prior fiscal year.
- Investment earnings increased by \$13,492,543. The main driver of the overall increase was a \$15,925,409 increase for the annual derivative adjustment on the interest rate swaps offset with a decrease in earnings on investments of about \$2.4 million. While interest rates continued to climb during fiscal year 2017, they did so at a very slow pace and ended the year 18 basis points over fiscal year 2016. At year end, the annual fair value adjustments on these investments account for most of the decrease in investment earnings.
- Sales tax revenue increased by \$10,582,168, or 3.8 percent, which is driven primarily by an increase in taxable consumption in the region resulting from the local economic recovery and continued growth in consumer spending in fiscal year 2017. The San Diego region's gross regional product, an estimate of the total value of goods and services produced in a region, continues to rise. This growth supports the increase in the sales tax revenue in fiscal year 2017.

Total expenses increased by \$122,690,312, or 29.3 percent, over the prior year. Key factors in this net increase are as follows:

- Transit capital contributions increased \$131,080,321, or 100 percent. This significant increase is due to the completion of several major capital projects for contributions this fiscal year. During the year, \$250,077,289 of completed construction-in-progress (CIP) projects, as well as title to the assets, if applicable, was transferred to other government agencies responsible for public transportation operations comparing to \$120,971,569 of CIP projects completed and transferred out in the prior fiscal year. Of completed projects, \$47,126,958 was transferred to Metropolitan Transit System, \$39,404,177 to NCTD, \$161,128,253 to Caltrans, \$258,393 to the City of National City, and \$2,159,508 to the Port of San Diego to reflect the other government's custodial accountability for the operations and maintenance of the assets. These contributions represent a reduction in assets held for future distributions and are not restricted to specific programs per the government-wide statement of activities.
- A net increase of \$3,331,124, in other SANDAG governmental activities is the main result of the following:
 - Modeling and Research project expenses increased by \$1,986,295, or 31.8 percent, primarily as a result of several modeling research projects such as Travel Demand Modeling, Geographic Information System to Support Modeling Efforts, Transportation Studies, and Regional Economic and Municipal Finance Services with increased efforts to ensure that the transportation model and its supporting system balance the need for maintaining a state-of-the-practice model for ongoing planning activities while adding enhancements and new features to become a fully integrated dynamic traffic assignment mesoscopic model.
 - Sustainable Mobility Program and Services expenses increased by \$2,886,443, because of the implementation of Veterans Transportation Capital project in this fiscal year to administer pass-through funding for the Federal Transit Administration (FTA) Veterans Transportation and Community Living grant to 211 San Diego to complete the San Diego County One Call/One Click Partnership project proposal as approved by the FTA. The project incurred costs of \$1,487,037, resulting in a higher expense in the current fiscal year compared to that of the prior year. In addition, the accrued costs for claims for the Regional Transportation Plan project were also attributable to the increased expense. This increase was offset by a decrease in costs of several other projects completed in fiscal year 2017.

The above increases in SANDAG governmental activities are offset by the following decrease:

- General government expense decreased by \$1,248,670, which is a result of a net increase of cost recovery of \$1,252,781, primarily attributable to a fringe benefit cost recovery reduction adjustment of \$1.2 million incurred in fiscal year 2016 but not in fiscal year 2017. A carryforward cost recovery adjustment based on a reconciliation between the recovered fringe benefit costs according to the budget and the actual fringe benefit costs incurred in fiscal year 2017 will be performed for the indirect cost allocation program for fiscal year 2019.
- During the year, Sustainable Development decreased project expenses by \$1,489,416, or 22.0 percent. This decrease was a direct result of several Overall Work Plan (OWP) work elements completed in fiscal year 2016, and the overall budgeted OWP project expenses for fiscal year 2017 are approximately \$1.2 million lower comparing to that of fiscal year 2016.

The above expense increases were offset by the following decrease:

- *TransNet* program expenses decreased \$26,806,714, or 15.2 percent, which is primarily due to Local Street Improvement project expense decrease of \$27,593,402 as well as Smart Growth program cost decrease of \$2,456,212. These expenses were based on recipient requests of *TransNet* funds for eligible costs, which were lower in fiscal year 2017 in relation to fiscal year 2016 due to several major road improvement projects substantially completed in this fiscal year. A total expense increase of \$3,492,587 for Transit System Improvement projects, Major Corridor Capital projects, and Bicycle Facilities projects is a result of grantees requesting reimbursements on their *TransNet* Active Transportation Grants as they continue to make timely progress toward completion of the projects.

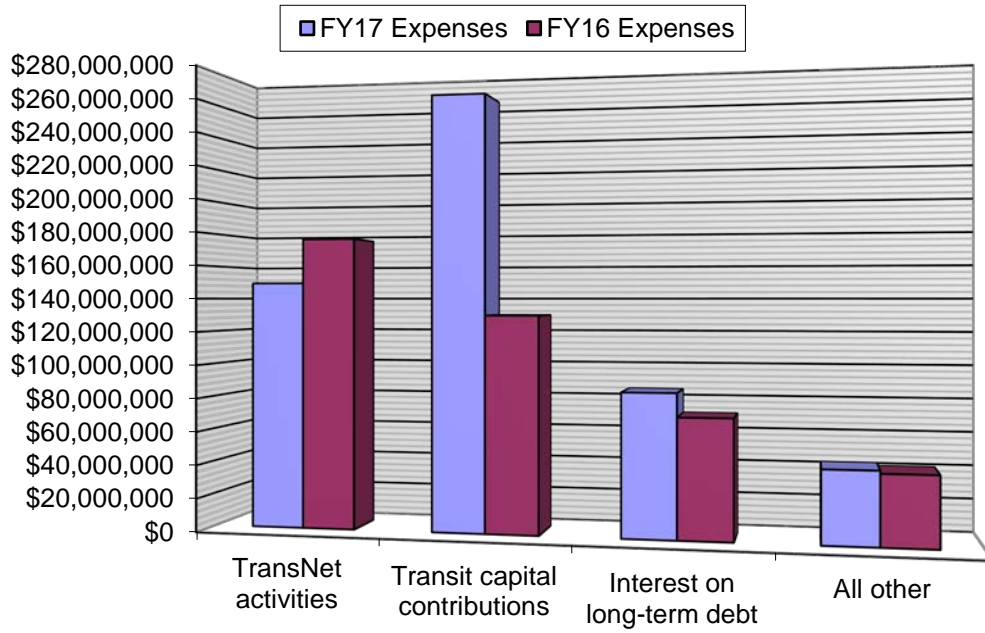
Business-type activities. Business-type activities increased the SANDAG net position by \$4,598,330, because of total revenue of \$51,642,180 exceeding total expenses of \$41,980,770 by \$9,661,410 less a net transfer out of \$5,063,080.

Key elements of the revenue and expense differences between fiscal year 2017 and fiscal year 2016 for business-type activities are as follows:

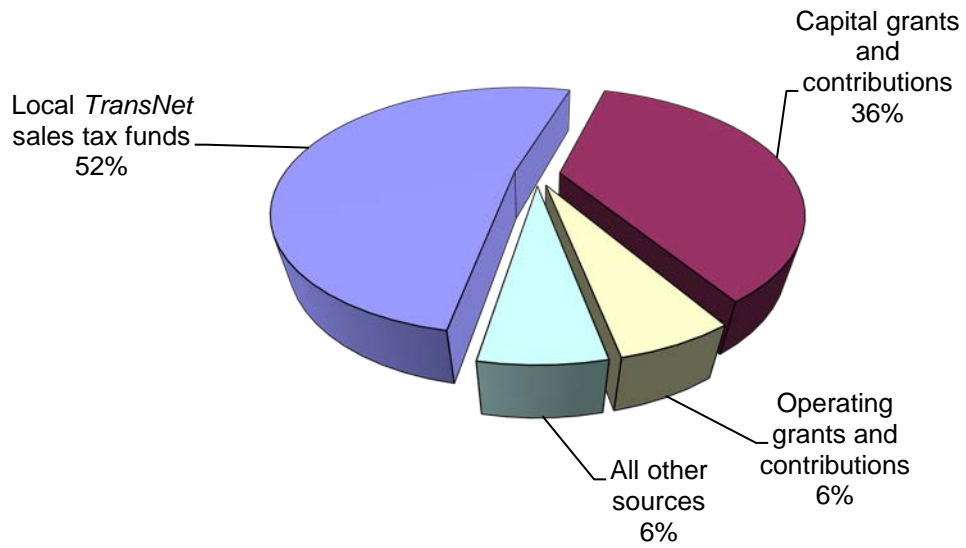
Total revenue for business-type activities increased \$3,496,260, or 7.3 percent, in fiscal year 2017. This revenue increase was primarily the result of an increase in the utilization of the SR 125 toll road by commuters as well as collection practices added in fiscal year 2017 comparing to that in fiscal year 2016. The contributing factor to the toll road utilization increase is the continuing low toll rates with the goal of easing congestion on Interstate 805 (I-805) and local streets.

Total expenses for business-type activities increased \$3,627,834 in fiscal year 2017. This was primarily a result of an increased operating expense of \$938,409 for the SR 125 toll road operations due to several major projects launched in the current year including a marketing campaign, Payment Card Industry Data Security Standard compliance audit, tolling system and back office system projects request for proposals, and TIFIA loan refinancing, coupled with an increased operating expense of \$545,575 for the I-15 high occupancy vehicle toll lane operations as well as higher interest expense for the SR 125 toll road in the current fiscal year.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, SANDAG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of SANDAG governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing SANDAG financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, SANDAG governmental funds reported combined ending fund balances of \$722,094,278. Of this total amount, \$6,240,581 constitutes unassigned fund balance. The remainder of the fund balance is either nonspendable or restricted.

The general fund is the chief general government operating fund of SANDAG. At the end of the current fiscal year, fund balance of the general fund was \$16,692,153, and of this amount, \$256,879 was nonspendable prepaid items. The fund balance of the general fund during the current fiscal year increased by \$3,455,893. The key factor contributing to this increase is that the Transportation Development Act (TDA) Program revenue received by the agency was higher than the actual expenditures of the TDA-eligible OWP projects funded by the TDA Program revenue in fiscal year 2017. The agency's receipt of TDA Program revenue was based on the SANDAG portion of the total apportionment of available TDA sales tax revenues. SANDAG funds TDA-eligible project expenditures as a transfer to other funds on a reimbursement basis, which is not always equal to the revenue apportioned. The timing difference between the TDA revenue received and expenditures incurred resulted in the fund balance decrease in the current fiscal year. A portion of the unused revenues accumulated in previous years as part of the fund balance was used this fiscal year to cover for the costs of OWP projects.

The *TransNet* fund is the recipient of funds from the Commission (blended component unit), and the funds are subsequently transferred out to projects and for general and administrative expenditures in the general fund, general services fund, and capital projects fund. At the end of the current fiscal year, the fund balance of the *TransNet* fund was \$0. Revenues increased by \$73,088,029, or 28.7 percent, which is due to an increase in major corridor capital projects costs as several major projects transitioning from initial planning to preconstruction or construction phases in this fiscal year. Transfers out increased accordingly by \$73,088,029, or 28.7 percent, which is also due to the increased construction costs of major projects.

The Commission sales tax projects special revenue fund had a fund balance of \$480,737,721, all of which was restricted. The fund balance of this fund during the current fiscal year was decreased by \$78,040,251. Key factors contributing to this decrease are as follows:

- Total fund expenditures exceeded fund revenue by \$179,276,762 due to increased EAP project costs offset by net interfund transfers in of \$101,236,511, which is primarily due to transfers with the Commission's debt service fund for the use of debt proceeds toward major corridor and major corridor environmental mitigation projects and for principal and interest payments. The transfers in of \$213,609,610, which is predominantly bond proceeds, are reduced by sales tax receipts transfers out of \$112,373,099 that are transferred to the debt service fund for payment of debt principal and interest.

The capital projects fund had a fund balance of (\$4,636,693). The fund balance of the capital projects fund decreased by \$110,696 during the current fiscal year primarily due to revenue recognition timing between fiscal year 2017 and fiscal year 2016.

The Commission commercial paper and sales tax revenue bonds debt service fund (debt service fund) had a fund balance of \$225,652,427, all of which was restricted. The fund balance of the debt service fund during the current fiscal year increased by \$156,564,238, and key factors for this increase are as follows:

- Expenditures in the current year exceeded revenues by \$146,017,813 due to principal retirement of bonds and commercial paper, interest, and other charges for the 2008, 2010, 2012, 2014, and 2016 bond issuances, offset with the receipt of federal subsidy revenue for the 2010 Build America Bonds (BABs) interest net payment. Majority of the funding for the debt service payments is transferred from the Commission's sales tax projects special revenue fund.
- Net interfund transfers out of \$101,236,511 were primarily transfers with the Commission's sales tax projects special revenue fund for the use of debt proceeds toward major corridor and major corridor environmental mitigation programs and for principal and interest payments.
- Issuance of \$325,000,000 tax revenue bond in August 2016 including premium on the bond of \$78,818,562.

The general services fund had a fund deficit of \$5,208,037. The fund balance of the general services fund decreased by \$3,370,649, or 183 percent, during the current fiscal year primarily due to revenue recognition timing between fiscal year 2017 and fiscal year 2016. The unavailable revenue balance in fiscal year 2017 was \$3.3 million higher than that of fiscal year 2016.

The SAFE special revenue fund had a fund balance of \$8,856,707. This special revenue fund was established in January 2013 by the adoption of Assembly Bill 1572. The fund balance increased \$354,123 in the current fiscal year as operating revenue exceeded operating expenses by \$1,372,630, offset by a transfer out of \$1,018,517.

General Fund Budgetary Highlights

The general fund is the SANDAG primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund. During the fiscal year, there was a fund expense decrease between the original and final amended budget.

- Local TDA sales tax actual revenues were equivalent to the actual TDA receipts for 2017. Actual revenues represent the full SANDAG TDA claim received, which is the SANDAG portion of the total apportionment of available TDA sales tax revenues. SANDAG budgets TDA revenues to fund TDA-eligible project expenditures as a transfer to other funds on a reimbursement basis, which is not always equal to the claim amount. In accordance with Board Policy No. 027: Transportation Development Act, any excess is considered savings and was deposited into the contingency reserve.
- Actual transfers out were lower than the budget by \$2,971,437. The budget is comprised of TDA funding expected to be transferred to other funds to pay for TDA-eligible project expenditures. Project expenditures in the general services fund, some of which are funded with TDA funds, were under budget. Some projects experienced delayed work efforts. Projects are initially funded using dedicated funds before TDA funding is applied, allowing TDA to be carried over for work efforts in 2018.
- General government actual expenses were below the budgeted amount by \$4,165,732. This is primarily related to actual personnel costs lower than the budgeted amount by \$2,989,362 due to salaries and benefits savings created by employee turnover and the resulting vacancies in those staff positions while recruiting efforts were underway. The actual non-personnel expense is below the budgeted amount by

\$940,013 primarily attributable to professional service budgeted at \$1,147,146 with actual cost incurred at \$733,363, lower than budget by \$410,733; the actual information system and office supply expenses below budget by \$314,557 because of certain budgeted purchases delayed to the next fiscal year; and insurance premium lower than budget by \$210,031 due to anticipated premium increase not occurring in the current year.

- Cost recovery actual offsetting expenses were lower than the budget by \$4,126,580. This variance is due to an under recovery of overhead attributed to charging to fewer projects carrying this overhead load than what was budgeted.

Capital Assets and Assets Held for Future Distribution

Capital assets. SANDAG investment in capital assets for its governmental activities, as of June 30, 2017, amounts to \$15,558,636 (net of accumulated depreciation).

Capital Assets (Net of accumulated depreciation)

| | Governmental activities | |
|---|-------------------------|---------------------|
| | 2017 | 2016 |
| Governmental activities: | | |
| Office equipment | \$ 10,049 | \$ 14,646 |
| Computer equipment | 2,139,799 | 3,486,852 |
| Other equipment | 389,263 | 243,437 |
| Vehicles | 86,769 | 48,359 |
| Buses | 115,225 | 133,529 |
| Land | 7,979,613 | 5,241,439 |
| Building | 4,837,918 | - |
| Governmental activities capital assets, net | <u>\$ 15,558,636</u> | <u>\$ 9,168,262</u> |

Additional information on SANDAG capital assets can be found in Note II.C in the notes to the basic financial statements of this report.

Assets held for future distribution. These assets include primarily CIP on projects for the benefit of the transit agencies, Caltrans, or other governmental agencies. As of June 30, 2017, the balance of the assets was \$1,162,526,438. Once completed, these assets are contributed to the other governmental agencies to reflect the other government's custodial accountability for the operation and maintenance of the assets. Major projects under construction as of June 30, 2017, include:

- *TransNet* EAP projects. These include major corridor projects for I-5, I-15, I-805, State Route 76, the Mid-Coast Corridor, Blue and Orange Line Trolley Improvements, and the Transportation Project Biological Mitigation Fund. The CIP balance for EAP projects is \$1.2 billion and the overall cumulative fiscal year 2017 approved budget for EAP projects through fiscal year 2025 is \$7.6 billion.

Debt Administration

Long-term debt. At the end of the current fiscal year, SANDAG had total debt outstanding of \$2,122,407,418, which is comprised of \$1,413,865,000 of tax-exempt sales tax revenue bonds, \$338,960,000 of BABs (sales tax revenue bonds), net premium on the 2010 tax-exempt bonds of \$560,143, net premium on the 2012 tax-exempt bonds of \$47,968,639, net premium on the 2014 tax-exempt bonds of \$50,561,062, net premium on the 2016 tax-exempt bonds of \$76,643,543, \$26,750,000 of outstanding commercial paper notes, compensated absences payable of \$2,243,208, and \$164,765,824 of TIFIA notes with unamortized valuation adjustment at acquisition.

| | Governmental activities | | Business-type activities | | Total | |
|-----------------------------|-------------------------|------------------|--------------------------|----------------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Sales tax bonds | \$ 1,928,648,386 | \$ 1,554,507,253 | \$ - | \$ - | \$ 1,928,648,386 | \$ 1,554,507,253 |
| Commercial paper | 26,750,000 | 75,000,000 | - | - | 26,750,000 | 75,000,000 |
| Compensated absences | 2,097,835 | 2,202,430 | 145,373 | 90,267 | 2,243,208 | 2,292,697 |
| TIFIA notes | - | - | 115,405,218 | 109,573,254 | 115,405,218 | 109,573,254 |
| Unamortized debt adjustment | - | - | 49,360,606 | 51,790,281 | 49,360,606 | 51,790,281 |
| Total | \$ 1,957,496,221 | \$ 1,631,709,683 | \$ 164,911,197 | \$ 161,453,802 | \$ 2,122,407,418 | \$ 1,793,163,485 |

In addition to the debt noted in the schedule above, net pension liability of \$47.2 million is included in fiscal year 2017. See Note II.M for further information.

SANDAG total debt, including compensated absences, increased \$329,243,933, which is primarily a result of the issuance of \$325,000,000 of 2016 Series A tax-exempt bond with a premium of \$78,818,562, offset with bond principal retirements of \$24,260,000 and \$48,250,000 in commercial paper repayments.

On June 27, 2017, SANDAG entered into a TIFIA loan agreement with the United States Department of Transportation to finance SANDAG's continued implementation of the *TransNet* program for up to \$537,484,439 of costs to complete the Mid-Coast Corridor Transit Project. At June 30, 2017, there was no outstanding obligation due.

Additional information on SANDAG long-term debt can be found in Note II.H in the notes to the basic financial statements of this report.

Economic Factors and Next Year's Budgets

- The OWP and Regional Operations Program are the non-capital portions of the Board-approved Program Budget. For the OWP, federal consolidated planning grant sources are expected to remain flat in fiscal year 2018, with local sales tax revenue expected to grow by 2.62 percent. The Board-approved total fiscal year 2018 OWP budget is \$45.1 million. Nearly all planning activities within the OWP are continuing with a similar level of effort as the previous year, with more effort devoted to development of San Diego Forward: The Regional Plan and the data governance program. Funding and activities relating to demographic and econometric modeling and criminal justice research are planned to increase slightly, and the Transportation Demand Management program continues to aggressively pursue alternatives to single occupancy commutes.
- The Regional Operations Program budget was approved for \$62.2 million in the fiscal year 2018 budget and consists of the ongoing activities that require 24-hour monitoring, including the SR 125 Facilities Operations, Motorist Aid Call Box program, I-15 *FasTrak*, Freeway Service Patrol, Santa Fe Street property management, and ARJIS. Fiscal year 2018 marks the fifth year of tracking this group of programs separately, while most project budgets remained essentially flat compared to the previous year, SR 125 budgeted an increase in reserve contributions. Activities on the SR 125 toll facilities and I-15 *FasTrak* lanes continue to experience moderate traffic growth.
- In the Capital Budget, cumulative capital project funding through fiscal year 2026 as approved in the fiscal year 2018 budget has increased from \$7.6 billion to \$8.1 billion. SANDAG continues to partner with Caltrans and the transit operators to implement major transit and highway projects throughout the San Diego region.

- SANDAG continues to strive for continuous improvement by implementing cost-effective measures to maximize the efficiency of the general fund expenditures. SANDAG finance, administrative, and contract management functions continue to develop and use new technology to create more effective fiscal discipline, flexibility, and responsiveness. Emphasis is placed on scrutinizing all travel requests, re-evaluating each vacant position before authorizing replacement, expanding the ability to respond to legal issues, and optimizing the risk management portfolio. Administrative staffing and related expenditures are increasing 1.3 percent, with an approved budget of \$13.2 million, primarily due to increased rent and professional services.
- Actual cash basis sales tax collections have increased in 20 of the last 23 years of collections, with decreases occurring in fiscal years 2008, 2009, and 2010. Actual sales tax receipts in fiscal year 2017 came in 3.25 percent higher over fiscal year 2016 actual receipts. An increase over the fiscal year 2017 estimates of 2.5 percent is forecasted for fiscal year 2018.
- For the fiscal year 2018 budget, \$292 million in *TransNet* sales tax receipts is budgeted. The sales tax revenue budget will fund general government administration, bicycle, pedestrian, and neighborhood safety projects, the ITOC, major corridor capital projects, major corridor environmental mitigation, local project environmental mitigation, local street improvements, smart growth, new major corridor transit operations, and transit system improvements.

Requests for Information

This financial report was designed to provide a general overview of SANDAG finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Director of Finance, San Diego Association of Governments, 401 B Street, Suite 800, San Diego, California 92101, or emailed to the Public Information Officer at pio@sandag.org.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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San Diego Association of Governments
Statement of Net Position
June 30, 2017

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|-----------------------|-------------------|---------------------|
| | Governmental Activities | Business-type Activities | Totals 2017 | SourcePoint | ARJIS |
| ASSETS | | | | | |
| Cash and investments | \$ 604,530,139 | \$ 24,575,998 | \$ 629,106,137 | \$ 217,571 | \$ 7,395,825 |
| Accounts receivable | 369,573 | 2,498,042 | 2,867,615 | - | 43,426 |
| Prepaid items and other assets | 638,129 | 648,702 | 1,286,831 | - | 695,173 |
| Interest receivable | 1,902,081 | 132,588 | 2,034,669 | 508 | 7,373 |
| Due from other governments | 171,276,744 | 977,827 | 172,254,571 | - | 943,970 |
| Due from component units | 3,728 | - | 3,728 | - | - |
| Internal balances | 55,399,041 | (55,399,041) | - | - | - |
| Other post-employment benefit asset | 525,591 | - | 525,591 | - | - |
| Assets held for future distributions | 1,162,526,438 | - | 1,162,526,438 | - | - |
| Restricted assets: | | | | | |
| Cash restricted for capital project retentions | 9,400,376 | 7,099,391 | 16,499,767 | - | - |
| Cash and investments restricted for debt service and other liabilities | 76,122,585 | 3,624 | 76,126,209 | - | - |
| Cash and investments restricted for environmental mitigation | 1,124,533 | - | 1,124,533 | - | - |
| Cash and investments restricted for major maintenance & project revenue | - | 69,230,054 | 69,230,054 | - | - |
| Capital assets: | | | | | |
| Non-depreciable | 7,979,613 | 5,379,889 | 13,359,502 | - | - |
| Depreciable, net of accumulated depreciation | 7,579,023 | 339,144,392 | 346,723,415 | - | 425,428 |
| Total assets | 2,099,377,594 | 394,291,466 | 2,493,669,060 | 218,079 | 9,511,195 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Accumulated decrease in fair value of hedging swap agreement | 86,180,381 | - | 86,180,381 | - | - |
| Deferred refunding charge | 10,902,267 | - | 10,902,267 | - | - |
| Pension related | 10,311,074 | 1,169,616 | 11,480,690 | - | 611,011 |
| Total deferred outflows of resources | 107,393,722 | 1,169,616 | 108,563,338 | - | 611,011 |
| LIABILITIES | | | | | |
| Accounts payable | 80,699,982 | 2,714,663 | 83,414,645 | 1,098 | 360,346 |
| Retentions payable | 7,518,196 | 32,558 | 7,550,754 | - | - |
| Due to other governments | 18,127,805 | 872,260 | 19,000,065 | - | 182,076 |
| Due to primary government | - | - | - | - | 3,728 |
| Accrued interest payable | 18,778,808 | 17,381 | 18,796,189 | - | - |
| Transponder deposits payable | - | 21,063 | 21,063 | - | - |
| Unearned revenue | 9,995,222 | 2,797,375 | 12,792,597 | - | - |
| Derivative instrument - swap liability | 68,949,261 | - | 68,949,261 | - | - |
| Liabilities payable from restricted assets: | | | | | |
| Deposits payable | 252,278 | - | 252,278 | - | - |
| Retentions payable | 10,715,390 | - | 10,715,390 | - | - |
| Long-term debt payable - due within one year | 33,555,263 | - | 33,555,263 | - | - |
| Noncurrent liabilities: | | | | | |
| Due within one year | 22,412,572 | 1,395,200 | 23,807,772 | - | - |
| Due in more than one year | 1,903,228,386 | 163,370,624 | 2,066,599,010 | - | - |
| Net pension liability | 40,125,962 | 4,633,003 | 44,758,965 | - | 2,420,296 |
| Total liabilities | 2,214,359,125 | 175,854,127 | 2,390,213,252 | 1,098 | 2,966,446 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension related | 1,174,560 | 198,625 | 1,373,185 | - | 188,988 |
| NET POSITION | | | | | |
| Net investment in capital assets | 15,558,636 | 179,758,457 | 195,317,093 | - | 425,428 |
| Restricted for: | | | | | |
| Debt service and other liabilities | 42,315,044 | 3,624 | 42,318,668 | - | - |
| Environmental mitigation | 1,124,533 | - | 1,124,533 | - | - |
| Major maintenance post-acquisition | - | 69,230,054 | 69,230,054 | - | - |
| Project revenue | - | 7,099,391 | 7,099,391 | - | - |
| Toll road operations and improvements | - | 26,454,909 | 26,454,909 | - | - |
| Property management | - | 38,563 | 38,563 | - | - |
| Restricted-iCommute | - | - | - | 12,075 | - |
| Unrestricted (deficit) | (67,760,582) | (63,176,668) | (130,937,250) | 204,906 | 6,541,344 |
| Total net position | \$ (8,762,369) | \$ 219,408,330 | \$ 210,645,961 | \$ 216,981 | \$ 6,966,772 |

See accompanying Notes to the Basic Financial Statements.

San Diego Association of Governments
Statement of Activities
For the year ended June 30, 2017

| Functions/Programs | Expenses | Program Revenues | | |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government, net of cost recovery | \$ 668,106 | \$ 547,426 | \$ - | \$ - |
| Modeling and research | 8,198,683 | - | 4,821,160 | - |
| Criminal justice | 1,524,153 | 200,000 | 1,187,041 | - |
| Sustainable development | 5,275,752 | - | 3,505,494 | - |
| Sustainable mobility programs and services | 20,898,685 | - | 16,221,443 | - |
| Internal and external coordination | 6,707,729 | - | 447,366 | - |
| SAFE program | 1,631,813 | 2,954,988 | - | - |
| Bicycle facilities | 2,772,067 | - | - | - |
| Independent Taxpayer Oversight Committee | 100,853 | - | - | - |
| Major corridor projects | 1,932,128 | - | - | - |
| Major corridor environmental mitigation | 23,857 | - | - | - |
| Local project environmental mitigation | 20,181 | - | - | - |
| Local street improvements | 83,303,412 | - | - | - |
| Smart growth | 3,224,585 | - | - | - |
| New major corridor transit operations | 11,521,508 | - | - | - |
| Transit system improvements | 46,459,496 | - | - | - |
| Transit capital contributions | 261,986,096 | - | - | 202,046,295 |
| Interest on long-term debt | 85,266,788 | - | 6,532,213 | - |
| Total governmental activities | 541,515,892 | 3,702,414 | 32,714,717 | 202,046,295 |
| Business-type activities: | | | | |
| Service Bureau | 496,667 | 524,076 | - | - |
| Interstate 15 FasTrak | 7,738,446 | 12,992,560 | - | - |
| State Route 125 Toll Road | 33,745,657 | 37,618,422 | - | - |
| Total business-type activities | 41,980,770 | 51,135,058 | - | - |
| Total primary government | \$ 583,496,662 | \$ 54,837,472 | \$ 32,714,717 | \$ 202,046,295 |
| Component units: | | | | |
| SourcePoint | \$ 12,888 | \$ 1,918 | \$ 2,500 | \$ - |
| ARJIS | 5,905,169 | 4,948,942 | 360,257 | - |
| Total component units | \$ 5,918,057 | \$ 4,950,860 | \$ 362,757 | \$ - |
| General revenues: | | | | |
| Local <i>TransNet</i> sales tax funds | | | | |
| Local Transportation Development Act sales tax funds | | | | |
| Investment earnings | | | | |
| Other revenues | | | | |
| Transfers in (out) | | | | |
| Total general revenues and transfers | | | | |
| Change in net position | | | | |
| Net position - beginning of year | | | | |
| Net position - end of year | | | | |

See accompanying Notes to the Basic Financial Statements.

| Net (Expense) Revenue and Changes in Net Position | | | | | |
|--|----------------------------|-----------------------------|----------------------|---------------------|---------------------|
| Totals | Primary Government | | | Component Units | |
| | Governmental Activities | Business-type Activities | Totals 2017 | SourcePoint | ARJIS |
| \$ 547,426 | \$ (120,680) | \$ - | \$ (120,680) | \$ - | \$ - |
| 4,821,160 | (3,377,523) | - | (3,377,523) | - | - |
| 1,387,041 | (137,112) | - | (137,112) | - | - |
| 3,505,494 | (1,770,258) | - | (1,770,258) | - | - |
| 16,221,443 | (4,677,242) | - | (4,677,242) | - | - |
| 447,366 | (6,260,363) | - | (6,260,363) | - | - |
| 2,954,988 | 1,323,175 | - | 1,323,175 | - | - |
| - | (2,772,067) | - | (2,772,067) | - | - |
| - | (100,853) | - | (100,853) | - | - |
| - | (1,932,128) | - | (1,932,128) | - | - |
| - | (23,857) | - | (23,857) | - | - |
| - | (20,181) | - | (20,181) | - | - |
| - | (83,303,412) | - | (83,303,412) | - | - |
| - | (3,224,585) | - | (3,224,585) | - | - |
| - | (11,521,508) | - | (11,521,508) | - | - |
| - | (46,459,496) | - | (46,459,496) | - | - |
| 202,046,295 | (59,939,801) | - | (59,939,801) | - | - |
| 6,532,213 | (78,734,575) | - | (78,734,575) | - | - |
| <u>238,463,426</u> | <u>(303,052,466)</u> | <u>-</u> | <u>(303,052,466)</u> | <u>-</u> | <u>-</u> |
| 524,076 | - | 27,409 | 27,409 | - | - |
| 12,992,560 | - | 5,254,114 | 5,254,114 | - | - |
| 37,618,422 | - | 3,872,765 | 3,872,765 | - | - |
| <u>51,135,058</u> | <u>-</u> | <u>9,154,288</u> | <u>9,154,288</u> | <u>-</u> | <u>-</u> |
| <u>\$ 289,598,484</u> | <u>(303,052,466)</u> | <u>9,154,288</u> | <u>(293,898,178)</u> | <u>-</u> | <u>-</u> |
| \$ 4,418 | | | | (8,470) | - |
| 5,309,199 | | | | - | (595,970) |
| <u>\$ 5,313,617</u> | | | | <u>(8,470)</u> | <u>(595,970)</u> |
| 286,965,955 | - | - | 286,965,955 | - | - |
| 15,635,044 | - | - | 15,635,044 | - | - |
| 14,043,487 | 468,559 | - | 14,512,046 | 739 | 55,285 |
| 53,972 | 38,563 | - | 92,535 | - | - |
| 5,063,080 | (5,063,080) | - | - | - | - |
| <u>321,761,538</u> | <u>(4,555,958)</u> | <u>-</u> | <u>317,205,580</u> | <u>739</u> | <u>55,285</u> |
| 18,709,072 | 4,598,330 | - | 23,307,402 | (7,731) | (540,685) |
| (27,471,441) | 214,810,000 | - | 187,338,559 | 224,712 | 7,507,457 |
| <u>\$ (8,762,369)</u> | <u>\$ 219,408,330</u> | <u>\$ 210,645,961</u> | <u>\$ 216,981</u> | <u>\$ 6,966,772</u> | <u>\$ 6,966,772</u> |

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FUND FINANCIAL STATEMENTS

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GOVERNMENT FUND FINANCIAL STATEMENTS

San Diego Association of Governments
Balance Sheet
Governmental Funds
June 30, 2017

| | Major Funds | | |
|---|----------------------|-------------------------|---|
| | General Fund | <i>TransNet</i> Fund | San Diego County Regional Transportation Commission Sales Tax Projects Fund |
| ASSETS | | | |
| Cash and investments | \$ 20,470,697 | \$ - | \$ 417,012,690 |
| Accounts receivable | 1,317 | - | - |
| Prepaid items and other assets | 256,879 | - | 31,287 |
| Interest receivable | 14,967 | - | 5,199,556 |
| Due from other funds | 10,838 | - | 1,864 |
| Due from other governments | 50,194 | - | 53,605,874 |
| Due from component units | 3,728 | - | - |
| Advances to other funds | - | - | 58,686,491 |
| Cash and investments - restricted | 3,575,123 | - | 1,124,533 |
| Total assets | \$ 24,383,743 | \$ - | \$ 535,662,295 |
| LIABILITIES | | | |
| Accounts payable | \$ 630,321 | \$ - | \$ 592,897 |
| Accrued liabilities | 736,698 | - | - |
| Retentions payable | - | - | 5,921 |
| Due to other funds | 6,012,913 | - | 47,714,785 |
| Due to other governments | 311,658 | - | 2,944,952 |
| Unearned revenue | - | - | - |
| Liabilities payable from restricted assets | - | - | - |
| Total liabilities | 7,691,590 | - | 51,258,555 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | - | - | 3,666,019 |
| Total deferred inflows of resources | - | - | 3,666,019 |
| FUND BALANCES (DEFICIT) | | | |
| Nonspendable: | | | |
| Prepaid items | 256,879 | - | 31,287 |
| Total nonspendable | 256,879 | - | 31,287 |
| Restricted for: | | | |
| Environmental mitigation | - | - | 1,124,533 |
| Debt service | - | - | - |
| <i>TransNet</i> -eligible projects | - | - | 479,581,901 |
| Freeway emergency service | - | - | - |
| Total restricted | - | - | 480,706,434 |
| Unassigned | 16,435,274 | - | - |
| Total fund balances (deficit) | 16,692,153 | - | 480,737,721 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 24,383,743 | \$ - | \$ 535,662,295 |

See accompanying Notes to the Basic Financial Statements.

| | | | Totals |
|-----------------------------|---|--------------------------------|-----------------------|
| Capital Projects Fund | San Diego County Regional Transportation Commission Debt Service Fund | Other Governmental Funds | 2017 |
| \$ - | \$ 156,099,471 | \$ 10,947,281 | \$ 604,530,139 |
| 73,737 | - | 294,519 | 369,573 |
| 256,119 | - | 93,844 | 638,129 |
| - | 327,427 | 26,151 | 5,568,101 |
| 50,200,565 | - | 5,437,378 | 55,650,645 |
| 49,906,303 | 53,472,073 | 14,204,542 | 171,238,986 |
| - | - | - | 3,728 |
| - | - | - | 58,686,491 |
| 9,400,376 | 72,547,462 | - | 86,647,494 |
| <u>\$ 109,837,100</u> | <u>\$ 282,446,433</u> | <u>\$ 31,003,715</u> | <u>\$ 983,333,286</u> |
| \$ 74,527,668 | \$ 318,039 | \$ 3,876,868 | \$ 79,945,793 |
| - | - | 17,492 | 754,190 |
| 6,327,086 | - | 1,185,189 | 7,518,196 |
| - | 1,616 | 8,874,800 | 62,604,114 |
| 11,706,036 | - | 3,165,159 | 18,127,805 |
| 5,172,751 | 2,750,000 | 2,072,471 | 9,995,222 |
| 10,715,390 | 252,278 | - | 10,967,668 |
| <u>108,448,931</u> | <u>3,321,933</u> | <u>19,191,979</u> | <u>189,912,988</u> |
| <u>6,024,862</u> | <u>53,472,073</u> | <u>8,163,066</u> | <u>71,326,020</u> |
| <u>6,024,862</u> | <u>53,472,073</u> | <u>8,163,066</u> | <u>71,326,020</u> |
| <u>256,119</u> | <u>-</u> | <u>93,844</u> | <u>638,129</u> |
| <u>256,119</u> | <u>-</u> | <u>93,844</u> | <u>638,129</u> |
| - | - | - | 1,124,533 |
| - | 72,295,184 | - | 72,295,184 |
| - | 153,357,243 | - | 632,939,144 |
| - | - | 8,856,707 | 8,856,707 |
| - | 225,652,427 | 8,856,707 | 715,215,568 |
| (4,892,812) | - | (5,301,881) | 6,240,581 |
| (4,636,693) | 225,652,427 | 3,648,670 | 722,094,278 |
| <u>\$ 109,837,100</u> | <u>\$ 282,446,433</u> | <u>\$ 31,003,715</u> | <u>\$ 983,333,286</u> |

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San Diego Association of Governments
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017

| | |
|---|-----------------------|
| Total Fund Balances - Total Governmental Funds | \$ 722,094,278 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets and assets held for future distribution used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | |
| Capital assets | 21,765,268 |
| Accumulated depreciation | (6,206,632) |
| Assets held for future distribution | 1,162,526,438 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds. | |
| Net OPEB asset | 525,591 |
| Accrued interest income - commercial paper | 37,758 |
| Some revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are not reported in the governmental funds. | |
| | 71,326,020 |
| Long-term liabilities, including debt payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | |
| Accrued interest payable - bond | (18,741,050) |
| Accrued interest payable - commercial paper | (37,758) |
| Commercial paper payable | (26,750,000) |
| Bond premium | (175,823,386) |
| Deferred refunding charge | 10,902,267 |
| Bonds payable | (1,752,825,000) |
| Claims payable | (1,700,000) |
| Compensated absences | (2,097,835) |
| Net pension liability and related deferred outflow and inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds. | |
| Deferred outflows of resources - pension related | 10,311,074 |
| Net pension liability | (40,125,962) |
| Deferred inflows of resources - pension related | (1,174,560) |
| Derivative instruments are not reported in the funds but must be reported in the statement of net position. | |
| Accumulated decrease in fair value of hedging swap agreements | 86,180,381 |
| Derivative instrument - swap liability | (68,949,261) |
| Net Position of Governmental Activities | <u>\$ (8,762,369)</u> |

See accompanying Notes to the Basic Financial Statements.

San Diego Association of Governments
Statement of Revenues, Expenditures, and Change in Fund Balances
Governmental Funds
For the year ended June 30, 2017

| | General Fund | <i>TransNet</i> Fund | Major Funds San Diego County Regional Transportation Commission Sales Tax Projects Fund |
|--|----------------------|-------------------------|--|
| REVENUES | | | |
| Federal funds | \$ - | \$ - | \$ - |
| State funds | - | - | - |
| Local <i>TransNet</i> sales tax funds | - | 327,454,238 | 286,965,955 |
| Local Transportation Development Act sales tax funds | 10,987,990 | - | - |
| Other local governmental funding | - | - | - |
| SAFE program revenue | - | - | - |
| Member agency assessments | 547,426 | - | - |
| Investment earnings | 28,250 | - | 4,767,061 |
| Debt repayments from other governments | - | - | - |
| Other revenues | 32,038 | - | 21,934 |
| Total revenues | 11,595,704 | 327,454,238 | 291,754,950 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 44,077,916 | - | 3,253,760 |
| Cost recovery | (43,552,068) | - | - |
| Modeling and research | - | - | - |
| Criminal justice | - | - | - |
| Sustainable development | - | - | - |
| Sustainable mobility programs and services | - | - | - |
| Internal and external coordination | - | - | - |
| SAFE program | - | - | - |
| Bicycle facilities | - | - | 12,359,549 |
| Independent Taxpayer Oversight Committee | - | - | 100,853 |
| Major corridor capital projects | - | - | 287,491,607 |
| Major corridor environmental mitigation | - | - | 21,833,308 |
| Local project environmental mitigation | - | - | 599,181 |
| Local street and road improvements | - | - | 85,217,505 |
| Smart growth | - | - | 2,144,441 |
| New major corridor transit operations | - | - | 11,530,015 |
| Transit system improvements | - | - | 46,501,493 |
| Regional transportation improvements | - | - | - |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Debt issuance costs | - | - | - |
| Interest and other charges | - | - | - |
| Total expenditures | 525,848 | - | 471,031,712 |
| REVENUES OVER (UNDER) EXPENDITURES | 11,069,856 | 327,454,238 | (179,276,762) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 112,326 | - | 213,609,610 |
| Transfers out | (7,726,289) | (327,454,238) | (112,373,099) |
| Bonds issued | - | - | - |
| Premium on bonds issued | - | - | - |
| Total other financing sources (uses) | (7,613,963) | (327,454,238) | 101,236,511 |
| Net change in fund balances | 3,455,893 | - | (78,040,251) |
| FUND BALANCES (DEFICIT) | | | |
| Beginning of year | 13,236,260 | - | 558,777,972 |
| End of year | \$ 16,692,153 | \$ - | \$ 480,737,721 |

See accompanying Notes to the Basic Financial Statements

| Capital Projects Fund | San Diego County Regional Transportation Commission | | Other Governmental Funds | Eliminations | Totals |
|-----------------------------|--|---------------------|--------------------------------|-----------------------|--------|
| | Debt Service Fund | | | | 2017 |
| \$ 174,837,389 | \$ 6,532,213 | \$ 18,378,444 | \$ - | \$ 199,748,046 | |
| 12,725,638 | - | 3,015,428 | - | 15,741,066 | |
| - | - | - | (327,454,238) | 286,965,955 | |
| 4,647,054 | - | - | - | 15,635,044 | |
| 19,220,012 | - | 1,426,237 | - | 20,646,249 | |
| - | - | 2,954,988 | - | 2,954,988 | |
| - | - | 200,000 | - | 747,426 | |
| - | 2,770,820 | 49,455 | - | 7,615,586 | |
| - | 1,806,954 | - | - | 1,806,954 | |
| - | - | 131,815 | - | 185,787 | |
| <u>211,430,093</u> | <u>11,109,987</u> | <u>26,156,367</u> | <u>(327,454,238)</u> | <u>552,047,101</u> | |
| - | - | - | (3,253,760) | 44,077,916 | |
| - | - | - | - | (43,552,068) | |
| - | - | 8,194,350 | - | 8,194,350 | |
| - | - | 1,524,153 | - | 1,524,153 | |
| - | - | 5,275,752 | - | 5,275,752 | |
| - | - | 18,629,735 | - | 18,629,735 | |
| - | - | 6,707,729 | - | 6,707,729 | |
| - | - | 1,631,813 | - | 1,631,813 | |
| - | - | 2,764,145 | (12,351,627) | 2,772,067 | |
| - | - | - | - | 100,853 | |
| - | - | - | (285,559,479) | 1,932,128 | |
| - | - | - | (21,809,451) | 23,857 | |
| - | - | - | (579,000) | 20,181 | |
| - | - | - | (185,300) | 85,032,205 | |
| - | - | 3,211,667 | (2,131,523) | 3,224,585 | |
| - | - | - | (8,507) | 11,521,508 | |
| - | - | 1,533,594 | (1,575,591) | 46,459,496 | |
| 531,402,710 | - | - | - | 531,402,710 | |
| - | 72,510,000 | - | - | 72,510,000 | |
| - | 1,284,951 | - | - | 1,284,951 | |
| - | 83,332,849 | - | - | 83,332,849 | |
| <u>531,402,710</u> | <u>157,127,800</u> | <u>49,472,938</u> | <u>(327,454,238)</u> | <u>882,106,770</u> | |
| <u>(319,972,617)</u> | <u>(146,017,813)</u> | <u>(23,316,571)</u> | <u>-</u> | <u>(330,059,669)</u> | |
| 319,959,390 | 112,373,099 | 21,318,552 | - | 667,372,977 | |
| (97,469) | (213,609,610) | (1,018,507) | - | (662,279,212) | |
| - | 325,000,000 | - | - | 325,000,000 | |
| - | 78,818,562 | - | - | 78,818,562 | |
| <u>319,861,921</u> | <u>302,582,051</u> | <u>20,300,045</u> | <u>-</u> | <u>408,912,327</u> | |
| (110,696) | 156,564,238 | (3,016,526) | - | 78,852,658 | |
| (4,525,997) | 69,088,189 | 6,665,196 | - | 643,241,620 | |
| <u>\$ (4,636,693)</u> | <u>\$ 225,652,427</u> | <u>\$ 3,648,670</u> | <u>\$ -</u> | <u>\$ 722,094,278</u> | |

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San Diego Association of Governments
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Government-Wide Statement of Activities
For the year ended June 30, 2017

| | |
|--|----------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 78,852,658 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Interest earnings (expense) in the government-wide statement of activities that do not provide current financial resources are not reported as interest revenues in the funds. | |
| Commercial paper accrued interest revenue | 21,968 |
| Change in fair value of derivative instrument | 6,405,933 |
| Governmental funds report regional transportation improvements as expenditures. However, in the statement of activities, the cost of those land assets consumes the current financial resources of governmental funds and has no effect on net assets. | |
| Regional transportation improvements | 2,738,174 |
| Governmental funds report regional transportation improvements as expenditures. However, in the statement of activities, the cost of those capital assets is allocated over their useful lives and reported as depreciation expense. | |
| Capital assets additions | 5,135,312 |
| Depreciation expense | (1,483,112) |
| Governmental funds report regional transportation improvements as expenditures. However, in the statement of activities, the cost of those assets held for future distribution consumes the current financial resources of governmental funds and has no effect on net assets. | |
| Regional transportation improvements | 513,509,042 |
| Contributed to other government agencies | (250,077,289) |
| The issuance of long-term debt (e.g., bonds, commercial paper) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | |
| Revenue bond principal retirement | 24,260,000 |
| Bond pass-through payments to other governments | 1,728,793 |
| Debt repayments from other governments - bond | (1,284,042) |
| Debt repayments from other governments - commercial paper | (522,912) |
| Commercial paper repayments | 48,250,000 |
| Bonds issued | (325,000,000) |
| Premium on bonds issued | (78,818,562) |
| Amortization expense on unamortized premium on bonds issued | 5,417,429 |
| Amortization expense on unamortized loss on bond refunding | (2,295,214) |
| Some revenues do not provide current financial resources, and therefore, are deferred in governmental funds. | |
| | (1,506,164) |
| Adjustments made to other liabilities and assets do not use current financial resources and, therefore, are not recognized in the funds. | |
| Change in interest payable | (3,771,203) |
| Change in net OPEB asset | (3,017) |
| Compensated absences (change) | 104,595 |
| Claims payable | (1,700,000) |
| Change in net pension liability and related accounts | (1,253,317) |
| Change in Net Position of Governmental Activities | \$ 18,709,072 |

See accompanying Notes to the Basic Financial Statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

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San Diego Association of Governments
Statement of Net Position
Proprietary Funds
June 30, 2017

| | Business-type Activities-Enterprise Funds | | Totals |
|---|---|----------------------|-----------------------|
| | Major Fund | Nonmajor | |
| | SR 125 Toll Road | Funds | 2017 |
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 3,885,224 | \$ 20,690,774 | \$ 24,575,998 |
| Restricted cash | 76,333,069 | - | 76,333,069 |
| Accounts receivable | 2,263,136 | 234,906 | 2,498,042 |
| Prepaid items and other assets | 644,464 | 4,238 | 648,702 |
| Interest receivable | 85,857 | 46,731 | 132,588 |
| Due from other funds | 25,578 | 8,677,748 | 8,703,326 |
| Due from other governments | 387,728 | 590,099 | 977,827 |
| Total current assets | 83,625,056 | 30,244,496 | 113,869,552 |
| Noncurrent assets: | | | |
| Non-depreciable assets | 4,343,447 | 1,036,442 | 5,379,889 |
| Depreciable assets, net of accumulated depreciation | 329,020,429 | 10,123,963 | 339,144,392 |
| Total noncurrent assets | 333,363,876 | 11,160,405 | 344,524,281 |
| Total assets | 416,988,932 | 41,404,901 | 458,393,833 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflow of resources - pension related | 1,169,616 | - | 1,169,616 |
| Total deferred outflows of resources | 1,169,616 | - | 1,169,616 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 1,280,870 | 1,248,481 | 2,529,351 |
| Accrued liabilities | 185,312 | - | 185,312 |
| Retentions payable | 20,837 | 11,721 | 32,558 |
| Due to other funds | 1,321,323 | 428,534 | 1,749,857 |
| Due to other governments | 206,659 | 665,601 | 872,260 |
| Security deposit | - | 17,381 | 17,381 |
| Transponder deposits payable | 18,360 | 2,703 | 21,063 |
| Unearned revenue | 1,650,645 | 1,146,730 | 2,797,375 |
| Long term debt due within one year | 1,395,200 | - | 1,395,200 |
| Total current liabilities | 6,079,206 | 3,521,151 | 9,600,357 |
| Noncurrent liabilities: | | | |
| Notes payable | 163,370,624 | - | 163,370,624 |
| Advances from other funds | 62,352,510 | - | 62,352,510 |
| Net pension liability | 4,633,003 | - | 4,633,003 |
| Total noncurrent liabilities | 230,356,137 | - | 230,356,137 |
| Total liabilities | 236,435,343 | 3,521,151 | 239,956,494 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources - pension related | 198,625 | - | 198,625 |
| Total deferred inflows of resources | 198,625 | - | 198,625 |
| NET POSITION | | | |
| Net investment in capital assets | 168,598,052 | 11,160,405 | 179,758,457 |
| Restricted for: | | | |
| Debt service | 3,624 | - | 3,624 |
| Major maintenance and capital expenditure | 69,230,054 | - | 69,230,054 |
| Project revenue | 7,099,391 | - | 7,099,391 |
| Property management | - | 38,563 | 38,563 |
| Toll road operations and improvements | - | 26,454,909 | 26,454,909 |
| Unrestricted (deficit) | (63,406,541) | 229,873 | (63,176,668) |
| Total net position | \$ 181,524,580 | \$ 37,883,750 | \$ 219,408,330 |

See accompanying Notes to the Basic Financial Statements.

San Diego Association of Governments
Statement of Revenues, Expenses, and Change in Fund Net Position
Proprietary Funds
For the year ended June 30, 2017

| | Business-type Activities - Enterprise Funds | | Totals |
|---|---|-------------------|---------------------|
| | Major Fund | Nonmajor | 2017 |
| | SR 125 Toll Road | Funds | |
| OPERATING REVENUES | | | |
| Operating revenue | \$ 37,618,422 | \$ 13,516,636 | \$ 51,135,058 |
| Total operating revenues | 37,618,422 | 13,516,636 | 51,135,058 |
| OPERATING EXPENSES | | | |
| Operating expenses | 10,088,214 | 6,036,644 | 16,124,858 |
| Depreciation | 13,145,897 | 2,198,469 | 15,344,366 |
| Total operating expenses | 23,234,111 | 8,235,113 | 31,469,224 |
| Operating income (loss) | 14,384,311 | 5,281,523 | 19,665,834 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Other income (expenses) | - | 38,563 | 38,563 |
| Interest income | 431,408 | 37,151 | 468,559 |
| Interest expense | (10,511,546) | - | (10,511,546) |
| Total nonoperating revenues (expenses) | (10,080,138) | 75,714 | (10,004,424) |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 4,304,173 | 5,357,237 | 9,661,410 |
| Capital contributions | - | 30,685 | 30,685 |
| Transfers out | (5,076,749) | (17,016) | (5,093,765) |
| Total transfers | (5,076,749) | 13,669 | (5,063,080) |
| CHANGE IN FUND NET POSITION | (772,576) | 5,370,906 | 4,598,330 |
| Net position: | | | |
| Beginning of year | 182,297,156 | 32,512,844 | 214,810,000 |
| End of year | \$ 181,524,580 | \$ 37,883,750 | \$ 219,408,330 |

See accompanying Notes to the Basic Financial Statements.

San Diego Association of Governments
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2017

| | Business-type Activities - Enterprise Funds | | Totals |
|--|---|----------------------|-----------------------|
| | SR 125 Toll Road | Nonmajor Funds | 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 36,791,819 | \$ 19,901,508 | \$ 56,693,327 |
| Payments for employee salaries and benefits | (5,540,588) | (738,819) | (6,279,407) |
| Payments for operations | (3,240,157) | (4,041,556) | (7,281,713) |
| Net cash provided by (used for) operating activities | 28,011,074 | 15,121,133 | 43,132,207 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfer to governmental funds | (5,076,749) | (71,730) | (5,148,479) |
| Net cash provided by (used for) noncapital financing activities | (5,076,749) | (71,730) | (5,148,479) |
| CASH FLOWS FROM CAPITAL FINANCING AND RELATED ACTIVITIES | | | |
| Acquisition and construction of capital assets | (2,255,697) | (717,471) | (2,973,168) |
| Principal payment on debt | (637,212) | - | (637,212) |
| Interest payment on debt | (6,536,896) | - | (6,536,896) |
| Net cash provided by (used for) capital financing and related activities | (9,429,805) | (717,471) | (10,147,276) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Receipts from rent | - | 104,850 | 104,850 |
| Payment made for rental property | - | (33,120) | (33,120) |
| Interest income (loss) | 497,731 | (3,248) | 494,483 |
| Net cash provided by (used for) investing activities | 497,731 | 68,482 | 566,213 |
| Net increase in cash and investments | 14,002,251 | 14,400,414 | 28,402,665 |
| Cash and investments, beginning of year | 66,216,042 | 6,290,360 | 72,506,402 |
| Cash and investments, end of year | \$ 80,218,293 | \$ 20,690,774 | \$ 100,909,067 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ 14,384,311 | \$ 5,281,523 | \$ 19,665,834 |
| Adjustments to reconcile net cash provided by (used for) operating activities: | | | |
| Depreciation | 13,145,897 | 2,198,469 | 15,344,366 |
| (Increase) decrease in: | | | |
| Accounts receivable | (516,537) | (132,807) | (649,344) |
| Due from other funds | (2,689) | 6,125,588 | 6,122,899 |
| Due from other governments | (214,262) | 310,415 | 96,153 |
| Prepaid expenses | (206,144) | (2,031) | (208,175) |
| Deferred outflows of resources | (536,414) | - | (536,414) |
| Increase (decrease) in: | | | |
| Accounts payable | 294,295 | 845,826 | 1,140,121 |
| Retentions payable | 20,837 | 9,218 | 30,055 |
| Due to other funds | 601,222 | 403,422 | 1,004,644 |
| Due to other governments | 115,208 | (76,430) | 38,778 |
| Transponder deposits payable | (1,005) | - | (1,005) |
| Accrued liabilities | 160,852 | (768) | 160,084 |
| Unearned revenue | 114,353 | 158,708 | 273,061 |
| Net pension liability | 784,537 | - | 784,537 |
| Deferred inflows of resources | (133,387) | - | (133,387) |
| Total adjustments | 13,626,763 | 9,839,610 | 23,466,373 |
| Net cash provided by (used for) operating activities | \$ 28,011,074 | \$ 15,121,133 | \$ 43,132,207 |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | |
| Amortization of debt adjustment at acquisition | \$ (2,429,675) | \$ - | \$ (2,429,675) |
| Contribution of capital asset from governmental activities | - | 30,685 | 30,685 |

See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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**San Diego Association of Governments
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the San Diego Association of Governments (SANDAG) have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body of establishing governmental accounting and financial reporting principles. The more significant of SANDAG accounting policies are described below.

A. Reporting entity

SANDAG was formed under a Joint Powers Agreement dated September 10, 1972, and was originally named the Comprehensive Planning Organization. The Joint Powers Agreement was amended on November 5, 1980, to change the agency's name to the San Diego Association of Governments. The member agencies include 18 incorporated cities from the San Diego region and the County of San Diego, California.

On January 1, 2003, SANDAG became a legislatively created regional government agency pursuant to the San Diego Regional Transportation Consolidation Act (Public Utilities Code Section 132350, et seq.). The SANDAG Board of Directors (Board) includes representatives from the 18 incorporated cities in the San Diego region and the County of San Diego. The effect of this legislation was to make SANDAG a permanent, rather than voluntary, association of local governments and to increase the SANDAG responsibilities and powers. The act also required the consolidation of the planning, programming, project development, and construction functions of the San Diego Metropolitan Transit Development Board, currently known as the Metropolitan Transit System (MTS) and the North San Diego County Transit Development Board, currently known as the North County Transit District (NCTD), into SANDAG.

As required by GAAP, these financial statements present SANDAG and its component units, entities for which SANDAG is considered to be financially accountable. Blended component units, although legally separate units are, in substance, part of an agency's operations, and so data from these units are combined with data of the agency. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the agency. SANDAG has one blended component unit and two discretely presented component units. All component units have a June 30 year end.

Included within the reporting entity as a blended component unit:

San Diego County Regional Transportation Commission (Commission) – The Commission is the agency established for the purpose of, and is responsible for, the implementation and administration of transportation improvement programs funded by the San Diego countywide one-half percent sales tax that was effective April 1, 1988, through 2008, as a result of the passage of Proposition A – The San Diego County Transportation Improvement Program. On November 2, 2004, the voters of San Diego County voted to extend the one-half percent sales tax for 40 more years to 2048. The Commission's governing board is the same as the SANDAG governing board. The Commission exclusively benefits SANDAG and SANDAG member agencies. The Commission is presented as two funds: (1) a special revenue fund type; and (2) a debt service fund type.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

Included within the reporting entity as discretely presented component units:

SourcePoint – On April 15, 1982, SANDAG formed a nonprofit 501(c)(3) corporation, SourcePoint, for the purpose of providing fee-based products and services that meet the needs of decision-makers in the public and private sectors, while enhancing the quality and extent of demographic, economic, transportation, land use, criminal justice, and other information maintained in the Regional Information System (RIS). The SourcePoint governing board is the SANDAG Executive Committee, which is made up of six voting members from among the primary and alternate voting members of the SANDAG governing board. The SourcePoint governing board is not substantively the same as the entire SANDAG governing board; however, all of the members of the SourcePoint board are primary voting members of the SANDAG governing body, and SANDAG can, therefore, impose its will on SourcePoint activities. SourcePoint provides services directly to the public. SourcePoint is presented as a proprietary fund type.

Automated Regional Justice Information System (ARJIS) – ARJIS is a Joint Powers Agency established in December 1980 under a joint powers agreement with the County of San Diego and all municipalities in the County, including the City of San Diego. In January 2004, the joint powers agreement was amended, as public agencies of the San Diego region recognized the need for continued operation, maintenance, enhancement, and implementation of ARJIS in order to provide improved law enforcement capabilities within the San Diego region and designated SANDAG as the administrator, effective July 1, 2004. ARJIS provides a regional complex criminal justice enterprise information system utilized by more than 50 local, state, and federal agencies in the San Diego region. The ARJIS governing board is the SANDAG Public Safety Committee, which is made up of six members from among the primary and alternate voting members of the SANDAG governing board, as well as six voting public safety representatives, and various public safety advisory members. The ARJIS governing board is not substantively the same as the entire SANDAG governing board; however, a voting majority of the ARJIS board can be primary or alternate voting members of the SANDAG governing board, and SANDAG is the administrator of ARJIS. Therefore, SANDAG can and does impose its will on ARJIS activities. ARJIS provides services directly to the public. ARJIS is presented as a proprietary fund type.

Complete audited individual financial statements for the Commission, SourcePoint, and ARJIS component units may be obtained from SANDAG, 401 B Street, Suite 800, San Diego, California 92101, (619) 699-1900, sandag.org.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its two discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from the legally separate, discretely presented component units for which the primary government is financially accountable.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and the proprietary funds.

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (generally 120 days after year end) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences, workers’ compensation obligations, and claims and judgments, are recorded only when payment is due.

Revenues which are considered susceptible to accrual include sales tax, interest, and state and federal grants. In applying the subject to accrual concept to state and federal revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

Other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

SANDAG reports the following major governmental funds:

The *general fund* is the SANDAG primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from local Transportation Development Act (TDA) funds, member agency assessments, and cost recovery related to labor and overhead costs which are recovered through operating and capital grants. Expenditures are primarily expended for general government overhead, net of cost recovery.

The special revenue *TransNet fund* accounts for the activities and resources received for *TransNet* sales tax revenue received and then transferred out for SANDAG capital and overall work program projects and one-half of the general fund Board expenses.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

The special revenue *San Diego County Regional Transportation Commission sales tax projects fund* (Commission sales tax projects fund) accounts for the activities and resources of the Commission, a blended component unit, received pursuant to the countywide one-half percent local sales tax. These revenues are passed through to other governmental agencies to be spent in accordance with the *TransNet* ordinances, to other SANDAG governmental funds, or transferred to the Commission's debt service fund to make principal and interest payments on the long-term debt sales tax revenue bonds and commercial paper.

The *capital projects fund* accounts for the resources and activities of SANDAG to provide for highway improvements and rail and bus capital improvements, and replacements and other capital implementation projects. Revenues are primarily derived from federal and state capital grants, TDA, and *TransNet* funds.

The *San Diego County Regional Transportation Commission debt service fund* (Commission debt service fund) accounts for the activities and resources accumulated for principal and interest payments on the long-term debt sales tax revenue bonds and commercial paper of the Commission, a blended component unit. Revenues are derived from interest earned on the investments accumulated for the payment of principal and interest on the revenue bonds, proceeds of bonds, debt repayments from other governmental agencies, and the federal subsidy related to the 2010 Build America Bonds (BABs) issuance.

SANDAG reports the following other governmental fund types:

The special revenue *general services fund* accounts for the activities and resources of SANDAG to provide primarily for modeling and research, criminal justice, planning and forecasting, sustainable development, smart mobility programs and services, intermodal planning and implementation, and internal and external coordination. Revenues are primarily derived from federal, state, and local operating grants and contributions.

The special revenue *San Diego Service Authority for Freeway Emergencies (SAFE) fund* accounts for the activities of the SAFE program, which is responsible for purchasing, installing, operating, and maintaining a motorist aid system of call boxes in San Diego County. The SAFE program operation was transferred from the County of San Diego to SANDAG as of January 1, 2013, by the adoption of Assembly Bill No. 1572 (Fletcher, 2012).

SANDAG reports the following major proprietary funds:

The *State Route (SR 125) 125 fund* accounts for the activities of the SANDAG SR 125 toll road, an 11.2-mile, limited-access highway in the County of San Diego. On December 21, 2011, SANDAG acquired the rights and interest in a Franchise Agreement between South Bay Expressway, LLC, and Caltrans. Under the Agreement, SANDAG has contractual rights to develop and operate the SR 125 toll road. The SR 125 fund was established in December 2011 as a proprietary fund under the oversight of SANDAG to operate the toll road.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

SANDAG reports the following other proprietary fund types:

The *Service Bureau fund* accounts for the activities of the SANDAG Service Bureau, which offers fee-based products and services that meet the needs of decision-makers in the public and private sectors, while enhancing the quality and extent of demographic, economic, transportation, land use, criminal justice, and other information maintained in the RIS. The discretely presented component unit 501(c)(3) nonprofit agency SourcePoint offers the same services. Projects for clients with a requirement to conduct business with a nonprofit agency will be performed by SourcePoint, with all other projects performed under the SANDAG Service Bureau.

The *Interstate 15 (I-15) FasTrak® fund* accounts for the activities of the I-15 *FasTrak* program, which allows solo drivers to pay a toll to use the 16 miles of express lanes on I-15.

The *Property Management fund* accounts for the operating activities of the commercial buildings and land purchased by SANDAG in the current fiscal year for the benefit and in support of the Mid-Coast Corridor Transit Project undertaken by SANDAG.

Interfund balances and transfers have been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: (1) charges to customers or other governmental agencies for services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include sales tax and other general revenues not restricted to specific programs.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated.

An eliminations column is presented for the fund financial statements in order to eliminate the allocation of revenues and expenditures. Sales tax revenues are recorded in the Commission sales tax projects fund and in the *TransNet* fund upon transfer of cash from the Commission to SANDAG. *TransNet* expenditures are recorded in the Commission sales tax projects fund and in the general fund, general services fund, or capital projects fund upon expending *TransNet* funds for the administration of the *TransNet* program and *TransNet*-funded projects administered and implemented by SANDAG. At June 30, 2017, the total amount of eliminations was \$327,454,238.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

D. Budgetary information

1. Budgetary basis of accounting

An annual budget is adopted on a basis consistent with GAAP for the general fund, special revenue funds, debt service fund, and capital projects fund.

2. Expenditures in excess of appropriations

The Commission sales tax projects fund ended the year with \$188,313,588 of expenditures in excess of appropriations, which is primarily the result of bond proceeds used for major corridor capital projects and major corridor environmental mitigation program projects. This fund is budgeted based on the estimated sales tax revenues and does not include use of debt proceeds or unspent revenue received in prior years.

The Commission debt service fund had an excess of \$58,780,347 expenditures over appropriations at June 30, 2017, which was primarily the result of the principal repayment of \$48,250,000 in commercial paper, which were not budgeted and excess of variable-rate interest and swap payments and other costs on the 2008 Series bonds.

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and investments

SANDAG cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts and funds, and short-term investments with original maturities of three months or less from the date of acquisition. Securities purchased with a maturity date greater than three months at the date of acquisition have been classified as investments.

SANDAG investment policy is in accordance with California Government Code Section 53601. SANDAG is authorized to invest in the following:

- Treasury obligations
- Federal agencies and United States government-sponsored enterprises
- State obligations
- Local agency obligations
- Repurchase agreements
- Bankers' acceptances
- Commercial paper
- Medium-term notes
- Negotiable and nonnegotiable certificates of deposit
- State of California's Local Agency Investment Fund (LAIF)

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

- San Diego County Treasurer's pooled investment fund
- Savings/money market accounts
- California Asset Management Program (CAMP)
- Money market funds
- Mortgage and asset-backed obligations
- Supranationals

SANDAG participates in an investment pool managed by the State of California, titled LAIF, which has invested 2.25 percent of the pool funds in medium-term and short-term structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value of the pool is the same as the fair value of the pool shares. The fair value of LAIF was calculated by applying a factor of 0.998940671 to total investments held by LAIF. LAIF is classified under investments and is not rated.

SANDAG is a voluntary participant in the CAMP, which is an investment pool offered by the California Asset Management Trust. The trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500, *et seq.*) for the purpose of exercising the common power of its participants to invest certain proceeds of debt issues and surplus funds. In accordance with Section 53601(p) of the California Government Code, CAMP's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601. SANDAG reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2017, fair value approximated cost and had an average maturity of 49 days.

SANDAG also participates in the San Diego County Treasurer's Pooled Money Fund (Pool), which is administered by the Treasurer-Tax Collector's Office. The fair value of the SANDAG investment in the Pool is reported at amounts based upon the SANDAG pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). Earnings realized on investments based on amortized cost are distributed to Pool participants. Section 27013 of the California Government Code authorizes the Treasurer's Office to deduct administrative fees related to investments. The net realized earnings on investments are apportioned to the Pool participants quarterly, based on the participants' average daily balances. The County of San Diego's annual financial report for the Pool can be obtained from the Treasurer-Tax Collector at 1600 Pacific Highway, Room 162, San Diego, California 92101, and also can be accessed at www.sdttc.com.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3), SANDAG adheres to certain disclosure requirements, if applicable, for deposit and investment risk; these requirements are specified for the following areas:

- Interest rate risk
- Credit risk
 - Overall
 - Custodial
 - Concentration

2. Fair value measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect SANDAG’s own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include SANDAG’s own data.

3. Interfund receivables and payables

Activities between funds that are representative of short-term lending and borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” and “internal balances” for long-term lending/borrowing arrangements.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

4. *Prepaid items*

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. *Restricted assets*

Certain resources set aside for repayment of revenue bonds are classified as restricted assets. Their use is limited by applicable bond covenants, and, therefore, the restricted assets are maintained in separate bank accounts. The accounts are used to segregate resources accumulated for debt service principal and interest payments.

Other resources set aside for NCTD Certificates of Participation are classified as restricted assets because they are maintained in separate bank accounts held by a trustee and their use is limited to paying down the equivalent amount of commercial paper.

In addition, certain environmental mitigation funds are classified as restricted assets because they are in separate bank accounts, and the endowment set-aside portion may not be used, and any interest earnings may only be used for certain project costs.

Other resources set aside for *TransNet*-eligible projects are classified as restricted assets. Their use is limited by specific purposes stipulated in the Proposition A – San Diego County Transportation Improvement Program (*TransNet* Ordinance).

Lastly, certain resources set aside for the payment of future capital contract retention liabilities are classified as restricted assets because they are maintained in separate bank accounts, which will be paid to contractors as work is completed. The accounts are used to segregate resources accumulated for withheld retention payments.

6. *Capital assets*

Capital assets, which include land, building, toll road, office equipment, computer equipment, other equipment, vehicles, leasehold improvements, internally generated computer software, buses, and the electronic toll collection system, are reported in the government-wide financial statements net of accumulated depreciation, except for land which is not depreciated. To meet the criteria for capitalization, an asset must have a useful life in excess of one year and an initial, individual cost equal to or greater than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The purchase of the toll road and related assets were valued on the acquisition date at fair value. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value rather than fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

Depreciation of capital assets is computed using the straight-line method over the estimated useful life of the asset as follows:

| Assets | Years |
|--|-------|
| Computer equipment | 3 |
| Office equipment | 5 |
| Other equipment | 5 |
| Vehicles | 5 |
| Leasehold improvements | 5 |
| Internally generated computer software | 5 |
| Electronic toll collection system | 10 |
| Buses | 12 |
| Toll road | 31 |
| Building | 50 |

7. Assets held for future distributions

Assets held for future distribution include the accumulative costs of various regional transportation infrastructure improvement projects which are reported in the government-wide financial statements.

Major outlays for assets and improvements are included in this category as projects are constructed. These assets remain held until such time as these projects are complete and operational. Upon completion, the assets, as well as the legal title of the assets, if applicable, are transferred to other governmental agencies to reflect the other government's custodial accountability for the operation and maintenance of the assets.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, which represents a consumption of assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. SANDAG has three items that qualify for reporting in this category: (1) the accumulated decrease in fair value of the hedging swap agreement; (2) the deferred charge on refunding loss; and (3) the pension-related amounts reported in the government-wide statement of net position. See Note II.H for more information on SANDAG long-term liabilities.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. SANDAG has two types of this item: unavailable revenue and pension-related amounts for the year based upon the accounting valuation (actuarial) report. Unavailable revenue arises only under a modified accrual basis of accounting that qualifies for reporting in this category and, therefore, is reported only in the

San Diego Association of Governments
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governmental funds balance sheet. The governmental funds report unavailable revenues in the capital projects fund, Commission debt service fund, and general services fund. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

9. Net position

The difference between fund assets and deferred outflows of resources, and liabilities and deferred inflow of resources is "Net Position" on government-wide and proprietary fund financial statements.

The following terms are used in the reporting of net position:

Net investment in capital assets – Investment in capital assets consists of capital assets, net of accumulated depreciation.

Unrestricted net position – Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that is not included in the restricted categories of net position as noted below.

Net position is reported as restricted when constraints are placed on net position use by creditors or by law or enabling legislation. The following terms are used in the reporting of restricted net position:

Debt service and other liabilities – Net position restricted for the payments of future debt service.

Environmental mitigation – Net position restricted for funding of various environmental mitigation projects.

Major maintenance post-acquisition – Net position restricted for funding the SR 125 toll road major maintenance projects.

Project revenue – Net position restricted for other legally restricted funds of proprietary funds.

Property management – Net position restricted for operating activities of the property acquired related to the Mid-Coast Corridor Transit Project.

Toll road operations and improvements – Net position restricted for funding activities of the I-15 *FasTrak* program.

Restricted – iCommute – Certain iCommute activities are performed through SourcePoint, including providing regional information services, promotions, and programs for commuter services. The majority of iCommute activities are performed through SANDAG; however, cash donations that are made by iCommute sponsors are paid to SourcePoint to utilize the 501(c)(3) status. Those cash donations are used to purchase promotional items to encourage participation in the iCommute program.

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Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

At no time will iCommute promotional expenses exceed iCommute revenue generated by cash donations. The balance of the iCommute funding at June 30, 2017, was \$12,075.

| Beginning Balance | Increases | Decreases | Ending Balance |
|----------------------|-----------|------------|-------------------|
| \$ 16,124 | \$ 2,500 | \$ (6,549) | \$ 12,075 |

The governmental activities unrestricted net deficit of \$67,760,582 results primarily from the issuance of the \$2,045,585,000 sales tax revenue bonds in 2008, 2010, 2012, 2014, and 2016 for transportation-related projects, primarily major corridor and environmental mitigation. SANDAG plans to repay the bonds with future sales tax revenue which is dedicated for transportation projects. See Note II.H on long-term debt for further information.

The business-type activities unrestricted net deficit of \$63,176,668 results primarily from the assumption of the \$95,629,359 Transportation Infrastructure Finance and Innovation Act (TIFIA) notes in 2012 for the acquisition of the SR 125 toll road. SANDAG plans to repay the notes with future toll road revenue. See Note II.H on long-term debt for further information.

10. Net position flow assumption

Sometimes SANDAG will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is SANDAG policy to consider restricted net position to have been depleted before unrestricted net position is applied.

11. Fund balance

Fund balances are reported in the governmental fund financial statements in the following classifications:

Nonspendable fund balance

Nonspendable fund balance – This includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Spendable fund balance

Restricted fund balance – This includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Board action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

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Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

Committed fund balance – This includes amounts that can be used only for the specific purposes determined by a formal action of the Board. It includes legislation (Board action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Board action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. SANDAG considers a resolution to constitute the formal action of the Board necessary to establish a commitment of fund balance.

Assigned fund balance – This includes amounts that are designated or expressed by the Board but does not require a formal action like a resolution or ordinance. The Board has not delegated to any other persons or bodies the authority to assign fund balance to specific purposes.

Unassigned fund balance – This includes the remaining spendable amounts which are not included in one of the other classifications and is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The capital projects fund and general services fund report negative unassigned fund balances at year end due to timing of revenue recognition.

12. Fund balance flow assumptions

Sometimes SANDAG will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is SANDAG policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

13. Long-term liabilities

SANDAG long-term liabilities consist of debt obligations:

In the government-wide financial statements, long-term debt obligations are reported as liabilities in the governmental activities of the statement of net position. Debt premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Debt payable is reported net of the applicable bond premium or discount. Debt issuance costs are expensed in the period in which they are incurred.

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Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

See Note II.H for more information on SANDAG long-term liabilities.

14. Pensions

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|--------------------|---------------------------------|
| Valuation Date | June 30, 2015 |
| Measurement Date | June 30, 2016 |
| Measurement Period | June 30, 2015, to June 30, 2016 |

15. Compensated absences

It is SANDAG policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All unused vacation leave and 25 percent of unused sick leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental and proprietary funds only if they have matured, for example, as a result of employee resignations and retirements. Based on the reduction in the compensated absences payables governmental funds of \$3,443,314 and proprietary funds of \$323,344, during fiscal year 2017, it was determined that the entire balance of compensated absences reported at June 30, 2017, is expected to be exhausted in fiscal year 2018, since the current year portions amounts to about the same amount expected to be used in fiscal year 2018. Because the turnover each year nets to approximately \$0, the entire balance is reported as current. Compensated absences are liquidated by the general fund.

16. Unearned revenue

In the government-wide and fund financial statements, unearned revenue is recognized in connection with a transaction before the earning process is completed.

17. Other financing sources and uses

In the fund financial statements, issuance of debt, including commercial paper, bonds, premium on bonds issued, and transfers in are reported as other financing sources. Transfers out and discounts on bonds issued are reported as other financing uses.

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Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

18. *Estimates*

The preparation of basic financial statements in conformity with GAAP in the United States requires management to make estimates and assumptions that affect reported amounts of certain assets and liabilities, disclose contingent assets and liabilities at the date of the basic financial statements, and disclose the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

19. *Prior year comparative information*

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with SANDAG's prior year financial statements, from which this selected financial data was derived.

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Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

II. DETAILED NOTES ON ALL FUNDS

A. Cash and investments

Cash, cash equivalents, and investments consisted as follows on June 30, 2017:

| Investment Type | Fair Value | Weighted Average Maturity (Days) | NRSRO Rating |
|---|-----------------------|-------------------------------------|-----------------|
| Cash and cash equivalents: | | | |
| Cash - demand deposits | \$ 32,469,466 | 1 | Not rated |
| Cash equivalents - NCTD Certificates of Participation | 26,750,000 | 40 | NR,A1 |
| Total Primary Government cash and cash equivalents | <u>59,219,466</u> | <u>4</u> | |
| Investments: | | | |
| State of California Local Agency Investment Fund | 43,977,431 | 194 | Not rated |
| California Asset Management Program | 205,775,303 | 49 | AAAm |
| San Diego County Treasurer's Pooled Money Fund | 28,077,417 | 417 | AAAf / S1 |
| U.S. Agencies | 274,657,392 | 613 | AA+, Aaa |
| Corporate Medium-Term Notes | 123,899,638 | 424 | A - AAA |
| Commercial Paper | 7,179,231 | 118 | A-1, P-1 |
| Municipal Bonds/Notes | 229,961 | 93 | AA - Aa2 |
| Certificates of Deposit | 40,181,259 | 403 | AA-, Aa1 |
| Asset-Backed Security | 8,889,604 | 1246 | AAA,Aaa |
| Total Primary Government investments | <u>732,867,236</u> | <u>381</u> | |
| Total Primary Government cash, cash equivalents, and investments | <u>792,086,702</u> | <u>354</u> | |
| SourcePoint: | | | |
| Cash - demand deposits | 48,142 | 1 | Not rated |
| Investments - San Diego County Treasurer's Pooled Money Fund | 169,429 | 417 | AAAf / S1 |
| Total SourcePoint cash, cash equivalents, and investments | <u>217,571</u> | <u>326</u> | |
| ARJIS: | | | |
| Cash - demand deposits | 204,490 | 1 | Not rated |
| Investments - California Asset Management Program | 4,725,092 | 49 | AAAm |
| Investments - San Diego County Treasurer's Pooled Money Fund | 2,466,243 | 417 | AAAf / S1 |
| Total ARJIS cash, cash equivalents, and investments | <u>7,395,825</u> | <u>170</u> | |
| Total cash, cash equivalents, and investments | <u>\$ 799,700,098</u> | | |

At year end, the primary government's carrying amount of deposits was \$32,722,098, and the bank balance was \$33,747,666.

At year end, SourcePoint's carrying amount of deposits and bank balance was \$48,142. This balance was covered by federal depository insurance.

At year end, ARJIS' carrying amount of deposits and bank balance was \$204,490. This balance was covered by federal depository insurance.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

1. Swap investments

SANDAG is invested in two forward contract pay-variable, receive-variable investment derivatives with notional amounts of \$156,600,000 each. At the effective date of April 1, 2018, SANDAG will make monthly variable payments to the counterparty based on the current Securities Industry and Financial Markets Association (SIFMA) Swap Index and receive variable payments based on 107.4 percent of three-month London Interbank Offered Rate (LIBOR). At June 30, 2017, these investment derivatives had a fair value of \$17,231,120 and are not rated. Other applicable risks (credit risk, interest rate risk, basis risk, termination risk, roll-over risk, etc.) associated with SANDAG derivative investments are described in Note II.F.

2. Interest rate risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from the rising interest rates, SANDAG investment policy limits investments to a maximum maturity of 5 years or 1,825 days from purchase date. The total portfolio shall not exceed SANDAG anticipated liquidity needs for operations for the next six months. SANDAG does not have callable step up United States Agency securities that are highly sensitive to interest rate changes. SANDAG is in compliance with all maturity provisions of the investment policy.

3. Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a ranking by at least one of the Nationally Recognized Statistical Rating Organizations (NRSROs). SANDAG investment policy limits investments to the following: State and local agency obligations must be rated "A-1" or its equivalent or better short-term or in a rating category of "AA" or its equivalent or better long-term by at least one of the NRSROs; repurchase agreements must be with (1) primary dealers in United States Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York, and (2) California and non-California banking institutions having assets in excess of \$1 billion and in the highest short-term rating category, as provided by one of the NRSROs; bankers' acceptances, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest rating category by one of the NRSROs; commercial paper of "prime" quality of the highest rating or of the highest letter and number rating as provided for by a NRSRO; medium-term notes must be rated in a rating category of "A" or better by a NRSRO; negotiable certificates of deposit of which the senior debt obligations of the issuing institution are rated in a rating category of "A" or its equivalent or better by one of the NRSROs; nonnegotiable certificates of deposit and savings/money market accounts of which the financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided in California Government Code Section 53635.2; CAMP of which the portfolio is rated among the top two rating categories by one of the NRSROs; money market funds must either (1) attain the highest ranking letter or numerical

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rating provided by not less than two of the three largest NRSROs, or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500,000,000; mortgage and asset-backed obligations must be rated in a rating category of "A" or its equivalent or higher for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO; and supranationals must be rated in a rating category of "AA" or its equivalent or better by NRSRO.

The portfolio is diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Credit requirements listed in the investment policy apply at the time of purchase. In the event a security held by SANDAG is subject to a credit rating change that brings it below the minimum credit ratings specified for purchase, the Director of Finance shall review the security. The course of action to be followed will then be decided by the Director of Finance and either the Executive Director or the Chief Deputy Executive Director on a case-by-case basis, considering such factors as the reason for the change, prognosis for recovery or further rate drops, and the market price of the security. Any credit rating changes below the minimum credit ratings specified for purchase will be reported to the Board along with the findings and any actions taken.

The SANDAG portfolio is in compliance with all minimum rating requirements of the investment policy and did not experience any credit rating changes that brought the security below the minimum credit ratings as specified.

4. Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. SANDAG's investment policy limits the percentage of the portfolio that can be invested by type of investment for certain types of investments to the following: purchases of bankers' acceptances may not exceed 40 percent of SANDAG investments; commercial paper may not exceed more than 10 percent of the outstanding paper of an issuing corporation, no more than 10 percent in any one corporation, or may not exceed 25 percent of SANDAG investments; medium-term notes may not exceed 30 percent of SANDAG investments or no more than 10 percent in any one corporation; certificates of deposit may not exceed 30 percent of SANDAG investments; money markets fund shares may not exceed 20 percent of SANDAG investments; and mortgage and asset-backed obligations may not exceed 20 percent of SANDAG investments.

The SANDAG portfolio is in compliance with all the limit requirements on the percentage of the portfolio that can be invested by type of investment.

5. Custodial credit risk

The California Government Code requires California banks and savings and loan associations to secure SANDAG cash deposits by pledging securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered as held in the SANDAG name.

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The market value of pledged securities must equal at least 110 percent of SANDAG cash deposits. California law also allows institutions to secure SANDAG deposits by pledging first trust deed mortgage notes having a value of 150 percent of SANDAG total cash deposits. SANDAG may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. SANDAG, however, has not waived the collateralization requirements.

B. Receivables

Receivables as of June 30, 2017, for the primary government in the aggregate were as follows:

| | Governmental Funds | | | | | Proprietary Funds | | Total Primary Government |
|--|--------------------|---|-----------------------------|---------------------------------------|----------------------|-----------------------------|--------------------|--------------------------------|
| | General Fund | Commission Sales Tax Projects Fund | Capital Projects Fund | Commission Debt Service Fund | Non-Major Funds | SR 125 Toll Road Fund | Non-Major Funds | |
| Receivables: | | | | | | | | |
| Sales tax | \$ - | \$ 53,600,391 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 53,600,391 |
| Interest | 14,967 | 5,199,556 | - | 327,427 | 26,151 | 85,857 | 46,731 | 5,700,689 |
| Advance to agencies for local street improvements | - | - | - | 53,472,073 | - | - | - | 53,472,073 |
| Grants | - | - | 44,433,020 | - | 12,758,100 | - | - | 57,191,120 |
| Accounts and other | 51,511 | 5,483 | 5,547,020 | - | 1,740,961 | 2,650,864 | 825,005 | 10,820,844 |
| Total receivables | <u>\$ 66,478</u> | <u>\$ 58,805,430</u> | <u>\$ 49,980,040</u> | <u>\$ 53,799,500</u> | <u>\$ 14,525,212</u> | <u>\$ 2,736,721</u> | <u>\$ 871,736</u> | <u>\$ 180,785,117</u> |

Receivables as of June 30, 2017, for SourcePoint were \$508, which is comprised of interest receivable.

Receivables as of June 30, 2017, for ARJIS were \$994,769, which is comprised of \$943,970 due from other governments for grants or services provided, \$7,373 in interest receivable, and \$43,426 in other receivables.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

C. Capital assets

1. Primary government – governmental activities

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|----------------------|-----------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 5,241,439 | \$ 6,829,613 | \$ (4,091,439) | \$ 7,979,613 |
| Total capital assets, not being depreciated | 5,241,439 | 6,829,613 | (4,091,439) | 7,979,613 |
| Capital assets, being depreciated: | | | | |
| Office equipment | 245,232 | - | (30,008) | 215,224 |
| Computer equipment | 7,435,620 | 74,941 | - | 7,510,561 |
| Other equipment | 439,147 | 204,342 | (43,724) | 599,765 |
| Vehicles | 118,472 | 59,374 | - | 177,846 |
| Buses | 219,643 | - | - | 219,643 |
| Leasehold improvements | 192,229 | - | - | 192,229 |
| Building | - | 4,870,387 | - | 4,870,387 |
| Total capital assets, being depreciated | 8,650,343 | 5,209,044 | (73,732) | 13,785,655 |
| Less accumulated depreciation for: | | | | |
| Office equipment | (230,586) | (4,597) | 30,008 | (205,175) |
| Computer equipment | (3,948,768) | (1,421,994) | - | (5,370,762) |
| Other equipment | (195,710) | (58,516) | 43,724 | (210,502) |
| Vehicles | (70,113) | (20,964) | - | (91,077) |
| Buses | (86,114) | (18,304) | - | (104,418) |
| Buildings | - | (32,469) | - | (32,469) |
| Leasehold improvements | (192,229) | - | - | (192,229) |
| Total accumulated depreciation | (4,723,520) | (1,556,844) | 73,732 | (6,206,632) |
| Total capital assets, being depreciated, net | 3,926,823 | 3,652,200 | - | 7,579,023 |
| Governmental activities capital assets, net | <u>\$ 9,168,262</u> | <u>\$ 10,481,813</u> | <u>\$ (4,091,439)</u> | <u>\$ 15,558,636</u> |

Decreases of (\$4,091,439) represent the disposal of land that was transferred to other governmental agencies.

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

| | |
|-------------------------------------|---------------------|
| Governmental activities: | |
| General government | \$ 203,869 |
| Modeling and research | 4,333 |
| Smart mobility program and services | 80,257 |
| Major corridor capital projects | 1,268,385 |
| | <u>\$ 1,556,844</u> |

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Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

2. Proprietary fund

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

| | Beginning Balance | Increases | Ending Balance |
|--|-----------------------|------------------------|-----------------------|
| Business-type activities: | | | |
| Capital assets, not being depreciated: | | | |
| Land | \$ 1,980,000 | \$ - | \$ 1,980,000 |
| Construction-in-progress | 784,713 | 2,615,176 | 3,399,889 |
| Total capital assets, not being depreciated | <u>2,764,713</u> | <u>2,615,176</u> | <u>5,379,889</u> |
| Capital assets, being depreciated: | | | |
| Office equipment | 234,588 | 9,845 | 244,433 |
| Computer equipment | 257,571 | 72,125 | 329,696 |
| Vehicles | 278,255 | 242,865 | 521,119 |
| Fixed operating equipment | 141,776 | 15,885 | 157,661 |
| Software | 117,049 | 82,121 | 199,170 |
| Toll road | 395,599,469 | - | 395,599,469 |
| Building | 4,020,000 | - | 4,020,000 |
| Electronic toll collection system | 21,747,886 | 30,685 | 21,778,571 |
| Total capital assets, being depreciated | <u>422,396,594</u> | <u>453,526</u> | <u>422,850,119</u> |
| Less accumulated depreciation for: | | | |
| Office equipment | (178,527) | (31,757) | (210,284) |
| Computer equipment | (232,870) | (14,125) | (246,995) |
| Vehicles | (170,033) | (77,416) | (247,449) |
| Fixed operating equipment | (127,598) | (16,296) | (143,894) |
| Software | (117,049) | (11,406) | (128,455) |
| Toll road | (57,717,345) | (12,914,496) | (70,631,841) |
| Building | (361,800) | (80,400) | (442,200) |
| Electronic toll collection system | (9,456,140) | (2,198,469) | (11,654,609) |
| Total accumulated depreciation | <u>(68,361,362)</u> | <u>(15,344,365)</u> | <u>(83,705,727)</u> |
| Total capital assets, being depreciated, net | <u>354,035,232</u> | <u>(14,890,839)</u> | <u>339,144,392</u> |
| Proprietary activities capital assets, net | <u>\$ 356,799,945</u> | <u>\$ (12,275,663)</u> | <u>\$ 344,524,281</u> |

Effective December 21, 2011, SANDAG entered into an Asset Purchase and Sale Agreement with South Bay Expressway, LLC, to acquire the seller's rights and interest in a Franchise Agreement between the seller and Caltrans. The Franchise Agreement gives the holder the right to operate a toll road (SR 125) in San Diego, California.

3C Advisors & Associates, Inc., an independent valuation firm, performed valuation of the acquired assets and liabilities at the time of acquisition. The fair value of the consideration paid was \$341.5 million. The consideration consisted of a cash payment of \$238.3 million, an additional cash component held in escrow in the amount of \$7.5 million, a promissory note with a principal amount of \$1.45 million, and an assumption of the seller's indebtedness in the amount of \$94.2 million. The fair value of the total invested capital, including equity and assumed debt was \$402.9 million as of the valuation date and was allocated to each asset type shown in the above schedule. The fair value portion of the assumed long-term debt also was

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Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

determined as \$61.4 million which is amortized through the term of the assumed debt as an acquisition adjustment. As of June 30, 2017, the unamortized acquisition adjustment balance was \$49,360,606.

3. Discretely presented component units

Capital asset activity for the discretely presented component units for the year ended June 30, 2017, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|---------------------|-----------------------|------------------|---------------------|
| Capital assets, being depreciated: | | | | |
| Computer equipment | \$ 1,377,983 | \$ - | \$ (116,602) | \$ 1,261,381 |
| Internally generated computer software | 10,216,693 | - | - | 10,216,693 |
| Total capital assets, being depreciated | <u>11,594,676</u> | <u>-</u> | <u>(116,602)</u> | <u>11,478,074</u> |
| Less accumulated depreciation for: | | | | |
| Computer equipment | (574,075) | (367,070) | 116,602 | (824,543) |
| Internally generated computer software | (9,206,313) | (1,021,790) | - | (10,228,103) |
| Total accumulated depreciation | <u>(9,780,388)</u> | <u>(1,388,860)</u> | <u>116,602</u> | <u>(11,052,646)</u> |
| Total capital assets, being depreciated, net | <u>\$ 1,814,288</u> | <u>\$ (1,388,860)</u> | <u>\$ -</u> | <u>\$ 425,428</u> |

D. Assets held for future distribution

1. Primary government – governmental activities

Assets held for future distribution activity for the primary government for the year ended June 30, 2017, was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|-----------------------|-----------------------|-------------------------|---------------|-------------------------|
| Governmental activities: | | | | | |
| Assets held for future distribution | \$ 899,094,685 | \$ 513,509,042 | \$ (250,077,289) | \$ - | \$ 1,162,526,438 |
| Total assets held for future distribution | <u>899,094,685</u> | <u>513,509,042</u> | <u>(250,077,289)</u> | <u>-</u> | <u>1,162,526,438</u> |
| Assets held for future distribution, being contributed out - Infrastructure | - | 250,077,289 | - | (250,077,289) | - |
| Governmental activities assets held for future distribution, net | <u>\$ 899,094,685</u> | <u>\$ 513,509,042</u> | <u>\$ (250,077,289)</u> | <u>\$ -</u> | <u>\$ 1,162,526,438</u> |

Assets held for future distribution decreases (\$250,077,289) represent the completion of projects whose assets were contributed out to other government agencies. The balance of the assets remains in this category in the government-wide financial statements until such time as these projects are complete and operational, at which time a substantial amount of the completed assets are removed from SANDAG and transferred to other governmental agencies (transfers) responsible for public transportation operations.

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Infrastructure assets, as well as title to the assets, if applicable, were transferred to other governmental agencies responsible for public transportation operations. These transfers primarily represent major corridor and transit improvements as noted below.

| <u>Governmental Agency</u> | <u>Assets Transferred</u> |
|---------------------------------------|---------------------------|
| San Diego Metropolitan Transit System | \$ 47,126,958 |
| North County Transit District | 39,404,177 |
| Caltrans | 161,128,253 |
| City of National City | 258,393 |
| Port of San Diego | 2,159,508 |
| | <u>\$ 250,077,289</u> |

These transfers reflect the other government's custodial accountability for the operations and maintenance of the assets, represent a reduction in assets held for future distribution to SANDAG, and are not restricted to specific programs per the government-wide statement of activities.

SANDAG had active construction projects as of June 30, 2017. The projects primarily include rail, bus, and major corridor capital improvements. At year end, \$1,374,010,627 was contractually committed to contractors.

E. Interfund receivables, payables, and transfers

The composition of interfund balances within the primary government as of June 30, 2017, was as follows:

1. Due to/from other funds

| | | Due to other funds | | | | | | | Total |
|-----------------------------|-----------------------------------|---------------------------|-----------------------|------------------------------------|------------------------------|---------------------|-------------------|-----------------------|----------------------|
| | | General Government | | | | Proprietary Funds | | | |
| | | General Fund | General Services Fund | Commission Sales Tax Projects Fund | Commission Debt Service Fund | SAFE Fund | I-15 FasTrak Fund | SR 125 Toll Road Fund | |
| Due from other funds | General Fund | \$ - | \$ - | \$ - | \$ - | \$ 7 | \$ 2,956 | \$ 7,875 | \$ 10,838 |
| | General Services Fund | - | - | 4,018,871 | - | 1,018,507 | - | - | 5,037,378 |
| | Commission Sales Tax Project Fund | - | 248 | - | 1,616 | - | - | - | 1,864 |
| | Capital Projects Fund | - | 5,710,606 | 43,695,914 | - | - | 794,045 | - | 50,200,565 |
| | Property Management Fund | 71,730 | - | - | - | - | - | - | 71,730 |
| | Service Bureau Fund | 388,572 | - | - | - | - | - | - | 388,572 |
| | I-15 FasTrak Fund | 5,552,611 | 2,145,432 | - | - | - | 519,403 | - | 8,217,446 |
| | SR 125 Toll Road Fund | - | - | - | - | - | 25,578 | - | 25,578 |
| | SAFE Fund | - | - | - | - | - | 400,000 | - | 400,000 |
| | Total | <u>\$ 6,012,913</u> | <u>\$ 7,856,286</u> | <u>\$ 47,714,785</u> | <u>\$ 1,616</u> | <u>\$ 1,018,514</u> | <u>\$ 428,534</u> | <u>\$ 1,321,323</u> | <u>\$ 64,353,971</u> |

2. Due to primary government and due from component unit

ARJIS reported \$3,728 as due to SANDAG at June 30, 2017.

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Notes to the Basic Financial Statements, Continued
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3. Transfers in/out

| | | Governmental Funds Transfers Out | | | | | | |
|--------------|-----------------------------------|---|-----------------------|------------------------------------|------------------------------|---------------------|----------------------|-----------------------|
| Transfers In | | General Fund | TransNet Fund | Commission Sales Tax Projects Fund | Commission Debt Service Fund | SAFE Fund | Capital Project Fund | Total |
| | | General Fund | \$ - | \$ 112,326 | \$ - | \$ - | \$ - | \$ - |
| | General Services Fund | 7,682,147 | 12,503,413 | - | - | 1,018,507 | 97,469 | 21,301,536 |
| | Commission Sales Tax Project Fund | - | - | - | 213,609,610 | - | - | 213,609,610 |
| | Capital Projects Fund | 44,142 | 314,838,499 | - | - | - | - | 314,882,641 |
| | Commission Debt Service Fund | - | - | 112,373,099 | - | - | - | 112,373,099 |
| | Total | \$ 7,726,289 | \$ 327,454,238 | \$ 112,373,099 | \$ 213,609,610 | \$ 1,018,507 | \$ 97,469 | \$ 662,279,212 |

| | | Business-Type Funds Transfers Out | | |
|--------------|-----------------------|--|---------------------|---------------------|
| Transfers In | | Interstate 15 FasTrak Fund | SR125 Fund | Total |
| | | General Services Fund | \$ 17,016 | \$ - |
| | Capital Projects Fund | - | 5,076,749 | 5,076,749 |
| | Total | \$ 17,016 | \$ 5,076,749 | \$ 5,093,765 |

Transfers from the general fund:

To the general services fund consists of the following items:

- \$7,247,047 transferred for projects that were budgeted to receive TDA funds.
- \$435,100 transferred for projects that were budgeted to receive member assessments.

To the capital projects fund consists of the following item:

- \$44,142 of TDA funds for the financial systems upgrade project.

Transfers from the TransNet fund consists of the following items that SANDAG received on behalf of its capital and operating programs:

To the general fund:

- \$112,326 for one-half of the Board expenses budgeted to receive *TransNet* funds.

To the general services fund:

- \$12,503,413 for the *TransNet* grant program and overall work program projects budgeted to receive *TransNet* funds.

To the capital projects fund:

- \$314,838,499 for capital projects budgeted to receive *TransNet* funds.

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Transfers from the Commission sales tax projects fund:

To the Commission debt service fund consists of the following items:

- Transfer of \$109,957,457 in *TransNet* sales tax revenue for bond and commercial paper principal and interest payments.
- Transfer of \$2,415,642 for debt-related costs.

Transfers from the Commission debt service fund:

To the Commission sales tax projects fund consists of the following items:

- \$1,806,954 of bond and commercial paper repayments for the County of San Diego and cities of Del Mar, La Mesa, National City, and Santee.
- \$6,532,213 return of *TransNet* sales tax funds that were advanced to the trustee for debt service payments and returned upon receipt of the 2010 Series A BABs federal subsidy.
- \$203,020,329 of bond proceeds used to fund *TransNet*-eligible capital projects.
- \$201,007 of bond proceeds used for reimbursement to the City of Del Mar for *TransNet*-eligible projects.
- \$1,966,518 of bond proceeds used for reimbursement to the City of Santee for *TransNet*-eligible projects.
- \$82,589 of administrative transactions transferred for reporting purposes.

Transfers from the capital projects fund of \$97,469 to the general services fund for the State of the Commute project.

Transfers from the SAFE fund of \$1,018,507 to the general services to match State Freeway Service Patrol operation funds, fund Traveler information systems, and fund Intelligent Transportation System infrastructure projects as permitted under legislation.

Transfers from the I-15 FasTrak fund totaling \$17,017 to the general services fund for a budgeted operating project.

Transfers from the SR 125 fund totaling \$5,075,749 to the capital projects fund for the State Route 905/125/11 Southbound Connectors project and to match federal funds on the Joint Transportation Operations Center.

4. Internal balances

Internal balances of \$55,399,041 include advances from the Commission sales tax projects fund to the SR 125 toll road fund for the acquisition of the SR 125 franchise with the original \$3 million used toward operations of the SR 125 toll road. The *TransNet* promissory note called for SANDAG to borrow the principal amount of \$254,068,974 from the Commission. As required by the *TransNet* Ordinance, SANDAG will be required to ensure the *TransNet* revenues are

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made whole. Therefore, the interest rate SANDAG was charged was 4.25 percent based on recent *TransNet* borrowing history. The promissory note was a permitted subordinated debt under the bond transaction documents for *TransNet*. The promissory note requires that the proceeds of the promissory note only be used for costs associated with the toll road franchise.

On March 23, 2012, the *TransNet* Extension Ordinance was amended to modify the Expenditure Plan such that the improvements on Interstate 805, valued at a remaining \$134 million in 2002 dollars (or \$192 million in 2010 dollars), would be removed from the Expenditure Plan. As a result, the initial amount borrowed from *TransNet* was reduced by \$192 million. As of June 30, 2017, the outstanding principal of the *TransNet* advance was \$58,686,491 with accrued interest of \$3,666,019.

F. Derivative instruments

1. 2008 interest rate swaps

Objective of the interest rate swaps. In 2005, SANDAG entered into three forward interest rate swaps for \$200 million each in order to hedge the interest rate risk associated with future variable-rate revenue bonds expected to be issued in 2008 by “locking in” a fixed interest rate. The intention of SANDAG in entering into the swaps was to lock in a relatively low cost of funds on a substantial portion of the *TransNet* Early Action Program. The variable-rate bonds were issued in March 2008.

On May 23, 2012, SANDAG refunded \$151.5 million of the outstanding variable-rate bonds with fixed-rate bonds and terminated the associated interest rate swaps. The low fixed municipal interest rates at that time provided the opportunity for SANDAG to refund the 2013 through 2022 maturities of the Series 2008 variable-rate bonds (\$151.5 million in par) and partially terminate the associated swaps (also equal to \$151.5 million in notional amount) without increasing annual debt service. The purpose of this transaction was to reduce variable-rate exposure and swap counterparty risk at no additional cost to SANDAG. The current notional amounts of the swaps are, following the refunding described above, \$134.1 million each, totaling \$402.3 million.

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Fair values. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2017, classified by type, and the changes in fair value of such derivative instruments for the year ended are as follows:

| | Changes in Fair Value | | Fair Value at June 30, 2017 | | |
|---|-----------------------|-----------------|-----------------------------|-----------------|----------------|
| | Classification | Amount | Classification | Amount | Notional |
| Governmental activities | | | | | |
| Cash flow hedges: | | | | | |
| Pay-fixed interest rate swaps | Deferred outflows | \$ (41,232,902) | Debt | \$ (86,180,381) | \$ 402,300,000 |
| Investment derivatives: | | | | | |
| Pay-floating receive floating interest rate swaps | Investment revenue | \$ 6,405,933 | Investment | \$ 17,231,120 | \$ 313,200,000 |

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the SANDAG hedging derivative instruments outstanding at June 30, 2017, along with the credit rating of the associated counterparty:

| Type | Objective | Notional Amount | Effective Date | Maturity Date | Terms | Counterparty Credit Rating Moody's/S&P |
|------------------------------|---|-----------------|----------------|---------------|--|--|
| Pay-fixed interest rate swap | Hedge of changes in cash flows on the 2008 Series A and B bonds | \$134,100,000 | 5/23/2012 | 4/1/2038 | Pay 3.8165%; received 65% of USD-LIBOR | A1/A+ |
| Pay-fixed interest rate swap | Hedge of changes in cash flows on the 2008 Series B and C bonds | \$134,100,000 | 5/23/2012 | 4/1/2038 | Pay 3.8165%; received 65% of USD-LIBOR | Aa2/AA- |
| Pay-fixed interest rate swap | Hedge of changes in cash flows on the 2008 Series C and D bonds | \$134,100,000 | 5/23/2012 | 4/1/2038 | Pay 3.41%; received 65% of USD-LIBOR | A1/A+ |

Credit risk. This is the risk that the counterparty will fail to perform under the terms of the agreement. As of June 30, 2017, SANDAG was not exposed to credit risk on these swaps because they had negative fair values. However, should interest rates change and the fair values of the swaps become positive, SANDAG would be exposed to credit risk in the amount of the swaps' fair values. Favorable credit ratings of the counterparties (Bank of America and Goldman Sachs Mitsui Marine Derivative Products) mitigate this risk. As of June 30, 2017, Bank of America was rated A1 by Moody's and A+ by Standard and Poor's, and Goldman Sachs Mitsui Marine

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Derivative Products was rated Aa2 by Moody's and AA- by Standard and Poor's. The ratings are monitored by staff on a weekly basis. In addition, the fair value of the swaps will be fully collateralized by the counterparty with cash or United States government securities if the counterparty's credit quality falls below a rating of Baa2 by Moody's or BBB by Standard & Poor's. Collateral would be posted with a third-party custodian.

Interest rate risk. This is the risk that changes in market interest rates will adversely affect the net payment on the swaps. SANDAG is exposed to interest rate risk on its swaps when LIBOR decreases causing SANDAG net payment on the swaps to increase.

Basis risk. This is the risk of a mismatch between the variable rate received from the counterparty and the variable rate paid on the variable-rate debt issued in 2008. SANDAG is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate SANDAG pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the effective fixed rate on the debt will vary. Based on historical experience, the expectation is that the payments received under the agreements will approximate the expected bond payments over the 30-year term of the swaps. Due to the unfavorable market conditions during fiscal year 2017, SANDAG was exposed to basis risk since the variable rate received from the counterparty, which is 65 percent of LIBOR, was less than the variable rate SANDAG paid on the bonds.

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

Given the negative fair value of June 30, 2017, SANDAG was not in a favorable termination position relative to the market. SANDAG effectively reduced the ongoing termination risk by refunding \$151.5 million in variable-rate bonds and terminating the same amount of the outstanding interest rate swaps in May 2012 under favorable market conditions with low fixed rates. Refunding additional maturities and terminating more of the interest rate swaps would have led to a net increase in debt service under a fixed-rate structure, which was contrary to SANDAG programmatic objectives. Consequently, the reduced amount of variable-rate bonds and interest rate swaps was left in place.

Rollover risk. This is the risk that maturity of the hedging derivative instruments is shorter than the maturity of the associated debt, leaving SANDAG unprotected in the future. When these swaps terminate, or in the case of a termination option, if the counterparty exercises its option, SANDAG will be re-exposed to the risks being hedged by the swaps. SANDAG is exposed to rollover risk on the swaps only in the event of a failure to perform under the terms of the contracts by SANDAG or counterparty.

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Reset rates paid and received by SANDAG. The weekly variable interest rates paid on the 2008 *TransNet* bonds by SANDAG to the bondholders for the period July 1, 2016, through June 30, 2017, ranged from 0.37 percent to 0.89 percent for Barclays Bank, 0.37 percent to 0.90 percent for Goldman, Sachs & Co., 0.40 percent to 0.92 percent for J.P. Morgan Securities, Inc., and 0.37 percent to 0.90 percent for Stifel, Nicolaus & Company, Inc.

Fixed rates paid by SANDAG to the swap provider counterparties were 3.41 percent to Bank of America for one of the swaps, 3.8165 percent to Bank of America for another one of the swaps, and 3.8165 percent to Goldman Sachs Mitsui Marine Derivative Products. Sixty-five percent of LIBOR received by SANDAG from the swap provider counterparties ranged from 0.29682 percent to 0.64675 percent during the same time period.

Actual debt-service requirements versus the projected debt-service on the swap transaction. For the fiscal year ending June 30, 2017, actual debt service was more than projected, resulting in excess variable-rate payments made on the bonds as compared to the variable-rate payments received from the swap in the amount of \$747,269 for fiscal year 2017:

| Counterparty | Actual Debt Service | Projected Debt Service |
|---|---------------------|------------------------|
| Bank of America | \$ 4,822,836 | \$ 4,572,811 |
| Bank of America | 5,357,888 | 5,117,926 |
| Goldman Sachs Mitsui Marine Derivative Products | 5,375,208 | 5,117,926 |
| | \$ 15,555,932 | \$ 14,808,663 |

Over the life of the swaps from the issuance of the bonds through June 30, 2017, the cumulative excess of variable-rate payments made on the bonds as compared to the variable-rate payments received from the swap counterparties is \$4,288,759. This means that the net variable rates SANDAG is paying on the 2008 *TransNet* bonds is more than the variable rate SANDAG is receiving, and these rates were originally intended to offset and net to zero.

The total net cost of the program includes liquidity facilities with J.P. Morgan (Series A and B), Mizuho Corporate Bank, Ltd (Series C), and State Street Bank and Trust Company (Series D). The Standby Bond Purchase Agreement cost is 39 basis points for the Series A and B bonds, 32 basis points for the Series C bonds, and 34 basis points for the Series D bonds.

2. 2018 basis rate swaps overlay to the 2008 interest rate swaps

Objective of the basis rate swaps. On March 19, 2009, SANDAG entered into a SIFMA versus LIBOR floating-to-floating or “basis” swap. The combination of the Basis Swaps and the existing 2008 Interest Rate Swaps effectively amended the existing swaps without having to change the existing floating-to-fixed interest rate swaps. This overlay allowed SANDAG to bid out the new transaction to a group of potential counterparties without changing the existing 2008 Interest Rate Swaps. SANDAG was able to enter into a new transaction with Barclays Bank PLC to overlay the terms under two of the 2008 Interest Rate Swaps, with an expected benefit to SANDAG of a substantial reduction in the cost of debt after 2018.

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Terms. The initial notional amounts of the swaps are \$156.6 million each. Under two of the 2008 Interest Rate Swaps, the Commission pays the counterparties a fixed payment of 3.8165 percent and receives 65 percent of LIBOR (through April 2018) and thereafter receives the SIFMA index. The 2018 basis rate swaps overlay these two 2008 interest rate swaps with a payment of the SIFMA index and a receipt of 107.4 percent of LIBOR for the last 20 years of the swap (April 2018 to April 2038).

Fair values. The swaps had a total combined positive fair value of \$17,231,120 at fiscal year end. The fair values of the derivatives were estimated by an independent third party based on mid-market levels as of the close of business on June 30, 2017. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of the swaps.

Credit risk. This is the risk that the counterparty will fail to perform under the terms of the agreements. As of June 30, 2017, SANDAG was exposed to credit risk on these swaps in the amount of \$17,231,120, which is the fair value of the derivatives. However, should interest rates change and the fair value of the swaps become negative, SANDAG would not be exposed to any credit risk. The favorable credit rating of the counterparty mitigates this risk. As of June 30, 2017, the swap counterparty, Barclays Bank PLC, was rated A1 by Moody's and A- by Standard & Poor's.

To further mitigate this risk, under the terms of the International Swaps and Derivatives Association, Inc. Master Agreement, dated March 19, 2009, by and between the Commission and Barclays Bank PLC, upon a demand by either party, collateral may be posted by Barclays to the Commission's trust account or returned to Barclays, dependent upon the valuation amount each day. Collateral can be posted on amounts over \$15,000,000 as long as the minimum daily valuation change is at least \$250,000. Interest earned on collateral held by the Commission is due to Barclays monthly. The Commission reports collateral holdings including interest earned, as deposits payable. At June 30, 2017, there was \$2,750,000 reported as deposits payable.

Interest rate risk. This is the risk that changes in market interest rates will adversely affect the net payment on the swaps. SANDAG is exposed to interest rate risk on its swaps when LIBOR decreases, causing SANDAG net payment on the swaps to increase.

Basis risk. This is the risk of a mismatch between the variable rate received from the counterparty and the variable rate paid on the variable-rate debt issued in 2008. SANDAG is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate SANDAG pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the effective fixed rate on the debt will vary. Based on current and historical experience, staff expects the overlay of the SIFMA to LIBOR basis rate swaps to significantly reduce the costs of financing after 2018, assuming a return to normal, or even near to normal trading relationships.

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Termination risk and termination payments. This is the risk that the transaction is terminated in a market dictating a termination payment by SANDAG. SANDAG can terminate a swap at the fair market value by providing notice to the counterparty, while the counterparty may only terminate the swap upon certain termination events under the terms of the agreement. Given the positive fair value at June 30, 2017, SANDAG was in a favorable termination position relative to the market.

SANDAG Board Policy No. 032: The San Diego County Regional Transportation Commission Interest Rate Swap Policy requires a contingency plan to either replace the swaps or fund the termination payments, if any, in the event one or more outstanding swaps are terminated. Should a swap be terminated, the excellent credit rating of SANDAG would allow it to assign the swap to another counterparty. Alternatively, if a swap is terminated and it has a negative fair value, SANDAG could use *TransNet* sales tax receipts to fund the termination payment.

G. Fair value measurement

SANDAG categorizes its fair value investments within the fair value hierarchy established by GAAP. SANDAG has the following recurring fair value measurements as of June 30, 2017:

| | June 30, 2017 | Fair Value Measurements | | |
|--|-----------------|-------------------------|-----------------|---------|
| | | Level 1 | Level 2 | Level 3 |
| General Government | | | | |
| Investments by fair value level | | | | |
| U.S. Agencies | \$ 274,657,392 | \$ 21,439,987 | \$ 253,217,405 | \$ - |
| Corporate Medium-Term Notes | 123,899,638 | - | 123,899,638 | - |
| Commercial Paper | 7,179,231 | - | 7,179,231 | - |
| Municipal Bond/Note | 229,961 | - | 229,961 | - |
| Certificates of Deposit | 40,181,259 | - | 40,181,259 | - |
| Asset-Backed Securities | 8,889,604 | - | 8,889,604 | - |
| Total investments by fair value level | 455,037,085 | 21,439,987 | 433,597,098 | - |
| Investments not measured at fair value | | | | |
| State of California Local Agency Investment Fund | 43,977,431 | | | |
| San Diego County Treasurer's Pooled Money Fund | 28,077,417 | | | |
| California Asset Management Program | 205,775,303 | | | |
| Total investments not measured at fair value | 277,830,151 | | | |
| Total investments measured | \$ 732,867,236 | \$ 21,439,987 | \$ 433,597,098 | \$ - |
| Investment derivative instruments | | | | |
| Interest rate swaps | \$ (68,949,261) | | \$ (68,949,261) | |
| Total investment derivative instruments | \$ (68,949,261) | | \$ (68,949,261) | |
| SourcePoint | | | | |
| Investments not measured at fair value | | | | |
| San Diego County Treasurer's Pooled Money Fund | \$ 169,428 | | | |
| Total investments not measured at fair value | \$ 169,428 | | | |
| ARJIS | | | | |
| Investments not measured at fair value | | | | |
| San Diego County Treasurer's Pooled Money Fund | \$ 2,466,243 | | | |
| California Asset Management Program | 4,725,092 | | | |
| Total investments not measured at fair value | \$ 7,191,335 | | | |

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Investment securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investment 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.

Investment derivative instruments is comprised of three forward interest rate swaps valued at (\$86,180,381) and two basis swap overlays valued at \$17,231,120.

H. Long-term debt

1. The 2008 Series ABCD bonds

In March 2008, SANDAG issued \$600,000,000 of variable-rate bonds to fund some of the major projects identified in the *TransNet* reauthorization (approved by voters in November 2004) under the *TransNet* Early Action Program. In June 2012, SANDAG refunded \$151,500,000 of the Series 2008 bonds and terminated a corresponding portion of the interest rate swaps relating to the Series 2008 bonds through the issuance of the 2012 Series A tax-exempt bonds.

The principal requirements to maturity for the 2008 Series ABCD bonds are as follows:

| Maturity (April 1) | Principal Amount | Interest on Debt | Hedging Derivatives, Net | Total Interest |
|-----------------------|-----------------------|-----------------------|-----------------------------|-----------------------|
| 2018 | \$ - | \$ 10,560,375 | \$ 12,061,638 | \$ 22,622,013 |
| 2019 | - | 10,560,375 | 12,061,638 | 22,622,013 |
| 2020 | - | 10,560,375 | 12,061,638 | 22,622,013 |
| 2021 | - | 10,560,375 | 12,061,638 | 22,622,013 |
| 2022 | - | 10,560,375 | 12,061,638 | 22,622,013 |
| 2023 - 2027 | 100,200,000 | 47,072,812 | 53,764,684 | 100,837,496 |
| 2028 - 2032 | 121,500,000 | 32,710,781 | 37,360,946 | 70,071,727 |
| 2033 - 2037 | 147,300,000 | 15,303,093 | 17,478,582 | 32,781,675 |
| 2038 | 33,300,000 | 655,594 | 748,793 | 1,404,387 |
| Total | \$ 402,300,000 | \$ 148,544,155 | \$ 169,661,195 | \$ 318,205,350 |

The bonds bear interest at a variable rate, which is reset weekly. See Note II.F.1 for reset rate ranges for each remarketing agent. The above table incorporates the net receipts/payments of the hedging derivative instruments that are associated with this debt. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note II.F.1 for additional information regarding the derivative instruments associated with the debt of SANDAG.

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2. The 2010 Series A and B bonds

On November 10, 2010, SANDAG issued \$350,000,000 Series 2010 A and B fixed-rate bonds to finance the SANDAG continued implementation of the *TransNet* program, principally consisting of transportation facility and public infrastructure improvements within the County of San Diego, to retire \$7,316,000 in outstanding commercial paper notes and to pay the costs of issuing the Series 2010 bonds. The Series A BABs totaled \$338,960,000 and carry a fixed interest rate of 5.911 percent (net interest rate of 3.991 percent after deducting the BABs federal subsidy) with a maturity date of April 1, 2048. The Series B tax-exempt bonds totaled \$11,040,000 with a fixed interest rate of 3.14 percent, based on an interest rate range of 2.00 – 5.00 percent and a maturity date of April 1, 2030.

The principal requirements to maturity for the 2010 Series A bonds, net of the federal subsidy, are as follows:

| Maturity (April 1, Oct 1) | Principal Amount | Interest Amount |
|------------------------------|-----------------------|-----------------------|
| 2018 | \$ - | \$ 13,556,307 |
| 2019 | - | 13,556,307 |
| 2020 | - | 13,556,307 |
| 2021 | - | 13,556,308 |
| 2022 | - | 13,556,308 |
| 2023 - 2027 | - | 67,781,536 |
| 2028 - 2032 | - | 67,781,536 |
| 2033 - 2037 | - | 67,781,536 |
| 2038 - 2042 | 120,485,000 | 60,780,417 |
| 2043 - 2047 | 178,550,000 | 29,944,377 |
| 2048 | 39,925,000 | 1,596,754 |
| | <u>\$ 338,960,000</u> | <u>\$ 363,447,693</u> |

The principal requirements to maturity for the 2010 Series B bonds are as follows:

| Maturity (April 1, Oct 1) | Principal Amount | Interest Amount |
|------------------------------|---------------------|---------------------|
| 2018 | \$ 690,000 | \$ 281,950 |
| 2019 | 720,000 | 254,350 |
| 2020 | 750,000 | 225,550 |
| 2021 | 395,000 | 195,550 |
| 2022 | 410,000 | 179,750 |
| 2023 - 2027 | 2,320,000 | 637,900 |
| 2028 - 2030 | 1,640,000 | 133,000 |
| | <u>\$ 6,925,000</u> | <u>\$ 1,908,050</u> |

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Notes to the Basic Financial Statements, Continued
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3. The 2012 Series A bonds

On June 14, 2012, SANDAG issued \$420,585,000 of 2012 Series A fixed-rate bonds to finance SANDAG's continued implementation of the *TransNet* program, principally consisting of transportation facility and public infrastructure improvements within the County of San Diego, to refund \$151,500,000 of the Series 2008 ABCD bonds, terminate a corresponding portion of the interest rate swaps relating to the Series 2008 ABCD bonds and pay the costs of issuing the 2012 Series A bonds. The 2012 Series A sales tax revenue bonds (limited tax bonds) totaled \$420,585,000 and carry a fixed interest rate of 3.703 percent with a maturity date of April 1, 2048.

The principal requirements to maturity for the 2012 Series A bonds are as follows:

| Maturity (April 1, Oct 1) | Principal Amount | Interest Amount |
|------------------------------|-----------------------|-----------------------|
| 2018 | \$ 17,055,000 | \$ 16,485,250 |
| 2019 | 17,855,000 | 15,682,500 |
| 2020 | 18,700,000 | 14,839,750 |
| 2021 | 19,970,000 | 13,954,750 |
| 2022 | 20,965,000 | 12,956,250 |
| 2023 - 2027 | 19,435,000 | 57,695,500 |
| 2028 - 2032 | 24,680,000 | 52,410,750 |
| 2033 - 2037 | 31,965,000 | 45,436,750 |
| 2038 - 2042 | 63,450,000 | 35,072,000 |
| 2043 - 2047 | 87,410,000 | 16,993,963 |
| 2048 | 19,970,000 | 918,000 |
| Total | \$ 341,455,000 | \$ 282,445,463 |

4. The 2014 Series A bonds

On September 10, 2014, SANDAG issued \$350,000,000 Series 2014 A sales tax revenue bonds to finance SANDAG's continued implementation of the *TransNet* program, principally consisting of transportation facility and public infrastructure improvements within the County of San Diego, to retire \$42,725,000 in outstanding commercial paper notes and to pay the costs of issuing the Series 2014 bonds. The Series A sales tax revenue bonds include a premium of \$55,305,484 and carry an overall all-in interest rate of 3.85 percent with a maturity date of April 1, 2048.

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Notes to the Basic Financial Statements, Continued
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The principal requirements to maturity for the 2014 Series A bonds are as follows:

| Maturity (April 1, Oct 1) | Principal Amount | Interest Amount |
|------------------------------|-----------------------|-----------------------|
| 2018 | \$ 4,820,000 | \$ 16,942,450 |
| 2019 | 5,060,000 | 16,701,450 |
| 2020 | 5,315,000 | 16,448,450 |
| 2021 | 5,580,000 | 16,182,700 |
| 2022 | 5,860,000 | 15,903,700 |
| 2023 - 2027 | 34,000,000 | 74,819,000 |
| 2028 - 2032 | 43,385,000 | 65,426,750 |
| 2033 - 2037 | 55,375,000 | 53,439,500 |
| 2038 - 2042 | 70,670,000 | 38,140,750 |
| 2043 - 2047 | 90,130,000 | 18,687,538 |
| 2048 | 20,755,000 | 1,007,987 |
| Total | \$ 340,950,000 | \$ 333,700,275 |

5. The 2016 Series A bonds

On August 17, 2016, SANDAG issued \$325,000,000 Series 2016 A sales tax revenue bonds to finance SANDAG's continued implementation of the *TransNet* program, principally consisting of transportation facility and public infrastructure improvements within the County of San Diego, to retire \$46,445,000 in outstanding commercial paper notes and to pay the costs of issuing the Series 2016 bonds. The Series A sales tax revenue bonds include a premium of \$78.8 million and carry an overall all-in interest rate of 3.283 percent with a maturity date of April 1, 2048.

The principal requirements to maturity for the 2016 Series A bonds are as follows:

| Maturity (April 1, Oct 1) | Principal Amount | Interest Amount |
|------------------------------|-----------------------|-----------------------|
| 2018 | \$ 4,555,000 | \$ 16,111,750 |
| 2019 | 4,780,000 | 15,884,000 |
| 2020 | 5,020,000 | 15,645,000 |
| 2021 | 5,270,000 | 15,394,000 |
| 2022 | 5,535,000 | 15,130,500 |
| 2023 - 2027 | 32,120,000 | 71,213,500 |
| 2028 - 2032 | 40,990,000 | 62,339,000 |
| 2033 - 2037 | 52,315,000 | 51,015,250 |
| 2038 - 2042 | 66,765,000 | 36,561,250 |
| 2043 - 2047 | 85,205,000 | 18,116,250 |
| 2048 | 19,680,000 | 984,000 |
| Total | \$ 322,235,000 | \$ 318,394,500 |

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6. The 2017 Transportation Infrastructure Finance and Innovation Act loan

On June 27, 2017, SANDAG entered into a TIFIA loan agreement with the United States Department of Transportation to finance SANDAG's continued implementation of the *TransNet* program for up to \$537,484,439 of costs to complete the Mid-Coast Corridor Transit Project. Under terms of the agreement, SANDAG will pay an interest rate of 2.72 percent with anticipated disbursement of loan proceeds in 2021. SANDAG expects to issue short-term financing during the period of project construction and use the TIFIA loan proceeds to repay the short-term borrowing. At June 30, 2017, there was no outstanding obligation due.

7. Commercial paper notes

At June 30, 2014, the Commission had a \$75,000,000 tax-exempt commercial paper program available (Series B). In September 2012, the Commission reduced the maximum amount of funding available under the commercial paper program from \$100,000,000 to the current \$75,000,000 and moved from a Line of Credit to a Direct-Pay Letter of Credit, based on anticipated financing needs and to reduce liquidity fees. Under the Reimbursement Agreement relating to the Series B notes, dated September 1, 2012, the commercial paper would be available through September 18, 2016. The Reimbursement Agreement with MUFU Union Bank, N.A. was extended for another year, through September 16, 2018, including a fee rate increase from 38 basis points to 40 basis points.

During the fiscal year, the balance of notes issued and outstanding was \$26,750,000. Interest rates during the current year have varied from 0.4288 percent to 0.9200 percent, with maturities from 14 days to 96 days. The interest rate on the outstanding amount at June 30, 2017, is 0.9200 percent, with a maturity of 96 days.

The scheduled principal requirements to maturity for the Series B commercial paper are as follows:

| Scheduled Repayment | Principal Amount | Interest Amount |
|------------------------|----------------------|---------------------|
| 2018 | \$ 1,200,000 | \$ 350,832 |
| 2019 | 1,250,000 | 350,832 |
| 2020 | 1,250,000 | 350,832 |
| 2021 | 1,300,000 | 350,832 |
| 2022 | 1,300,000 | 350,832 |
| 2023 - 2027 | 7,050,000 | 1,754,160 |
| 2028 - 2032 | 8,100,000 | 1,754,160 |
| 2033 - 2035 | 5,300,000 | 1,754,160 |
| Total | <u>\$ 26,750,000</u> | <u>\$ 7,016,640</u> |

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Notes to the Basic Financial Statements, Continued
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8. Senior debt – TIFIA-secured loan

The TIFIA loans are divided into three separate notes or tranches, each of which has different principal amounts, interest rates, and payment commencement and due dates. The loans are secured by first liens on the SR 125 toll road project revenue, the contract rights related to the toll road, and a deed of trust on the leasehold interest in the toll road's right of way. Tranches B-2 and C-2 had accrued interest of \$20,249,419 and \$1,957,359, respectively, added to the ending balances of their respective tranches.

The following table shows the three tranches, initial principal amounts, and interest rates:

| Tranche | Initial Principal Amount | Interest Rate |
|---------|-----------------------------|---|
| A-2 | \$ 59,100,809 | 6.0% through December 31, 2015 7.0% from January 1, 2016, to December 31, 2020 8.0% from January 1, 2021, to December 31, 2025 9.0% from January 1, 2026, to June 30, 2026 (maturity date) |
| B-2 | \$ 32,341,804 | 9.0% through June 30, 2035 (maturity date) |
| C-2 | \$ 2,740,896 | 10.0% through December 31, 2035 (maturity date) |

The principal requirements to maturity for the three tranches are as follows:

a. Tranche A-2

| Maturity (Jan 1, Jul 1) | Principal Amount | Interest Amount |
|----------------------------|----------------------|----------------------|
| 2018 | \$ 1,395,200 | \$ 3,839,036 |
| 2019 | 2,431,142 | 3,723,704 |
| 2020 | 3,600,347 | 3,540,029 |
| 2021 | 4,617,536 | 3,482,026 |
| 2022 | 5,565,719 | 3,342,481 |
| 2023-2026 | 37,453,157 | 7,287,742 |
| Total | <u>\$ 55,063,101</u> | <u>\$ 25,215,018</u> |

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b. Tranche B-2

| Maturity (Jan 1, Jul 1) | Principal Amount* | Interest Amount |
|---------------------------------------|----------------------|----------------------|
| 2018 | \$ - | \$ - |
| 2019 | - | - |
| 2020 | - | - |
| 2021 | - | - |
| 2022 | - | - |
| 2023 - 2027 | 790,619 | 7,433,689 |
| 2028 - 2032 | 54,203,350 | 45,344,514 |
| 2033 - 2035 | 64,313,067 | 9,874,725 |
| Total | 119,307,036 | <u>\$ 62,652,928</u> |
| Accrued interest (FY 2018 - 2035) | <u>(66,715,812)</u> | |
| Total principal balance as of 6/30/17 | <u>\$ 52,591,224</u> | |

* The principal amount includes the initial principal balance of \$32,341,804 and total deferred interest of \$86,965,231 added to the principal balance over the life of the loan.

c. Tranche C-2

| Maturity (Jan 1, Jul 1) | Principal Amount** | Interest Amount |
|---------------------------------------|-----------------------|---------------------|
| 2018 | \$ - | \$ - |
| 2019 | - | - |
| 2020 | - | - |
| 2021 | - | - |
| 2022 | - | - |
| 2023 - 2027 | - | - |
| 2028 - 2032 | - | - |
| 2033 - 2036 | 25,925,727 | 1,939,095 |
| Total | 25,925,727 | <u>\$ 1,939,095</u> |
| Accrued interest (FY 2018 - 2036) | <u>(21,227,473)</u> | |
| Total principal balance as of 6/30/17 | <u>\$ 4,698,254</u> | |

** The principal amount includes the initial principal balance of \$2,740,896 and total deferred interest of \$23,184,831 added to the principal balance over the life of the loan.

d. Series D obligation

The Series D Agreement provides that SANDAG will pay TIFIA, to the extent of available project revenue, \$1,445,850 plus interest at the rate of 14 percent per year compounded semiannually. Payments are only due, and can only be made, after full payment of the existing TIFIA loan and full satisfaction of the *TransNet* loan (see Note II.E.4). Any amounts remaining unpaid as of December 31, 2042, are automatically forgiven. Prepayment of the Series D note is possible, but only at the value the note will have on December 31, 2042. The Series D loan is secured by a third lien, behind the TIFIA and *TransNet* notes, on the

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project revenues, but no other project assets are pledged to Series D. The only event of default is SANDAG's failure to maintain the Toll Covenant. The Series D Agreement further provides that SANDAG obligations are non-recourse and that the holders of Series D can only look to the revenues of the toll road for repayment in the event of a default. As of June 30, 2017, the SR 125 toll road accrued \$1,606,789 of Series D accreted interest. See Note II. N, Subsequent Events, for further information.

e. Toll road acquisition

SANDAG purchased the toll road for \$341,445,850, consisting of a cash payment of \$245,816,491, a promissory note (Series D) of \$1,445,850 and an assumption of the TIFIA tranches totaling \$94,183,509. A fair value analysis of the acquired assets and liabilities has been performed as of December 21, 2011, at which time it was determined the fair value of the consideration paid by SANDAG was approximately \$402,884,950, resulting in a fair value adjustment of \$61,439,100.

For fair value purposes, the assumed TIFIA long-term debt was revalued based on the SANDAG cost of capital. At the date of acquisition, the weighted average yield of Tranches A through C was approximately 8.5 percent, and Series D was 14 percent. These debt instruments were revalued at fair value using SANDAG's cost of debt of 4.46 percent. The acquisition adjustment is being amortized over the life of the TIFIA long-term debt using the effective interest method.

9. Changes in long-term liabilities

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

| | Beginning Balance July 1, 2016 | Additions | Reductions | Ending Balance June 30, 2017 | Due Within One Year |
|-----------------------------------|--------------------------------------|-----------------------|------------------------|------------------------------------|------------------------|
| Governmental Activities: | | | | | |
| Sales tax revenue bonds | | | | | |
| and commercial paper notes | | | | | |
| 2008 Series ABCD tax-exempt | \$ 402,300,000 | \$ - | \$ - | \$ 402,300,000 | \$ - |
| 2010 Series A Build America Bonds | 338,960,000 | - | - | 338,960,000 | - |
| 2010 Series B tax-exempt | 7,590,000 | - | (665,000) | 6,925,000 | 690,000 |
| 2012 Series A tax-exempt | 357,695,000 | - | (16,240,000) | 341,455,000 | 17,055,000 |
| 2014 Series A tax-exempt | 345,540,000 | - | (4,590,000) | 340,950,000 | 4,820,000 |
| 2016 Series A tax-exempt | - | 325,000,000 | (2,765,000) | 322,235,000 | 4,555,000 |
| Premium | 102,422,253 | 78,818,562 | (5,417,429) | 175,823,386 | - |
| Commercial paper notes | 75,000,000 | - | (48,250,000) | 26,750,000 | 26,750,000 |
| Total bonds and commercial paper | 1,629,507,253 | 403,818,562 | (77,927,429) | 1,955,398,386 | 53,870,000 |
| Compensated absences payable | 2,202,430 | 3,338,719 | (3,443,314) | 2,097,835 | 2,097,835 |
| Claims payable | - | 1,700,000 | - | 1,700,000 | 1,700,000 |
| Total long-term liabilities | <u>\$ 1,631,709,683</u> | <u>\$ 408,857,281</u> | <u>\$ (81,370,743)</u> | <u>\$ 1,959,196,221</u> | <u>\$ 57,667,835</u> |

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| | Beginning Balance July 1, 2016 | Additions | Reductions | Ending Balance June 30, 2017 | Due Within One Year |
|----------------------------------|--------------------------------------|---------------------|-----------------------|------------------------------------|------------------------|
| Business-Type Activities: | | | | | |
| TIFIA notes | | | | | |
| Tranche A | \$ 55,700,313 | \$ - | \$ (637,212) | \$ 55,063,101 | \$ 1,395,200 |
| Tranche B | 48,165,076 | 4,426,148 | - | 52,591,224 | - |
| Tranche C | 4,262,015 | 436,239 | - | 4,698,254 | - |
| Series D | 1,445,850 | 1,606,789 | - | 3,052,639 | - |
| Acquisition adjustment | 51,790,281 | - | (2,429,675) | 49,360,606 | - |
| Total TIFIA notes | 161,363,535 | 6,469,176 | (3,066,887) | 164,765,824 | 1,395,200 |
| Compensated absences payable | 90,267 | 378,450 | (323,344) | 145,373 | 145,373 |
| Total long-term liabilities | <u>\$ 161,453,802</u> | <u>\$ 6,847,626</u> | <u>\$ (3,390,231)</u> | <u>\$ 164,911,197</u> | <u>\$ 1,540,573</u> |

On June 30, 2017, sales tax revenue bonds and commercial paper notes consisted of 2008 variable-rate, tax-exempt revenue bonds; 2010 fixed-rate BABs; and the 2010, 2012, 2014, and 2016 fixed-rate, tax-exempt revenue bonds issued by SANDAG that are collateralized by a pledge of the revenues from a one-half percent sales tax imposed within the County of San Diego. Long-term debt also consists of commercial paper notes issued by SANDAG. The notes are payable from and secured by a pledge of the retail transactions and use tax subordinate to the pledge of such retail transactions and use tax which secures limited tax bonds issued or to be issued. Proceeds from the bonds and commercial paper debt are to be used primarily to fund certain transportation projects in the San Diego County region.

As maturity of commercial paper notes is 270 days or less, the commercial paper notes are classified as due within one year. Also, obligations for workers' compensation and compensated absences payable are liquidated by the general fund. See Note I.E.15 for further clarification.

10. Pledged revenue

SANDAG and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity table presented in the accompanying notes. The following table provides the pledged future revenue information for the debt for which a revenue pledge exists:

| Description of Pledged Revenue | Fiscal Year 2017 Amount of Pledged Revenue | Fiscal Year 2017 Debt Service Payments | Debt Service as a Percentage of Pledged Revenue |
|---------------------------------|--|--|---|
| Sales Tax | \$ 286,965,955 | \$ 153,191,102 | 53% |
| Toll Revenue - Senior Debt | 26,509,704 | 4,524,125 | 17% |
| Toll Revenue - Subordinate Debt | 5,499,811 | 2,649,982 | 48% |

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I. Transit capital contributions

The fund financial statements report regional transportation improvements, which are current year capital project expenditures. In the government-wide statement of activities, certain expenditures are eliminated and reclassified as assets held for future distribution or capitalized as capital assets in the statement of net position. During the current year, transit capital funding program revenues are \$202,046,295. The program revenues represent the federal funds, state funds, and other local governmental funding for the construction-in-progress projects in the capital projects fund.

J. Risk management

SANDAG has a self-insured retention (deductible) for Bodily Injury and Property Damage Liability (including General Liability and Automobile Liability) claims of \$500,000 per occurrence. Amounts in excess of the self-insurance are covered by commercial excess insurance up to \$50,000,000. SANDAG purchases “all-risk” insurance for damage to its property up to \$21,283,857 for the SANDAG main location with a per occurrence subject to a deductible of \$5,000 and up to \$395,020,856 for the SR 125 toll road with a per occurrence subject to a deductible of \$50,000. In addition, SANDAG has insurance policies for costs arising from employee Workers’ Compensation claims, Auto Property, Mexican Auto Liability, Foreign Liability and Cyber Liability. Employment Practices Liability and Public Official Errors and Omissions Liability insurance also are covered to a maximum of \$10,000,000 per occurrence, with excess liability insurance up to \$50,000,000.

Claims expenditures and liabilities in connection with these insurance programs are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Claim payments have not exceeded insurance coverage for each of the past three fiscal years.

Liabilities are recorded when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The ultimate amount of losses incurred is dependent on future developments. The amounts reported in the accompanying financial statement have been determined based upon information from SANDAG legal counsel.

The changes in the claims liability for the years ended June 30, 2017, and 2016, were as follows:

| | 2017 | 2016 |
|--|--------------|------|
| Claims payable, beginning of year | \$ - | \$ - |
| Current year claims and changes in estimates | 1,700,000 | - |
| Current year claims payments | - | - |
| Claims payable, end of year | \$ 1,700,000 | \$ - |

K. Commitments and contingencies

SANDAG leases its office space and some of its copiers, and other miscellaneous office equipment, under various operating leases. The total office space lease expense for fiscal year 2017 was \$2,482,155.

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Notes to the Basic Financial Statements, Continued
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Minimum annual lease payments under non-cancellable operating leases with terms in excess of one year were as follows:

| FY | Estimated Minimum Office Space Lease Payment |
|-------|---|
| 2018 | \$ 2,691,234 |
| 2019 | 2,771,748 |
| 2020 | 709,839 |
| Total | \$ 6,172,821 |

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although SANDAG expects such amounts, if any, to be immaterial.

L. Other post-employment benefits

1. Plan description

In March 1986, pursuant to requirements of the state retirement system in which SANDAG participates, SANDAG adopted a policy to provide post-retirement health care benefits to retired employees through the California Public Employees' Retirement System (CalPERS), a single-employer benefit plan that covers all of SANDAG employees. The plan does not issue a separate annual financial report.

2. Funding policy

Contributions to retirees are a fixed dollar amount equal to a maximum of \$250 per month per each eligible retiree. The exception to this contribution is for eight retirees who were grandfathered into their 2007 SANDAG contribution with an increase in each year thereafter, in order to maintain a comparable benefit level. The expenditure was recorded when the Annual Required Contribution (ARC) of the employer was paid. Total payments to retirees for the year ended June 30, 2017, were \$185,500. There were 65 retiree participants receiving post-employment health care benefits as of June 30, 2017.

The SANDAG policy is to pay 100 percent of 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 normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 21 years. The ARC for fiscal year 2017 represents 1.28 percent of annual covered payroll.

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Contributions from SANDAG have been transferred to an irrevocable trust administered by CalPERS (the California Employer's Retiree Benefits Trust) on behalf of SANDAG in which the plan assets held by the trust have been dedicated solely to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of SANDAG or the plan administrator. Accordingly, SANDAG contributions to this trust have been accounted for as reductions of SANDAG liability for its net other post-employment benefits (OPEB) obligation.

3. Annual OPEB cost and net OPEB asset

The SANDAG annual OPEB cost (expense) is calculated based on the ARC of the employer.

The following table shows the components of the SANDAG annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in SANDAG net OPEB asset for these benefits:

| | |
|--|----------------------------|
| Annual required contribution | \$ 487,311 |
| Interest on net OPEB obligation | (35,575) |
| Adjustment to annual required contribution | <u>38,592</u> |
| Annual OPEB cost (expense) | 490,328 |
| Contributions made (including premiums paid) | <u>(487,311)</u> |
| Increase in net OPEB asset | 3,017 |
| Net OPEB asset—beginning of year | <u>(528,608)</u> |
| Net OPEB asset—end of year | <u><u>\$ (525,591)</u></u> |

4. Annual OPEB cost

The SANDAG annual OPEB cost, the percentage of annual OPEB cost to be contributed to the plan, and the net OPEB asset are as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Asset |
|-------------------------|------------------------|--|----------------------|
| 6/30/2015 | \$ 305,871 | 100.5% | \$ 526,964 |
| 6/30/2016 | 325,222 | 100.5% | 528,608 |
| 6/30/2017 | 490,328 | 99.4% | 525,591 |

5. Funded status and funding progress

The funded status of the plan as of June 30, 2015, was as follows:

| | |
|---|---------------------|
| Actuarial accrued liability (AAL) | \$ 5,352,167 |
| Actuarial value of plan assets | <u>(3,181,476)</u> |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 2,170,691</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 59.4% |
| Covered payroll (active plan members) | \$ 26,677,526 |
| UAAL as a percentage of covered payroll | 8.1% |

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

6. Actuarial methods and assumptions

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 calculations.

In the June 30, 2015, actuarial valuation, the following actuarial methods and assumptions were as follows:

| <u>Description</u> | <u>Method/Assumption</u> |
|----------------------------|-------------------------------|
| Actuarial Method | Entry Age Normal Cost |
| Actuarial Assumptions: | |
| Discount Rate | 6.73% |
| Projected Salary Increases | 3.00% per annum, in aggregate |
| Inflation Rate | 2.80% |

The actuarial assumptions included an annual healthcare cost trend rate of 6.5 to 7.0 percent initially, reduced by decrements of 0.5 percent to 5.0 percent after four years. The unfunded actuarial accrued liability is being amortized over an initial 30 years using the level-percentage-of-pay method on a closed-basis. The remaining amortization period at June 30, 2015, is assumed to be 21 years. Any assets of the plan will be valued on a market value basis.

The retirement age for active employees was determined according to the retirement rates under the Public Employees' Retirement System (PERS) pension plan. The pre-retirement turnover was determined according to the termination rates under the PERS pension plan. The pre-retirement and post-retirement mortality rates were determined under the PERS pension plan. It was assumed 65 percent of active employees meeting eligibility requirements will elect retiree health coverage at retirement. Since the retiree pays 100 percent of the cost for spouse coverage, spouse coverage during the retiree's lifetime is not explicitly valued. Fifty percent of covered retirees are assumed to have spouses continue coverage upon their death. Female spouses are assumed to be three years younger than male spouses. Future retirees are assumed to elect medical plan coverage based on similar elections of current retirees.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

The valuation was based on the medical premiums paid by SANDAG for insurance coverage. The valuation includes an estimate of the liability for an implicit rate subsidy for SANDAG's participation in a community-rated plan. The following summarizes the monthly premiums paid by SANDAG:

| | | |
|-------------------|--------|--------|
| | PPO | HMO |
| Medicare Eligible | \$ 380 | \$ 303 |

7. Funding progress

The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

| Valuation Date | Accrued Liability (a) | Actuarial Value of Assets (b) | Unfunded Liability (UL) (a)-(b) | Funded Status (b)/(a) | Annual Covered Payroll (c) | UL as a % of Payroll [(a-b)/(c)] |
|----------------|-----------------------|-------------------------------|---------------------------------|-----------------------|----------------------------|----------------------------------|
| 6/30/11 | \$ 3,173,833 | \$ 2,333,013 | \$ 840,820 | 73.5% | \$ 23,828,423 | 3.5% |
| 6/30/13 | 3,464,605 | 2,605,225 | 859,380 | 75.2% | 25,634,081 | 3.4% |
| 6/30/15 | 5,352,167 | 3,181,476 | 2,170,691 | 59.4% | 26,677,526 | 8.1% |

M. Pension plan

1. Plan description

All qualified permanent and probationary employees are eligible to participate in the local government's Miscellaneous Plan, agent multiple-employer defined benefit pension plan administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the plan are established by state statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

2. Benefits provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

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

| | Prior to | After | On or after |
|---|------------------|-----------------------|---------------------|
| Hire date | 10/27/12 | 10/27/12 ¹ | 1/1/13 ² |
| Benefit formula | 2.7% @ 55 | 2% @ 60 | 2% @ 62 |
| Benefit vesting schedule (# years of service) | 5 yrs | 5 yrs | 5 yrs |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 50 - 60 | 52 - 62 |
| Monthly benefits, as a % of eligible compensation | 2.7% | 2.0% | 2.0% |
| Required employee contribution rates | 8% | 7% | 6.25% |
| Required employer contribution rates | 18.843% | 18.843% | 18.843% |

¹ Includes those hired on or after January 1, 2013, who are current members of CalPERS (or a reciprocal agency) and have not had a break in service with a CalPERS agency of greater than six months.

² Applicable to employees who are not members of CalPERS (or a reciprocal system) at the time of hire, or have had a break in service greater than six months from a CalPERS agency.

3. Employees covered

As of June 30, 2015, the following employees were covered by the benefit terms for the plan:

| | |
|-----------------------------------|-------------------|
| Active Members | 338 |
| Transferred Members | 85 |
| Terminated Members | 171 |
| Retired Members and Beneficiaries | <u>102</u> |
| Total | <u><u>696</u></u> |
| Active to Retired Ratio | 3.31% |

4. Contribution description

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

**San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017**

5. Actuarial methods and assumptions used to determine total pension liability

The June 30, 2015, valuation was rolled forward to determine the June 30, 2016 (the measurement date), total pension liability based on the following actuarial methods and assumptions:

| | |
|-----------------------------------|---|
| Actuarial Cost Method | Entry Age Normal in accordance with the requirements of GASB Statement No. 68 |
| Actuarial Assumptions | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Salary Increase | Varies by Entry Age and Service |
| Investment Rate of Return | 7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation |
| Mortality Rate Table ¹ | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

¹ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

6. Change of assumptions

There were no changes of assumptions.

7. Discount rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB 68 section.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF's asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11–60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one-quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

| Asset Class | Current Target Allocation | Real Return Years 1 - 10 ¹ | Real Return Years 11+ ² |
|-------------------------------|---------------------------|---------------------------------------|------------------------------------|
| Global Equity | 51.0% | 5.25% | 5.71% |
| Global Fixed Income | 20.0 | 0.99 | 2.43 |
| Inflation Sensitive | 6.0 | 0.45 | 3.36 |
| Private Equity | 10.0 | 6.83 | 6.95 |
| Real Estate | 10.0 | 4.50 | 5.13 |
| Infrastructure and Forestland | 2.0 | 4.50 | 5.09 |
| Liquidity | 1.0 | (0.55) | (1.05) |

¹ An expected inflation of 2.5 percent used for this period.

² An expected inflation of 3.0 percent used for this period.

8. Subsequent events

Subsequent to the measurement period, in December 2016, the CalPERS Board of Administration voted to lower the discount rate from 7.5 percent to 7.0 percent over the next three years. For SANDAG, the discount rate changes approved by the CalPERS Board of Administration for the next three fiscal years ending June 30, 2019, 2020, and 2021, are 7.375 percent, 7.25 percent, and 7.00 percent, respectively.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

9. Pension plan fiduciary net position

The plan fiduciary net position (assets) disclosed in SANDAG's GASB report may differ from the plan assets reported in SANDAG's actuarial valuation report due to several reasons. First, CalPERS must keep Reserves for Deficiencies and Fiduciary Self Insurance. These amounts are excluded for rate-setting purposes in the actuarial valuation report while required to be included for GASB reporting purposes. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

10. Changes in net pension liability

The following table shows the primary government changes in net pension liability recognized over the measurement period:

| | Increase (Decrease) | | |
|---|--------------------------------|------------------------------------|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability/(Asset) (c) = (a) - (b) |
| Balance at 6/30/2015 (Valuation Date)¹ | \$ 126,919,362 | \$ 89,739,734 | \$ 37,179,628 |
| Changes Recognized for the Measurement Period: | | | |
| • Service Cost | 4,301,671 | - | 4,301,671 |
| • Interest on the Total Pension Liability | 9,707,795 | - | 9,707,795 |
| • Changes of Benefit Terms | - | - | - |
| • Differences between Expected and Actual Experience | 313,066 | - | 313,066 |
| • Plan to Plan Resource Movement | - | 11 | (11) |
| • Changes of Assumptions | - | - | - |
| • Contributions from the Employer | - | 4,443,175 | (4,443,175) |
| • Contributions from Employees | - | 1,889,581 | (1,889,581) |
| • Net Investment Income ² | - | 410,428 | (410,428) |
| • Benefit Payments, including Refunds of Employee Contributions | (4,967,990) | (4,967,990) | - |
| Net Changes during 2015-16 | \$ 9,354,542 | \$ 1,775,205 | \$ 7,579,337 |
| Balance at 6/30/2016 (Measurement Date)¹ | \$ 136,273,904 | \$ 91,514,939 | \$ 44,758,965 |

¹ The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense.

² Net of administrative expenses.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

The ARJIS summary of changes in net pension liability recognized over the measurement period is:

| | Increase (Decrease) | | |
|---|--------------------------------|------------------------------------|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability/(Asset) (c) = (a) - (b) |
| Balance at 6/30/2015 (Valuation Date)¹ | \$ 6,863,037 | \$ 4,852,586 | \$ 2,010,451 |
| Changes Recognized for the Measurement Period: | | | |
| • Service Cost | 232,609 | - | 232,609 |
| • Interest on the Total Pension Liability | 524,939 | - | 524,939 |
| • Changes of Benefit Terms | - | - | - |
| • Differences between Expected and Actual Experience | 16,929 | - | 16,929 |
| • Plan to Plan Resource Movement | - | 1 | (1) |
| • Changes of Assumptions | - | - | - |
| • Contributions from the Employer | - | 240,260 | (240,260) |
| • Contributions from Employees | - | 102,177 | (102,177) |
| • Net Investment Income ² | - | 22,194 | (22,194) |
| • Benefit Payments, including Refunds of Employee Contributions | (268,639) | (268,639) | - |
| Net Changes during 2015-16 | \$ 505,838 | \$ 95,993 | \$ 409,845 |
| Balance at 6/30/2016 (Measurement Date)¹ | \$ 7,368,875 | \$ 4,948,579 | \$ 2,420,296 |

¹ The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense.

² Net of administrative expenses.

11. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

| | Discount Rate - 1% (6.65%) | Current Discount Rate (7.65%) | Discount Rate +1 (8.65%) |
|--------------------------------------|----------------------------------|-------------------------------------|--------------------------------|
| Plan's Net Pension Liability/(Asset) | | | |
| Primary government | \$ 63,388,509 | \$ 44,758,965 | \$ 29,357,815 |
| ARJIS | 3,427,670 | 2,420,296 | 1,587,494 |
| Total Net Pension Liability/(Asset) | <u>\$ 66,816,179</u> | <u>\$ 47,179,261</u> | <u>\$ 30,945,309</u> |

12. Recognition of gains and losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

| | |
|--|--|
| Difference between projected and actual earnings | 5 year straight-line amortization |
| All other amounts | Straight-line amortization over the expected average service lifetime of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period |

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the plan, for the 2015-2016 measurement period, is 4.8 years, which was obtained by dividing the total service years of 3,342 (the sum of remaining service lifetimes of the active employees) by 696 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to zero. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

13. Pension expense and deferred outflows and deferred inflows of resources related to pensions

For the measurement period ending June 30, 2016 (the measurement date), SANDAG recognized a pension expense of \$6,422,439 for the plan as follows:

| | |
|-----------------------|---------------------|
| | Fiscal Year 2017 |
| Primary government | \$ 6,092,968 |
| ARJIS | <u>329,471</u> |
| Total pension expense | <u>\$ 6,422,439</u> |

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

The primary government reports other amounts for the plan as deferred outflow and deferred inflow of resources related to pensions as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Pension contributions subsequent to measurement date | \$ 4,768,969 | \$ - |
| Differences between expected and actual experience | 1,480,038 | - |
| Changes of assumptions | - | (1,310,177) |
| Additional deferral | 181,150 | (63,008) |
| Net difference between projected and actual earnings on pension plan investments | 5,050,533 | - |
| Total | \$ 11,480,690 | \$ (1,373,185) |

ARJIS reports other amounts for the plan as deferred outflow and deferred inflow of resources related to pensions as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Pension contributions subsequent to measurement date | \$ 257,877 | \$ - |
| Differences between expected and actual experience | 80,031 | - |
| Changes of assumptions | - | (70,847) |
| Additional deferral | - | (118,141) |
| Net difference between projected and actual earnings on pension plan investments | 273,103 | - |
| Total | \$ 611,011 | \$ (188,988) |

The primary government reports a total of \$4,768,969 as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018, and ARJIS reports a total of \$257,877 for these contributions.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2017

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the primary government will be recognized as pension expense as follows:

| Measurement Period Ended June 30 | Deferred Outflows/(Inflows) of Resources |
|-------------------------------------|--|
| 2017 | \$ 851,820 |
| 2018 | 851,819 |
| 2019 | 2,297,497 |
| 2020 | 1,337,400 |
| 2021 | - |
| Thereafter | - |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for ARJIS will be recognized as pension expense as follows:

| Measurement Period Ended June 30 | Deferred Outflows/(Inflows) of Resources |
|-------------------------------------|--|
| 2017 | \$ 1,587 |
| 2018 | 1,587 |
| 2019 | 88,655 |
| 2020 | 72,317 |
| 2021 | - |
| Thereafter | - |

N. Subsequent event

On November 21, 2017, SANDAG issued \$194,140,000 Series A toll revenue bonds to provide funds, together with other available moneys, to refinance indebtedness incurred by SANDAG in connection with the acquisition of the South Bay Expressway and to pay the costs of issuing the Series 2017 bonds. The Series 2017 A toll revenue bonds included a premium of \$38,102,982 and carried an overall all-in interest rate of 3.33 percent with a maturity date of July 1, 2042.

The following outstanding balances are being refunded with the Series 2017 A toll revenue bond proceeds:

| | |
|----------------------|----------------|
| TIFIA Tranches A - C | \$ 164,860,757 |
| TIFIA Series D | 3,196,582 |
| Total TIFIA Notes | 168,057,339 |
| Commission Note | 62,352,510 |
| Total Refunding | \$ 230,409,849 |

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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**San Diego Association of Governments
Required Supplementary Information
For the Fiscal Year Ended June 30, 2017**

**Other Post-Employment Benefits (OPEB) Plan
Schedule of Actuarial Valuation
Last Three Years**

| Actuarial Valuation Date | Actuarial Accrued Liability (a) | Actuarial Value of Plan Assets (b) | UAAL (a - b) | Funded Ratio (b/a) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((a - b)/c) |
|--------------------------------|--|---|-----------------|--------------------------|---------------------------|---|
| 6/30/2011 | \$ 3,173,833 | \$ 2,333,013 | \$ 840,820 | 73.5% | \$ 23,828,423 | 3.5% |
| 6/30/2013 | 3,464,605 | 2,605,225 | 859,380 | 75.2% | 25,634,081 | 3.4% |
| 6/30/2015 | 5,352,167 | 3,181,476 | 2,170,691 | 59.4% | 26,677,526 | 8.1% |

**San Diego Association of Governments
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2017**

**Schedule of Changes in Net Pension Liability
And Related Ratios During the Measurement Period
Last Ten Years¹**

Primary Government

| Measurement Period | 2015 - 2016 | 2014 - 2015 | 2013 - 2014 |
|--|-----------------------|-----------------------|-----------------------|
| TOTAL PENSION LIABILITY | | | |
| Service cost | \$ 4,301,671 | \$ 4,083,920 | \$ 4,132,741 |
| Interest | 9,707,795 | 9,037,122 | 8,221,876 |
| Difference between expected and actual experience | 313,066 | 2,112,333 | - |
| Changes of assumptions | - | (2,246,019) | - |
| Benefit payments, including refunds of employee contributions | (4,967,990) | (4,584,034) | (4,293,528) |
| Net change in total pension liability | 9,354,542 | 8,403,322 | 8,061,089 |
| Total pension liability - beginning | 126,169,815 | 117,766,493 | 109,705,404 |
| Total pension liability - ending | <u>\$ 135,524,357</u> | <u>\$ 126,169,815</u> | <u>\$ 117,766,493</u> |
| PLAN FIDUCIARY NET POSITION | | | |
| Contributions - employer | \$ 4,443,175 | \$ 4,371,646 | \$ 3,934,989 |
| Contributions - employee | 1,889,581 | 1,802,283 | 2,608,150 |
| Investment income | 465,120 | 1,961,540 | 12,692,439 |
| Administrative expense | (54,692) | (101,246) | (104,745) |
| Benefit payments, including refunds of employee contributions | (4,967,990) | (4,584,034) | (4,293,528) |
| Other changes in fiduciary net position | 11 | (406,039) | - |
| Net change in fiduciary net position | 1,775,205 | 3,044,150 | 14,837,305 |
| Plan fiduciary net position - beginning | 88,990,187 | 85,946,037 | 71,108,732 |
| Plan fiduciary net position - ending | <u>\$ 90,765,392</u> | <u>\$ 88,990,187</u> | <u>\$ 85,946,037</u> |
| Plan net pension liability (asset) - ending | <u>\$ 44,758,965</u> | <u>\$ 37,179,628</u> | <u>\$ 31,820,456</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 66.97% | 70.53% | 72.98% |
| Covered payroll | 24,319,053 | 22,908,810 | 22,463,054 |
| Plan net pension liability (asset) as a percentage of covered payroll | 184.05% | 162.29% | 141.66% |

¹ Ten years has not been presented as Governmental Accounting Standards Board 68 was implemented for the fiscal year ended June 30, 2015.

**San Diego Association of Governments
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2017**

Automated Regional Justice Information System

| Measurement Period | 2015 - 2016 | 2014 - 2015 | 2013 - 2014 |
|--|---------------------|---------------------|---------------------|
| TOTAL PENSION LIABILITY | | | |
| Service cost | \$ 232,609 | \$ 220,834 | \$ 251,200 |
| Interest | 524,939 | 488,673 | 499,749 |
| Difference between expected and actual experience | 16,929 | 114,222 | - |
| Changes of assumptions | - | (121,451) | - |
| Benefit payments, including refunds of employee contributions | (268,639) | (247,877) | (260,973) |
| Net change in total pension liability | 505,838 | 454,401 | 489,976 |
| Total pension liability - beginning | 7,612,585 | 7,158,184 | 6,668,208 |
| Total pension liability - ending | <u>\$ 8,118,423</u> | <u>\$ 7,612,585</u> | <u>\$ 7,158,184</u> |
| PLAN FIDUCIARY NET POSITION | | | |
| Contributions - employer | \$ 240,260 | \$ 236,392 | \$ 239,180 |
| Contributions - employee | 102,177 | 97,457 | 158,531 |
| Investment income | 25,151 | 106,068 | 771,483 |
| Administrative expense | (2,957) | (5,475) | (6,367) |
| Benefit payments, including refunds of employee contributions | (268,639) | (247,877) | (260,973) |
| Other changes in fiduciary net position | 1 | 191,523 | - |
| Net change in fiduciary net position | 95,993 | 378,088 | 901,854 |
| Plan fiduciary net position - beginning | 5,602,134 | 5,224,046 | 4,322,192 |
| Plan fiduciary net position - ending | <u>\$ 5,698,127</u> | <u>\$ 5,602,134</u> | <u>\$ 5,224,046</u> |
| Plan net pension liability (asset) - ending | <u>\$ 2,420,296</u> | <u>\$ 2,010,451</u> | <u>\$ 1,934,138</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 70.19% | 73.59% | 72.98% |
| Covered payroll | 1,315,028 | 1,238,771 | 1,365,369 |
| Plan net pension liability (asset) as a percentage of covered payroll | 184.05% | 162.29% | 141.66% |

Notes to Schedule

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of two years additional service credit.

Changes in Assumptions: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

**San Diego Association of Governments
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2017**

**Schedule of Plan Contributions
Last Ten Years²**

Primary Government

| | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 | Fiscal Year 2014 |
|--|---------------------|---------------------|---------------------|---------------------|
| Actuarially Determined Contribution | \$ 4,768,969 | \$ 4,445,036 | \$ 4,371,686 | \$ 3,934,990 |
| Contributions in Relation to the Actuarially Determined Contribution | <u>(4,768,969)</u> | <u>(4,445,036)</u> | <u>(4,371,686)</u> | <u>(3,934,990)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 25,308,969 | \$ 24,319,053 | \$ 22,908,810 | \$ 22,463,054 |
| Contributions as a Percentage of Covered Payroll | 18.843% | 18.278% | 19.083% | 17.518% |

Automated Regional Justice Information System

| | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 | Fiscal Year 2014 |
|--|---------------------|---------------------|---------------------|---------------------|
| Actuarially Determined Contribution | \$ 257,877 | \$ 240,361 | \$ 236,395 | \$ 239,180 |
| Contributions in Relation to the Actuarially Determined Contribution | <u>(257,877)</u> | <u>(240,361)</u> | <u>(236,395)</u> | <u>(239,180)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 1,368,557 | \$ 1,315,028 | \$ 1,238,771 | \$ 1,365,369 |
| Contributions as a Percentage of Covered Payroll | 18.843% | 18.278% | 19.083% | 17.518% |

² Ten years has not been presented as Governmental Accounting Standards Board 68 was implemented for the fiscal year ended June 30, 2015.

**San Diego Association of Governments
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2017**

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2017 were from the June 30, 2014, public agency valuations.

| | |
|----------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method/Period | For details, see June 30, 2014, Funding Valuation Report |
| Asset Valuation Method | Market Value of Assets. For details, see June 30, 2014, Funding Valuation Report. |
| Inflation | 2.75% |
| Salary Increases | Varies by Entry Age and Service |
| Payroll Growth | 3.00% |
| Investment Rate of Return | 7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation. |
| Retirement Age | The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. |
| Mortality | The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include five years of projected mortality improvement using Scale AA published by the Society of Actuaries. |

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San Diego Association of Governments
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the year ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|---------------------|---------------------|----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local Transportation Development Act sales tax funds | \$ 10,987,990 | \$ 10,987,990 | \$ 10,987,990 | \$ - |
| Member agency assessments | 547,426 | 547,426 | 547,426 | - |
| Other revenues | - | - | 60,288 | 60,288 |
| Total revenues | 11,535,416 | 11,535,416 | 11,595,704 | 60,288 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 48,138,648 | 48,243,648 | 44,077,916 | 4,165,732 |
| Cost recovery | (47,678,648) | (47,678,648) | (43,552,068) | (4,126,580) |
| Total expenditures | 460,000 | 565,000 | 525,848 | 39,152 |
| REVENUES OVER (UNDER) EXPENDITURES | 11,075,416 | 10,970,416 | 11,069,856 | 99,440 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 167,500 | 167,500 | 112,326 | (55,174) |
| Transfers out | (10,999,577) | (10,697,726) | (7,726,289) | 2,971,437 |
| Total other financing sources (uses) | (10,832,077) | (10,530,226) | (7,613,963) | 2,916,263 |
| Net change in fund balances | \$ 243,339 | \$ 440,190 | 3,455,893 | \$ 3,015,703 |
| FUND BALANCES | | | | |
| Beginning of year | | | 13,236,260 | |
| End of year | | | \$ 16,692,153 | |

See accompanying Notes to Required Supplementary Information.

San Diego Association of Governments
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
TransNet Fund
For the year ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local <i>TransNet</i> sales tax funds | \$ 557,739,462 | \$ 454,835,464 | \$ 327,454,238 | \$ (127,381,226) |
| Total revenues | <u>557,739,462</u> | <u>454,835,464</u> | <u>327,454,238</u> | <u>(127,381,226)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(557,739,462)</u> | <u>(454,835,464)</u> | <u>(327,454,238)</u> | <u>127,381,226</u> |
| Total other financing sources (uses) | <u>(557,739,462)</u> | <u>(454,835,464)</u> | <u>(327,454,238)</u> | <u>127,381,226</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| FUND BALANCES | | | | |
| Beginning of year | | | <u>-</u> | |
| End of year | | | <u>\$ -</u> | |

See accompanying Notes to Required Supplementary Information.

San Diego Association of Governments
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
San Diego County Regional Transportation Commission Sales Tax Projects Fund
For the year ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local <i>TransNet</i> sales tax funds | \$ 287,988,717 | \$ 282,718,124 | \$ 286,965,955 | \$ 4,247,831 |
| Investment earnings | 4,080,000 | 9,600,000 | 4,767,061 | (4,832,939) |
| Other revenues | - | - | 21,934 | 21,934 |
| Total revenues | 292,068,717 | 292,318,124 | 291,754,950 | (563,174) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 2,879,887 | 2,827,181 | 3,253,760 | (426,579) |
| Bicycle facilities | 5,759,774 | 5,654,362 | 12,359,549 | (6,705,187) |
| Independent Taxpayer Oversight Committee | - | - | 100,853 | (100,853) |
| Major corridor capital projects | 106,170,304 | 104,209,901 | 287,491,607 | (183,281,706) |
| Major corridor environmental mitigation | 12,273,696 | 12,066,410 | 21,833,308 | (9,766,898) |
| Local project environmental mitigation | 5,028,283 | 4,936,258 | 599,181 | 4,337,077 |
| Local street improvements | 81,290,575 | 79,802,845 | 85,217,505 | (5,414,660) |
| Smart growth | 5,866,330 | 5,758,968 | 2,144,441 | 3,614,527 |
| New major corridor transit operations | 22,627,274 | 22,213,163 | 11,530,015 | 10,683,148 |
| Transit system improvements | 46,092,594 | 45,249,036 | 46,501,493 | (1,252,457) |
| Total expenditures | 287,988,717 | 282,718,124 | 471,031,712 | (188,313,588) |
| REVENUES OVER (UNDER) EXPENDITURES | 4,080,000 | 9,600,000 | (179,276,762) | (188,876,762) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 118,444,000 | 116,276,311 | 213,609,610 | 97,333,299 |
| Transfers out | (84,223,634) | (98,347,453) | (112,373,099) | (14,025,646) |
| Total other financing sources (uses) | 34,220,366 | 17,928,858 | 101,236,511 | 83,307,653 |
| Net change in fund balances | \$ 38,300,366 | \$ 27,528,858 | (78,040,251) | \$ (105,569,109) |
| FUND BALANCES | | | | |
| Beginning of year | | | 558,777,972 | |
| End of year | | | \$ 480,737,721 | |

See accompanying Notes to Required Supplementary Information.

San Diego Association of Governments
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

A. Budgetary information

Formal budget integration is employed as a management control device for the general fund, special revenue funds, the debt service fund, and the capital project fund. Budgets are adopted on a basis consistent with generally accepted accounting principles. The general fund, special revenue funds, and capital project fund have legally adopted annual program budgets.

After the annual program budget is adopted, the SANDAG Board of Directors (Board) can legally amend the budget at any time during the fiscal year to incorporate new grants or contracts which may become available during the year. Management can legally amend or transfer appropriations between programs or projects within the adopted or amended budget, once the budget has been approved, up to a maximum of \$100,000 with monthly reporting of these delegated budget amendments to the Board. However, management may not exceed the authorization of any individual fund. The fund level is the legal level of control (the expenditure level on which expenditures may not legally exceed appropriations) for each budget for which data are presented in the annual financial report.

For the San Diego County Regional Transportation Commission sales tax projects special revenue fund, the annual program budget is based on expected sales tax revenue receipts. The expenditures budget reflects the appropriate program split in accordance the *TransNet* Extension Ordinance based on those expected sales tax revenue receipts. After the annual budget is adopted, the Board can legally amend the budget at any time during the fiscal year to incorporate changes in expected sales tax revenues.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. For budgeting purposes, encumbrances lapse at year end and may be reappropriated in the following year.

B. Additional appropriations or amendments

1. General fund

A portion of the general fund revenue is transferred to the general services fund to fund Overall Work Plan projects. Due to reduced project costs in the general services fund, the transfer amounts from the general fund were reduced.

2. TransNet fund

TransNet fund appropriations were decreased to reflect delays in progress and timing of several major construction projects. Actual appropriations were less than budgeted due to further delays and reduced costs as of year end for these multiyear projects.

SUPPLEMENTARY INFORMATION

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San Diego Association of Governments
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

| | Special Revenue Funds | | Totals |
|--|-----------------------|----------------------|----------------------|
| | General | SAFE | 2017 |
| | Services Fund | Fund | |
| ASSETS | | | |
| Cash and investments | \$ 1,706,704 | \$ 9,240,577 | \$ 10,947,281 |
| Accounts receivable | 294,519 | - | 294,519 |
| Prepaid items and other assets | 93,844 | - | 93,844 |
| Interest receivable | - | 26,151 | 26,151 |
| Due from other funds | 5,037,378 | 400,000 | 5,437,378 |
| Due from other governments | 13,680,973 | 523,569 | 14,204,542 |
| Total assets | \$ 20,813,418 | \$ 10,190,297 | \$ 31,003,715 |
| LIABILITIES | | | |
| Accounts payable | \$ 3,746,025 | \$ 130,843 | \$ 3,876,868 |
| Accrued liabilities | 17,492 | - | 17,492 |
| Retentions payable | 1,185,189 | - | 1,185,189 |
| Due to other funds | 7,856,286 | 1,018,514 | 8,874,800 |
| Due to other governments | 2,980,926 | 184,233 | 3,165,159 |
| Unearned revenue | 2,072,471 | - | 2,072,471 |
| Total liabilities | 17,858,389 | 1,333,590 | 19,191,979 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | 8,163,066 | - | 8,163,066 |
| Total deferred inflows of resources | 8,163,066 | - | 8,163,066 |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid Items | 93,844 | - | 93,844 |
| Total nonspendable | 93,844 | - | 93,844 |
| Restricted for: | | | |
| Freeway emergency service | - | 8,856,707 | 8,856,707 |
| Total restricted | - | 8,856,707 | 8,856,707 |
| Unassigned | (5,301,881) | - | (5,301,881) |
| Total fund balances (deficit) | (5,208,037) | 8,856,707 | 3,648,670 |
| Total liabilities, deferred inflow of resources and fund balances | \$ 20,813,418 | \$ 10,190,297 | \$ 31,003,715 |

San Diego Association of Governments
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2017

| | Special Revenue Funds | | Totals |
|---|-----------------------|--------------------|---------------------|
| | General | | |
| | Services | SAFE | |
| | Fund | Fund | 2017 |
| REVENUES | | | |
| Federal funds | \$ 18,378,444 | \$ - | \$ 18,378,444 |
| State funds | 3,015,428 | - | 3,015,428 |
| Other local governmental funding | 1,426,237 | - | 1,426,237 |
| SAFE program revenue | - | 2,954,988 | 2,954,988 |
| Member agency assessments | 200,000 | - | 200,000 |
| Investment earnings | - | 49,455 | 49,455 |
| Other revenues | 131,815 | - | 131,815 |
| Total revenues | 23,151,924 | 3,004,443 | 26,156,367 |
| EXPENDITURES | | | |
| Current: | | | |
| Modeling and research | 8,194,350 | - | 8,194,350 |
| Criminal justice | 1,524,153 | - | 1,524,153 |
| Sustainable development | 5,275,752 | - | 5,275,752 |
| Smart mobility programs and services | 18,629,735 | - | 18,629,735 |
| Internal and external coordination | 6,707,729 | - | 6,707,729 |
| SAFE program | - | 1,631,813 | 1,631,813 |
| Bicycle facilities | 2,764,145 | - | 2,764,145 |
| Smart growth | 3,211,667 | - | 3,211,667 |
| Transit system improvements | 1,533,594 | - | 1,533,594 |
| Total expenditures | 47,841,125 | 1,631,813 | 49,472,938 |
| REVENUES OVER (UNDER) EXPENDITURES | (24,689,201) | 1,372,630 | (23,316,571) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 21,318,552 | - | 21,318,552 |
| Transfers out | - | (1,018,507) | (1,018,507) |
| Total other financing sources (uses) | 21,318,552 | (1,018,507) | 20,300,045 |
| Net change in fund balances | (3,370,649) | 354,123 | (3,016,526) |
| FUND BALANCES (DEFICIT) | | | |
| Beginning of year | (1,837,388) | 8,502,584 | 6,665,196 |
| End of year | \$ (5,208,037) | \$ 8,856,707 | \$ 3,648,670 |

San Diego Association of Governments
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2017

| | Business-type Activities-Enterprise Funds | | | Totals |
|---|---|-----------------------|---------------------|----------------------|
| | Nonmajor Funds | | | 2017 |
| | Service Bureau | Interstate 15 FasTrak | Property Management | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ - | \$ 20,690,774 | \$ - | \$ 20,690,774 |
| Accounts receivable | 39,800 | 195,106 | - | 234,906 |
| Prepaid items and other assets | - | 4,238 | - | 4,238 |
| Interest receivable | - | 46,731 | - | 46,731 |
| Due from other funds | 388,572 | 8,217,446 | 71,730 | 8,677,748 |
| Due from other governments | 149,466 | 440,633 | - | 590,099 |
| Total current assets | 577,838 | 29,594,928 | 71,730 | 30,244,496 |
| Noncurrent assets: | | | | |
| Non-depreciable assets | - | 1,036,442 | - | 1,036,442 |
| Depreciable assets, net of accumulated depreciation | - | 10,123,963 | - | 10,123,963 |
| Total noncurrent assets | - | 11,160,405 | - | 11,160,405 |
| Total assets | 577,838 | 40,755,333 | 71,730 | 41,404,901 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 52,240 | 1,180,524 | 15,717 | 1,248,481 |
| Retentions payable | - | 11,721 | - | 11,721 |
| Due to other funds | - | 428,534 | - | 428,534 |
| Due to other governments | 211,812 | 453,720 | 69 | 665,601 |
| Transponder deposits payable | - | 2,703 | - | 2,703 |
| Security deposit | - | - | 17,381 | 17,381 |
| Unearned revenue | 83,913 | 1,062,817 | - | 1,146,730 |
| Total current liabilities | 347,965 | 3,140,019 | 33,167 | 3,521,151 |
| Total liabilities | 347,965 | 3,140,019 | 33,167 | 3,521,151 |
| NET POSITION | | | | |
| Investment in capital assets | - | 11,160,405 | - | 11,160,405 |
| Restricted for: | | | | |
| Toll road operations and improvement | - | 26,454,909 | - | 26,454,909 |
| Property management | - | - | 38,563 | 38,563 |
| Unrestricted | 229,873 | - | - | 229,873 |
| Total net position | \$ 229,873 | \$ 37,615,314 | \$ 38,563 | \$ 37,883,750 |

San Diego Association of Governments
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Proprietary Funds
For the year ended June 30, 2017

| | Business-type Activities-Enterprise Funds | | | Totals |
|---|---|-----------------------|---------------------|-------------------|
| | Nonmajor Funds | | | 2017 |
| | Service Bureau | Interstate 15 FasTrak | Property Management | |
| OPERATING REVENUES | | | | |
| Service Bureau revenue | \$ 524,076 | \$ - | \$ - | \$ 524,076 |
| Interstate 15 FasTrak permit revenue | - | 12,946,295 | - | 12,946,295 |
| Interstate 15 FasTrak fines and forfeitures revenue | - | 46,265 | - | 46,265 |
| Total operating revenues | 524,076 | 12,992,560 | - | 13,516,636 |
| OPERATING EXPENSES | | | | |
| Service Bureau operating expenses | 496,667 | - | - | 496,667 |
| Interstate 15 FasTrak operating expenses | - | 5,539,977 | - | 5,539,977 |
| Depreciation | - | 2,198,469 | - | 2,198,469 |
| Total operating expenses | 496,667 | 7,738,446 | - | 8,235,113 |
| Operating income (loss) | 27,409 | 5,254,114 | - | 5,281,523 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Rental income (expense) | - | - | 38,563 | 38,563 |
| Interest income (expense) | - | 37,151 | - | 37,151 |
| Total nonoperating revenues (expenses) | - | 37,151 | 38,563 | 75,714 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 27,409 | 5,291,265 | 38,563 | 5,357,237 |
| Capital contributions | - | 30,685 | - | 30,685 |
| Transfers out | - | (17,016) | - | (17,016) |
| Total transfers | - | 13,669 | - | 13,669 |
| CHANGE IN FUND NET POSITION | 27,409 | 5,304,934 | 38,563 | 5,370,906 |
| NET POSITION | | | | |
| Beginning of year | 202,464 | 32,310,380 | - | 32,512,844 |
| End of year | \$ 229,873 | \$ 37,615,314 | \$ 38,563 | \$ 37,883,750 |

San Diego Association of Governments
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the year ended June 30, 2017

| | Business-type Activities-Enterprise Funds | | | Totals |
|--|---|-----------------------|---------------------|---------------|
| | Nonmajor Funds | | | 2017 |
| | Service Bureau | Interstate 15 FasTrak | Property Management | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers and users | \$ 308,651 | \$ 19,592,857 | \$ - | \$ 19,901,508 |
| Payments for employee salaries and benefits | (147,104) | (591,715) | - | (738,819) |
| Payments for operations | (161,547) | (3,880,009) | - | (4,041,556) |
| Net cash provided by (used for) operating activities | - | 15,121,133 | - | 15,121,133 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | | | |
| Acquisition and construction of capital assets | - | (717,471) | - | (717,471) |
| Net cash provided by (used for) capital financing and related activities | - | (717,471) | - | (717,471) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfer to governmental funds | - | - | (71,730) | (71,730) |
| Net cash provided by (used for) noncapital financing activities | - | - | (71,730) | (71,730) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts from rent | - | - | 104,850 | 104,850 |
| Payment made for rental property | - | - | (33,120) | (33,120) |
| Interest income (loss) | - | (3,248) | - | (3,248) |
| Net cash provided by (used for) investing activities | - | (3,248) | 71,730 | 68,482 |
| Net increase in cash and investments | - | 14,400,414 | - | 14,400,414 |
| Cash and investments, beginning of year | - | 6,290,360 | - | 6,290,360 |
| Cash and investments, end of year | \$ - | \$ 20,690,774 | \$ - | \$ 20,690,774 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ 27,409 | \$ 5,254,114 | \$ - | \$ 5,281,523 |
| Adjustments to reconcile net cash provided by (used for) operating activities: | | | | |
| Depreciation | - | 2,198,469 | - | 2,198,469 |
| (Increase) decrease in: | | | | |
| Accounts receivable | (9,166) | (123,641) | - | (132,807) |
| Due from other funds | (224,555) | 6,350,143 | - | 6,125,588 |
| Due from other governments | 18,296 | 292,119 | - | 310,415 |
| Prepaid expenses | - | (2,031) | - | (2,031) |
| Increase (decrease) in: | | | | |
| Accounts payable | (38,117) | 883,943 | - | 845,826 |
| Retentions payable | - | 9,218 | - | 9,218 |
| Due to other funds | - | 403,422 | - | 403,422 |
| Due to other governments | 151,133 | (227,563) | - | (76,430) |
| Accrued liabilities | - | (768) | - | (768) |
| Unearned revenue | 75,000 | 83,708 | - | 158,708 |
| Total adjustments | (27,409) | 9,867,019 | - | 9,839,610 |
| Net cash provided by (used for) operating activities | \$ - | \$ 15,121,133 | \$ - | \$ 15,121,133 |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | |
| Contribution of capital asset from governmental activities | \$ - | \$ 30,685 | \$ - | \$ 30,685 |

San Diego Association of Governments
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the year ended June 30, 2017

| | Budgeted Amounts ¹ | | Actual Amounts | Variance with Final Budget |
|--|-------------------------------|----------------------|-----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Federal funds | \$ 319,534,000 | \$ 309,187,000 | \$ 174,837,389 | \$ (134,349,611) |
| State funds | 56,915,000 | 69,626,000 | 12,725,638 | (56,900,362) |
| Local Transportation Development Act sales tax funds | 5,106,000 | 4,346,000 | 4,647,054 | 301,054 |
| Other governmental funding | 31,073,000 | 45,075,000 | 19,220,012 | (25,854,988) |
| Total revenues | 412,628,000 | 428,234,000 | 211,430,093 | (216,803,907) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Regional transportation improvements | 964,160,000 | 877,518,000 | 531,402,710 | 346,115,290 |
| Total expenditures | 964,160,000 | 877,518,000 | 531,402,710 | 346,115,290 |
| REVENUES OVER (UNDER) EXPENDITURES | (551,532,000) | (449,284,000) | (319,972,617) | 129,311,383 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 551,532,000 | 449,284,000 | 319,959,390 | (129,324,610) |
| Transfers out | - | - | (97,469) | (97,469) |
| Total other financing sources (uses) | 551,532,000 | 449,284,000 | 319,861,921 | (129,422,079) |
| Net change in fund balances | \$ - | \$ - | (110,696) | \$ (110,696) |
| FUND BALANCES (DEFICIT) | | | | |
| Beginning of year | | | (4,525,997) | |
| End of year | | | \$ (4,636,693) | |

¹ Several transportation projects are completed in partnership with other governmental agencies. The *TransNet* Early Action Program (EAP) portion of the SANDAG Capital Budget is prepared in collaboration with Caltrans, the Metropolitan Transit System, and other governmental agencies in an effort to report, track, and monitor EAP projects on a combined, entire project level and the budgets include all funds received and spent by SANDAG and the other agencies. However, actuals are recorded and presented for funds directly received and spent by SANDAG and do not incorporate funds received and spent by others.

San Diego Association of Governments
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
San Diego County Regional Transportation Commission Debt Service Fund
For the year ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|-------------------------|-------------------------|-----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Federal funds | \$ 6,479,618 | \$ 6,479,618 | \$ 6,532,213 | \$ 52,595 |
| Investment earnings | - | - | 2,770,820 | 2,770,820 |
| Debt repayments from other governments | - | - | 1,806,954 | 1,806,954 |
| Total revenues | 6,479,618 | 6,479,618 | 11,109,987 | 4,630,369 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal retirement | 21,495,000 | 24,260,000 | 72,510,000 | (48,250,000) |
| Debt issuance costs | - | - | 1,284,951 | (1,284,951) |
| Interest and other charges | 62,728,634 | 74,087,453 | 83,332,849 | (9,245,396) |
| Total expenditures | 84,223,634 | 98,347,453 | 157,127,800 | (58,780,347) |
| REVENUES OVER (UNDER) EXPENDITURES | (77,744,016) | (91,867,835) | (146,017,813) | (54,149,978) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 84,223,634 | 98,347,453 | 112,373,099 | 14,025,646 |
| Transfers out | (118,444,000) | (116,276,311) | (213,609,610) | (97,333,299) |
| Bonds issued | - | - | 325,000,000 | 325,000,000 |
| Premium on bonds issued | - | - | 78,818,562 | 78,818,562 |
| Total other financing sources (uses) | (34,220,366) | (17,928,858) | 302,582,051 | 320,510,909 |
| Net change in fund balances | \$ (111,964,382) | \$ (109,796,693) | 156,564,238 | \$ 266,360,931 |
| FUND BALANCES | | | | |
| Beginning of year | | | 69,088,189 | |
| End of year | | | <u>\$ 225,652,427</u> | |

San Diego Association of Governments

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Services Fund

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|---------------------|-----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Federal funds | \$ 22,920,642 | \$ 20,566,777 | \$ 18,378,444 | \$ (2,188,333) |
| State funds | 6,913,516 | 6,668,683 | 3,015,428 | (3,653,255) |
| Other local governmental funding | 2,258,860 | 2,492,360 | 1,426,237 | (1,066,123) |
| Member agency assessments | 200,000 | 200,000 | 200,000 | - |
| Other revenues | - | - | 131,815 | 131,815 |
| Total revenues | 32,293,018 | 29,927,820 | 23,151,924 | (6,775,896) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Modeling and research | 9,091,326 | 9,664,789 | 8,194,350 | 1,470,439 |
| Criminal justice | 1,575,724 | 1,614,129 | 1,524,153 | 89,976 |
| Sustainable development | 7,295,146 | 7,017,008 | 5,275,752 | 1,741,256 |
| Smart mobility programs and services | 24,258,397 | 21,843,376 | 18,629,735 | 3,213,641 |
| Internal and external coordination | 7,725,079 | 6,941,762 | 6,707,729 | 234,033 |
| Bicycle facilities | 4,774,517 | 4,774,517 | 2,764,145 | 2,010,372 |
| Smart growth | 5,134,995 | 5,134,995 | 3,211,667 | 1,923,328 |
| Transit system improvements | 1,622,430 | 1,622,430 | 1,533,594 | 88,836 |
| Total expenditures | 61,477,614 | 58,613,006 | 47,841,125 | 10,771,881 |
| REVENUES OVER (UNDER) EXPENDITURES | (29,184,596) | (28,685,186) | (24,689,201) | 3,995,985 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 29,184,596 | 28,685,186 | 21,318,552 | (7,366,634) |
| Total other financing sources (uses) | 29,184,596 | 28,685,186 | 21,318,552 | (7,366,634) |
| Net change in fund balances | \$ - | \$ - | (3,370,649) | \$ (3,370,649) |
| FUND BALANCES (DEFICIT) | | | | |
| Beginning of year | | | (1,837,388) | |
| End of year | | | \$ (5,208,037) | |

San Diego Association of Governments

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

SAFE Program Fund

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|--------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| SAFE program revenue | \$ 2,613,000 | \$ 3,503,140 | \$ 2,954,988 | \$ (548,152) |
| Investment earnings | - | - | 49,455 | 49,455 |
| Total revenues | <u>2,613,000</u> | <u>3,503,140</u> | <u>3,004,443</u> | <u>(498,697)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| SAFE program expense | <u>1,768,313</u> | <u>2,361,013</u> | <u>1,631,813</u> | <u>729,200</u> |
| Total expenditures | <u>1,768,313</u> | <u>2,361,013</u> | <u>1,631,813</u> | <u>729,200</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>844,687</u> | <u>1,142,127</u> | <u>1,372,630</u> | <u>230,503</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(844,687)</u> | <u>(1,142,127)</u> | <u>(1,018,507)</u> | <u>123,620</u> |
| Total other financing sources (uses) | <u>(844,687)</u> | <u>(1,142,127)</u> | <u>(1,018,507)</u> | <u>123,620</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>354,123</u> | <u>\$ 354,123</u> |
| FUND BALANCES | | | | |
| Beginning of year | | | <u>8,502,584</u> | |
| End of year | | | <u>\$ 8,856,707</u> | |

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STATISTICAL SECTION

This part of the San Diego Association of Governments (SANDAG) Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about SANDAG's overall financial health.

| <u>Contents</u> | <u>Page</u> |
|---|--------------------|
| Financial Trends These schedules contain trend information to help the reader understand how SANDAG's financial performance and well-being changed over time. | 128 |
| Revenue Capacity These schedules contain information to help the reader assess SANDAG's most significant local revenue source, the sales tax. | 134 |
| Debt Capacity These schedules present information to help the reader assess the affordability of SANDAG's current levels of outstanding debt and SANDAG's ability to issue additional debt in the future. | 137 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which SANDAG's financial activities take place. | 140 |
| Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the SANDAG CAFR relates to the services SANDAG provides and the activities it performs. | 142 |

Sources: Unless otherwise noted, the information in these schedules is derived from the CAFR for the relevant year.

San Diego Association of Governments
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 317,645,268 | \$ 396,389,593 | \$ 401,218,096 | \$ 194,300,002 | \$ 144,582,596 | \$ 212,369,791 | \$ 287,100,514 | \$ 223,634,536 | \$ 9,168,262 | \$ 15,558,636 |
| Restricted for: | | | | | | | | | | |
| Debt service | 18,201,939 | 21,523,955 | 21,324,637 | 26,892,891 | 10,314,653 | 64,135,550 | 28,414,519 | 32,633,420 | 39,337,425 | 42,315,044 |
| Environmental mitigation | - | - | - | 1,203,086 | 1,208,689 | 1,210,668 | 1,207,152 | 1,209,443 | 1,119,056 | 1,124,533 |
| Unrestricted (deficit) | (50,041,224) | (87,120,162) | (100,267,719) | 183,072,505 | (35,541,644) | (181,431,527) | (257,431,467) | (324,466,756) | (77,096,184) | (67,760,582) |
| Total governmental activities net position | \$ 285,805,983 | \$ 330,793,386 | \$ 322,275,014 | \$ 405,468,484 | \$ 120,564,294 | \$ 96,284,482 | \$ 59,290,718 | \$ (66,989,357) | \$ (27,471,441) | \$ (8,762,369) |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ - | \$ - | \$ - | \$ - | \$ 255,259,406 | \$ 240,433,508 | \$ 224,324,646 | \$ 211,156,058 | \$ 195,346,143 | \$ 179,758,457 |
| Restricted for: | | | | | | | | | | |
| Debt service | - | - | - | - | 1,866,486 | 448 | 986 | 1,397 | 2,133 | 3,624 |
| Major maintenance post-acquisition | - | - | - | - | 4,540,504 | 15,761,136 | 28,505,216 | 43,823,810 | 58,640,048 | 69,230,054 |
| Project revenue | - | - | - | - | 142,000 | 79,004 | 261,009 | 429,952 | 3,152,752 | 7,099,391 |
| Toll road operations and improvements | - | - | - | - | - | - | 7,479,433 | 12,798,483 | 19,699,661 | 26,454,909 |
| Property management | - | - | - | - | - | - | - | - | - | 38,563 |
| Unrestricted (deficit) | 645,541 | 762,166 | 2,263,466 | 2,611,579 | (56,693,496) | (53,302,771) | (58,324,897) | (62,056,526) | (62,030,737) | (63,176,668) |
| Total business-type activities net position | \$ 645,541 | \$ 762,166 | \$ 2,263,466 | \$ 2,611,579 | \$ 205,114,900 | \$ 202,971,325 | \$ 202,246,393 | \$ 206,153,174 | \$ 214,810,000 | \$ 219,408,330 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 317,645,268 | \$ 396,389,593 | \$ 401,218,096 | \$ 194,300,002 | \$ 399,842,002 | \$ 452,803,299 | \$ 511,425,160 | \$ 434,790,594 | \$ 204,514,405 | \$ 195,317,093 |
| Restricted for: | | | | | | | | | | |
| Debt service | 18,201,939 | 21,523,955 | 21,324,637 | 26,892,891 | 12,181,139 | 64,135,998 | 28,415,505 | 32,634,817 | 39,339,558 | 42,318,668 |
| Environmental mitigation | - | - | - | 1,203,086 | 1,208,689 | 1,210,668 | 1,207,152 | 1,209,443 | 1,119,056 | 1,124,533 |
| Major maintenance post-acquisition | - | - | - | - | 4,540,504 | 15,761,136 | 28,505,216 | 43,823,810 | 58,640,048 | 69,230,054 |
| Project revenue | - | - | - | - | 142,000 | 79,004 | 261,009 | 429,952 | 3,152,752 | 7,099,391 |
| Toll road operations and improvements | - | - | - | - | - | - | 7,479,433 | 12,798,483 | 19,699,661 | 26,454,909 |
| Property management | - | - | - | - | - | - | - | - | - | 38,563 |
| Unrestricted (deficit) | (49,395,683) | (86,357,996) | (98,004,253) | 185,684,084 | (92,235,140) | (234,734,298) | (315,756,364) | (386,523,282) | (139,126,921) | (130,937,250) |
| Total primary government net position | \$ 286,451,524 | \$ 331,555,552 | \$ 324,538,480 | \$ 408,080,063 | \$ 325,679,194 | \$ 299,255,807 | \$ 261,537,111 | \$ 139,163,817 | \$ 187,338,559 | \$ 210,645,961 |

Source: Finance Department

San Diego Association of Governments
Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government, net of cost recovery | \$ 5,155,572 | \$ 3,490,679 | \$ 3,843,933 | \$ 4,340,560 | \$ (50,395) | \$ (75,055) | \$ (486,437) | \$ (34,313) | \$ 1,916,776 | \$ 668,106 |
| Transit support activities | 51,063,433 | 63,760,998 | 48,016,961 | - | - | - | - | - | - | - |
| Regional planning | 2,832,945 | 4,123,055 | 3,326,106 | - | - | - | - | - | - | - |
| Transportation service and facility planning | 1,799,546 | 1,969,902 | 2,225,251 | - | - | - | - | - | - | - |
| Transportation development projects | 4,586,455 | 3,974,971 | 5,600,080 | - | - | - | - | - | - | - |
| Systems management | 6,831,294 | 7,745,668 | 7,815,571 | - | - | - | - | - | - | - |
| Program management, project monitoring, and external relations | 3,674,813 | 4,605,874 | 5,489,182 | - | - | - | - | - | - | - |
| Regional information systems | 5,513,475 | 5,278,079 | 4,275,893 | - | - | - | - | - | - | - |
| Modeling and research | - | - | - | 2,945,543 | 3,906,142 | 4,458,732 | 4,545,222 | 5,102,366 | 6,212,388 | 8,198,683 |
| Criminal justice | 1,470,916 | 1,442,777 | 1,342,462 | 1,322,882 | 1,635,255 | 1,521,582 | 1,495,834 | 1,303,563 | 1,214,864 | 1,524,153 |
| Planning and forecasting | - | - | - | 5,626,008 | 4,708,816 | 4,212,706 | 4,394,795 | - | - | - |
| Sustainable development | - | - | - | 1,640,795 | 1,269,411 | 1,304,160 | 1,003,906 | 6,806,436 | 6,765,168 | 5,275,752 |
| Sustainable mobility programs and services | - | - | - | 46,513,217 | 46,418,002 | 47,366,426 | 21,247,297 | 18,332,743 | 18,012,242 | 20,898,685 |
| Intermodal planning and implementation | - | - | - | 1,554,009 | 2,602,205 | 2,114,127 | 1,528,526 | 1,296,930 | - | - |
| Internal and external coordination | - | - | - | 4,506,811 | 7,078,166 | 5,773,179 | 5,353,344 | 5,524,869 | 6,016,306 | 6,707,729 |
| Bicycle facilities | 2,314,739 | 4,238,080 | 1,044,430 | 1,108,513 | 192,495 | 71,080 | 1,990,728 | 2,186,253 | 2,446,815 | 2,772,067 |
| Independent Taxpayer Oversight Committee | - | 260,757 | 126,063 | 85,510 | 356,159 | 83,071 | 96,017 | 367,036 | 98,320 | 100,853 |
| Major corridor capital projects | 8,431,949 | 5,333,453 | 7,294,773 | 16,217,358 | 542,364 | 126,155 | 141,223 | 2,886,200 | 564,642 | 1,932,128 |
| Major corridor environmental mitigation | - | 9,243 | 439,616 | 3,239 | 4,264 | - | 20,306 | 23,708 | 12,172 | 23,857 |
| Local project environmental mitigation | - | 3,781 | 1,913 | 33,793 | 1,744 | 34,019 | 7,824 | 8,100 | 10,845 | 20,181 |
| Local street improvements | - | 39,940,542 | 23,990,084 | 33,306,399 | 86,880,721 | 66,153,631 | 52,452,895 | 73,431,440 | 110,896,814 | 83,303,412 |
| Smart growth | - | 4,412 | 95,554 | 934,701 | 1,821,384 | 1,783,732 | 2,525,948 | 4,168,356 | 5,680,797 | 3,224,585 |
| New major corridor transit operations | - | 71,628 | 564 | 862,901 | 1,912,773 | 606,497 | 2,509,523 | 11,850,929 | 11,794,749 | 11,521,508 |
| Transit system improvements | - | 35,474,000 | 54,883,491 | 34,556,716 | 37,632,167 | 39,679,702 | 40,266,354 | 43,217,224 | 44,659,647 | 46,459,496 |
| SAFE program | - | - | - | - | - | 11,216,566 | 1,600,183 | 1,669,308 | 1,436,053 | 1,631,813 |
| Transit capital contributions | - | 123,795,904 | 176,392,582 | 125,806,324 | 246,284,582 | 244,093,156 | 303,556,952 | 350,041,508 | 129,905,775 | 261,986,096 |
| Interest on long-term debt | 10,774,960 | 25,589,285 | 28,261,556 | 36,988,739 | 46,908,631 | 58,602,402 | 57,551,894 | 70,639,904 | 71,181,207 | 85,266,788 |
| Cost of debt issuance | - | - | - | - | 6,256,132 | - | - | - | - | - |
| Total governmental activities expenses | 104,450,097 | 331,113,088 | 374,466,065 | 318,353,288 | 496,361,018 | 489,125,868 | 501,802,334 | 598,822,560 | 418,825,580 | 541,515,892 |
| Business-type activities: | | | | | | | | | | |
| Service Bureau | 602,339 | 471,887 | 357,488 | 312,016 | 490,289 | 504,167 | 548,715 | 344,081 | 513,539 | 496,667 |
| Interstate 15 FasTrak | 1,161,859 | 2,128,490 | 3,099,415 | 3,702,804 | 5,094,168 | 6,092,062 | 6,582,099 | 6,764,023 | 7,191,848 | 7,738,446 |
| State Route 125 Toll Road | - | - | - | - | 12,013,407 | 29,911,481 | 30,380,940 | 30,117,602 | 30,647,549 | 33,745,657 |
| Total business-type activities expenses | 1,764,198 | 2,600,377 | 3,456,903 | 4,014,820 | 17,597,864 | 36,507,710 | 37,511,754 | 37,225,706 | 38,352,936 | 41,980,770 |
| Total primary government expenses | \$ 106,214,295 | \$ 333,713,465 | \$ 377,922,968 | \$ 322,368,108 | \$ 513,958,882 | \$ 525,633,578 | \$ 539,314,088 | \$ 636,048,266 | \$ 457,178,516 | \$ 583,496,662 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 547,426 | \$ 547,425 | \$ 547,424 | \$ 547,426 | \$ 547,426 | \$ 565,386 | \$ 547,425 | \$ 547,426 | \$ 547,424 | \$ 547,426 |
| Transit support activities | - | 888,532 | 1,431,222 | 1,106,349 | 1,208,837 | 1,184,459 | - | - | - | - |
| Criminal justice | 200,000 | 200,000 | 200,001 | 200,000 | 199,999 | 200,001 | 200,000 | 200,001 | 200,001 | 200,000 |
| SAFE program | - | - | - | - | - | 1,614,190 | 2,757,111 | 2,787,196 | 2,896,366 | 2,954,988 |
| Operating grants and contributions | 72,589,286 | 86,646,372 | 70,900,310 | 62,912,360 | 65,142,256 | 78,195,117 | 34,298,223 | 33,680,470 | 31,489,804 | 32,714,717 |
| Capital grants and contributions | 33,432,790 | 35,229,222 | 33,912,628 | 91,481,754 | 114,897,279 | 112,147,740 | 150,652,714 | 175,682,343 | 132,821,561 | 202,046,295 |
| Total governmental activities program revenues | 106,769,502 | 123,511,551 | 106,991,585 | 156,247,889 | 181,995,797 | 193,906,893 | 188,455,473 | 212,897,436 | 167,955,156 | 238,463,426 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Service Bureau | 564,013 | 469,365 | 348,823 | 332,478 | 534,763 | 547,760 | 639,983 | 384,544 | 559,527 | 524,076 |
| Interstate 15 FasTrak | 1,771,295 | 2,164,606 | 3,251,352 | 4,005,920 | 4,786,063 | 6,141,283 | 6,449,971 | 10,156,279 | 12,216,848 | 12,992,560 |
| State Route 125 Toll Road | - | - | - | - | 15,134,831 | 26,134,191 | 29,764,264 | 32,031,279 | 35,075,079 | 37,618,422 |
| Total business-type activities program revenues | 2,335,308 | 2,633,971 | 3,600,175 | 4,338,398 | 20,455,657 | 32,823,234 | 36,854,218 | 42,572,102 | 47,851,454 | 51,135,058 |
| Total primary government program revenues | \$ 109,104,810 | \$ 126,145,522 | \$ 110,591,760 | \$ 160,586,287 | \$ 202,451,454 | \$ 226,730,127 | \$ 225,309,691 | \$ 255,469,538 | \$ 215,806,610 | \$ 289,598,484 |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ (131,178,318) | \$ (207,601,537) | \$ (267,474,480) | \$ (162,105,399) | \$ (314,365,221) | \$ (295,218,975) | \$ (313,376,861) | \$ (385,925,124) | \$ (250,870,424) | \$ (303,052,466) |
| Business-type activities | 571,110 | 33,594 | 143,272 | 323,578 | 2,857,793 | (3,684,476) | (657,536) | 5,346,396 | 9,498,518 | 9,154,288 |
| Total primary government net expense | \$ (130,607,208) | \$ (207,567,943) | \$ (267,331,208) | \$ (161,781,821) | \$ (311,507,428) | \$ (298,903,451) | \$ (314,034,397) | \$ (380,578,728) | \$ (241,371,906) | \$ (293,898,178) |

San Diego Association of Governments
Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|------------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|-----------------------|
| | 2008 | 2009 | 2010 ¹ | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| General Revenues and Other Change in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Local <i>TransNet</i> sales tax funds | \$ 244,535,119 | \$ 219,173,861 | \$ 208,504,753 | \$ 223,939,663 | \$ 239,071,064 | \$ 249,520,133 | \$ 261,732,291 | \$ 270,482,476 | \$ 276,383,787 | \$ 286,965,955 |
| Local Transportation Development Act sales tax funds | 8,597,251 | 8,032,786 | 6,552,873 | 7,012,535 | 7,488,972 | 8,135,581 | 9,932,385 | 11,284,888 | 12,144,169 | 15,635,044 |
| Investment earnings (loss) | (1,115,263) | 24,947,560 | 9,785,173 | 14,321,473 | (6,984,702) | 12,212,398 | 4,604,966 | 10,894,328 | 550,944 | 14,043,487 |
| Cost recovery | 23,780,295 | - | - | - | - | - | - | - | - | - |
| Other revenues | 91,165 | 466,059 | 677,295 | 35,625 | 32,336 | 64,454 | 9,832 | 3,582 | 173,282 | 53,972 |
| Transfers in (out) | - | (31,326) | (43,072) | (10,427) | (210,146,639) | (1,492,360) | 103,622 | (2,086,871) | 1,136,158 | 5,063,080 |
| Capital contributions not restricted to specific programs | (50,634,575) | - | - | - | - | - | - | - | - | - |
| Total governmental activities | 225,253,992 | 252,588,940 | 225,477,022 | 245,298,869 | 29,461,031 | 268,440,206 | 276,383,096 | 290,578,403 | 290,388,340 | 321,761,538 |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | 93,613 | 51,705 | 8,488 | 14,108 | (10,501,111) | 37,141 | 36,226 | 201,842 | 294,466 | 468,559 |
| Other revenues | - | - | - | - | - | 11,400 | - | - | - | 38,563 |
| Transfers in (out) | - | 31,326 | 43,072 | 10,427 | 210,146,639 | 1,492,360 | (103,622) | 2,086,871 | (1,136,158) | (5,063,080) |
| Total business-type activities | 93,613 | 83,031 | 51,560 | 24,535 | 199,645,528 | 1,540,901 | (67,396) | 2,288,713 | (841,692) | (4,555,958) |
| Total primary government | \$ 225,347,605 | \$ 252,671,971 | \$ 225,528,582 | \$ 245,323,404 | \$ 229,106,559 | \$ 269,981,107 | \$ 276,315,700 | \$ 292,867,116 | \$ 289,546,648 | \$ 317,205,580 |
| Change in net position | | | | | | | | | | |
| Governmental activities | \$ 94,075,674 | \$ 44,987,403 | \$ (41,997,458) | \$ 83,193,470 | \$ (284,904,190) | \$ (26,778,769) | \$ (36,993,765) | \$ (95,346,721) | \$ 39,517,916 | \$ 18,709,072 |
| Business-type activities | 664,723 | 116,625 | 194,832 | 348,113 | 202,503,321 | (2,143,575) | (724,932) | 7,635,109 | 8,656,826 | 4,598,330 |
| Total primary government | \$ 94,740,397 | \$ 45,104,028 | \$ (41,802,626) | \$ 83,541,583 | \$ (82,400,869) | \$ (28,922,344) | \$ (37,718,697) | \$ (87,711,612) | \$ 48,174,742 | \$ 23,307,402 |

Source: Finance Department

¹ Beginning in 2010, the methodology for accruing sales tax changed and the 2010 amount was restated. Prior years are not restated. The comparability impact between years is minimal since each year represents 12 months of sales

Note: Certain amounts from prior years have been reclassified in order to present comparable results.

San Diego Association of Governments
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| General fund | | | | | |
| Reserved | \$ 200,437 | \$ 68,342 | \$ 52,759 | \$ - | \$ - |
| Unreserved | 2,767,664 | 4,252,570 | 5,599,803 | - | - |
| Nonspendable | - | - | - | 44,896 | 113,560 |
| Assigned | - | - | - | 263,449 | 376,736 |
| Unassigned | - | - | - | 6,204,099 | 9,132,124 |
| Total general fund | \$ 2,968,101 | \$ 4,320,912 | \$ 5,652,562 | \$ 6,512,444 | \$ 9,622,420 |
| All other governmental funds | | | | | |
| Reserved | \$ 52,228,642 | \$ 55,536,856 | \$ 56,527,024 | \$ - | \$ - |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 90,942,421 | 178,822,011 | 284,688,750 | - | - |
| Capital projects fund | (1,571,738) | (784,745) | (4,156,878) | - | - |
| Debt service fund | 436,251,098 | 298,173,715 | 157,891,614 | - | - |
| Nonspendable, reported in: | | | | | |
| Special revenue funds | - | - | - | 508 | 1,182,899 |
| Capital projects fund | - | - | - | 25,832,151 | 19,451,327 |
| Restricted, reported in: | | | | | |
| Special revenue funds | - | - | - | 380,945,586 | 447,198,151 |
| Debt service fund | - | - | - | 436,660,863 | 393,359,255 |
| Assigned, reported in: | | | | | |
| Special revenue funds | - | - | - | 1,089,608 | 366,605 |
| Capital projects fund | - | - | - | 17,044,959 | - |
| Unassigned, reported in: | | | | | |
| Special revenue funds | - | - | - | 1,738,947 | (3,258,178) |
| Total all other governmental funds | \$ 577,850,423 | \$ 531,747,837 | \$ 494,950,510 | \$ 863,312,622 | \$ 858,300,059 |

| | Fiscal Year | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| General fund | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | - | - | - | - | - |
| Nonspendable | 59,670 | 465,189 | 191,813 | 107,893 | 256,879 |
| Assigned | - | - | - | - | - |
| Unassigned | 11,542,244 | 13,817,185 | 14,670,176 | 13,128,367 | 16,435,274 |
| Total general fund | \$ 11,601,914 | \$ 14,282,374 | \$ 14,861,989 | \$ 13,236,260 | \$ 16,692,153 |
| All other governmental funds | | | | | |
| Nonspendable, reported in: | | | | | |
| Special revenue funds | \$ 315 | \$ 1,917 | \$ 24,403 | \$ 150,835 | \$ 125,131 |
| Capital projects fund | 8,737,107 | 7,129,070 | 3,814,294 | 5,769,471 | 256,119 |
| Restricted, reported in: | | | | | |
| Special revenue funds | 422,030,465 | 509,764,607 | 580,925,918 | 567,247,729 | 489,563,141 |
| Debt service fund | 291,362,816 | 62,883,888 | 231,030,381 | 69,088,189 | 225,652,427 |
| Unassigned, reported in: | | | | | |
| Special revenue funds | (1,074,869) | - | (3,058,296) | (1,955,396) | (5,301,881) |
| Capital projects fund | (14,079,322) | (10,095,000) | (22,651,697) | (10,295,468) | (4,892,812) |
| Total all other governmental funds | \$ 706,976,512 | \$ 569,684,482 | \$ 790,085,003 | \$ 630,005,360 | \$ 705,402,125 |

Source: Finance Department

² SANDAG adopted GASB Statement 54 in fiscal year 2011.

San Diego Association of Governments
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|--|----------------------|---------------------|---------------------|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2008 | 2009 | 2010 ¹ | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Revenues | | | | | | | | | | |
| Federal funds | \$ 33,237,437 | \$ 33,735,151 | \$ 31,995,005 | \$ 58,782,786 | \$ 65,491,578 | \$ 62,203,796 | \$ 97,537,254 | \$ 58,992,094 | \$ 109,641,390 | \$ 199,748,046 |
| State funds | 16,639,723 | 24,041,976 | 29,205,281 | 50,665,783 | 81,143,207 | 74,185,732 | 89,207,154 | 94,902,014 | 40,544,354 | 15,741,066 |
| Local <i>TransNet</i> sales tax funds | 244,535,119 | 219,173,861 | 208,504,753 | 223,939,663 | 239,071,064 | 249,520,133 | 261,732,291 | 270,482,476 | 276,383,787 | 286,965,955 |
| Local Transportation Development Act sales tax funds | 8,597,251 | 8,032,786 | 6,552,873 | 7,012,535 | 7,488,972 | 8,135,581 | 9,932,385 | 11,284,888 | 12,144,169 | 15,635,044 |
| Other local governmental funding | 5,101,979 | 5,687,036 | 3,241,951 | 6,451,622 | 5,982,868 | 10,517,389 | 5,347,828 | 41,345,625 | 23,076,654 | 20,646,249 |
| Prepaid fare media sales revenue | 48,961,243 | 56,746,947 | 41,534,073 | 31,954,282 | 28,764,525 | 27,178,362 | - | - | - | - |
| SAFE program revenue | - | - | - | - | - | 1,614,190 | 2,757,111 | 2,787,196 | 2,896,366 | 2,954,988 |
| Member agency assessments | 747,426 | 747,425 | 747,425 | 747,426 | 747,425 | 747,427 | 747,425 | 747,427 | 747,425 | 747,426 |
| Investment earnings | (382,454) | 24,947,560 | 9,212,254 | 4,661,340 | 5,149,714 | 4,338,235 | 6,411,023 | 7,057,123 | 10,059,633 | 7,615,586 |
| Debt repayments from other governments | 15,026,316 | 514,150 | 1,182,228 | 1,430,353 | 943,177 | 1,624,727 | 1,593,525 | 1,729,969 | - | 1,806,954 |
| Rental income | - | - | - | - | - | - | - | - | 1,879,752 | - |
| Other revenues | 1,726,110 | 3,019,075 | 945,146 | 611,701 | 596,467 | 4,708,500 | 185,844 | 89,642 | 278,598 | 185,787 |
| Total revenues | 374,190,150 | 376,645,967 | 333,120,989 | 386,257,491 | 435,378,997 | 444,774,072 | 475,451,840 | 489,418,454 | 477,652,128 | 552,047,101 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 28,799,495 | 28,395,131 | 29,538,756 | 31,551,416 | 29,908,171 | 36,081,584 | 40,237,955 | 40,232,641 | 41,834,324 | 44,077,916 |
| Cost recovery | (23,780,295) | (26,015,616) | (27,654,909) | (28,897,881) | (30,048,643) | (36,320,981) | (40,829,605) | (39,803,511) | (40,055,697) | (43,552,068) |
| Modeling and research | - | - | - | 2,945,543 | 3,961,210 | 4,404,320 | 4,520,203 | 5,088,282 | 6,203,055 | 8,194,350 |
| Criminal justice | 1,470,916 | 1,442,777 | 1,342,462 | 1,322,882 | 1,635,255 | 1,521,582 | 1,495,834 | 1,303,563 | 1,214,864 | 1,524,153 |
| Planning and forecasting | - | - | - | 5,626,008 | 4,708,816 | 4,212,706 | 4,394,795 | - | - | - |
| Sustainable development | - | - | - | 1,640,795 | 1,269,411 | 1,304,160 | 1,033,906 | 6,806,436 | 6,765,168 | 5,275,752 |
| Sustainable mobility programs and services | - | - | - | 46,561,518 | 45,016,226 | 47,420,104 | 21,159,246 | 19,015,421 | 18,084,006 | 18,629,735 |
| Intermodal planning and implementation | - | - | - | 1,554,009 | 2,602,205 | 2,114,127 | 1,528,526 | 1,296,930 | - | - |
| Internal and external coordination | - | - | - | 4,506,081 | 7,078,166 | 5,773,179 | 5,353,344 | 5,524,869 | 6,016,306 | 6,707,729 |
| Transit support activities | 51,063,433 | 63,760,998 | 48,016,961 | - | - | - | - | - | - | - |
| Regional planning | 2,832,945 | 4,123,055 | 3,326,106 | - | - | - | - | - | - | - |
| Transportation service and facility planning | 1,799,546 | 1,969,902 | 2,225,251 | - | - | - | - | - | - | - |
| Transportation development projects | 4,586,455 | 3,974,971 | 5,600,080 | - | - | - | - | - | - | - |
| Systems management | 6,831,294 | 7,745,668 | 7,815,571 | - | - | - | - | - | - | - |
| Program management, project monitoring, and external relations | 3,674,813 | 4,605,874 | 5,489,182 | - | - | - | - | - | - | - |
| Regional information systems | 5,513,475 | 5,278,079 | 4,275,893 | - | - | - | - | - | - | - |
| Highway improvements | 12,481 | 165,343 | - | - | - | - | - | - | - | - |
| Local street and road improvements | 62,766,695 | 10,228,989 | - | - | - | - | - | - | - | - |
| Public transit improvements and operations | 46,938,252 | 1,114,806 | - | - | - | - | - | - | - | - |
| Bicycle facilities | 2,314,739 | 4,238,080 | 1,044,430 | 1,108,513 | 192,495 | 71,080 | 1,990,728 | 2,186,253 | 2,446,815 | 2,772,067 |
| Independent Taxpayer Oversight Committee | - | 260,757 | 126,063 | 85,510 | 356,159 | 83,071 | 96,017 | 367,036 | 98,320 | 100,853 |
| Major corridor capital projects | - | 5,168,110 | 7,294,773 | 16,217,358 | 542,364 | 126,155 | 141,223 | 2,886,200 | 564,642 | 1,932,128 |
| Major corridor environmental mitigation | 8,431,949 | 9,243 | 439,616 | 3,239 | 4,264 | - | 20,306 | 23,708 | 12,172 | 23,857 |
| Local project environmental mitigation | - | 3,781 | 1,913 | 33,793 | 1,744 | 34,019 | 7,824 | 8,100 | 10,845 | 20,181 |
| Local street improvements | - | 32,711,553 | 29,440,084 | 33,306,399 | 94,061,810 | 78,188,231 | 61,583,853 | 76,691,415 | 113,647,914 | 85,032,205 |
| Smart growth | - | 4,412 | 95,554 | 934,701 | 1,821,384 | 1,783,732 | 2,525,948 | 4,168,356 | 5,680,797 | 3,224,585 |
| New major corridor transit operations | - | 71,628 | 564 | 862,901 | 1,912,773 | 606,497 | 2,509,523 | 11,850,929 | 11,794,749 | 11,521,508 |
| Transit system improvements | - | 34,359,194 | 54,883,491 | 34,556,716 | 37,632,167 | 39,679,702 | 40,266,354 | 43,217,224 | 44,659,647 | 46,459,496 |
| SAFE program | - | - | - | - | - | 11,216,566 | 1,600,183 | 1,669,308 | 1,436,053 | 1,631,813 |
| Capital outlay | 149,676,575 | 203,674,807 | 183,167,335 | 157,934,729 | 282,966,853 | 325,735,127 | 427,710,598 | 362,366,104 | 371,790,100 | 531,402,710 |
| Debt service: | | | | | | | | | | |
| Principal retirement | 202,302,316 | - | - | 20,048,000 | 165,460,000 | 20,260,000 | 16,585,000 | 60,050,000 | 22,455,000 | 72,510,000 |
| Debt issuance costs | 797,218 | 10,800,000 | 11,962,000 | 2,864,732 | 2,296,858 | - | - | 553,594 | - | 1,284,951 |
| Interest and other charges | 10,359,957 | 26,272,874 | 26,678,486 | 33,107,476 | 69,284,878 | 53,909,872 | 56,961,271 | 66,587,190 | 72,279,578 | 83,332,849 |
| Total expenditures | 566,392,259 | 424,364,416 | 395,109,662 | 367,874,438 | 722,664,566 | 598,204,833 | 650,893,032 | 672,090,048 | 686,938,658 | 882,106,770 |
| Excess of revenues over (under) expenditures | (192,202,109) | (47,718,449) | (61,988,673) | 18,383,053 | (287,285,569) | (153,430,761) | (175,441,192) | (182,671,594) | (209,286,530) | (330,059,669) |

San Diego Association of Governments
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|------------------------|------------------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|----------------------|
| | 2008 | 2009 | 2010 ¹ | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 303,161,848 | 388,388,597 | 357,834,060 | 309,509,142 | 592,295,624 | 409,359,665 | 409,359,665 | 492,307,822 | 573,094,870 | 667,372,977 |
| Transfers out | (303,161,848) | (388,419,923) | (357,877,132) | (309,519,569) | (784,295,624) | (409,350,914) | (409,350,914) | (492,294,556) | (571,958,712) | (662,279,212) |
| Pass-through payments to MTS | 1,428,130 | - | - | - | - | - | - | - | - | - |
| <i>reclass pass thru from MTS to "other local govt funding"</i> | (1,428,130) | - | - | - | - | - | - | - | - | - |
| Commercial paper issued | 94,783,000 | 3,000,000 | 5,450,000 | - | 921,000 | 1,579,000 | 1,579,000 | 1,999,000 | 46,445,000 | - |
| Bonds issued | 600,000,000 | - | - | 350,000,000 | 420,585,000 | - | - | 350,000,000 | - | 325,000,000 |
| Payment to refunded debt agent | - | - | - | - | - | - | - | - | - | 78,818,562 |
| Premium on bonds issued | - | - | - | 849,368 | 55,876,982 | - | - | 55,305,483 | - | - |
| Total other financing sources (uses) | 694,783,000 | 2,968,674 | 5,406,928 | 350,838,941 | 285,382,982 | 1,587,751 | 1,587,751 | 407,317,749 | 47,581,158 | 408,912,327 |
| Net change in fund balances | \$ 502,580,891 | \$ (44,749,775) | \$ (56,581,745) | \$ 369,221,994 | \$ (1,902,587) | \$ (151,843,010) | \$ (173,853,441) | \$ 224,646,155 | \$ (161,705,372) | \$ 78,852,658 |
| Debt service as a percentage of noncapital expenditures | 45.50% | 7.60% | 6.84% | 15.79% | 33.27% | 14.32% | 13.96% | 18.87% | 21.29% | 25.45% |

Source: Finance Department

¹ Fiscal year 2004 was the first year that SANDAG presented financial statements since the consolidation required by Senate Bill 1703. The consolidation significantly changed the structure of SANDAG and therefore it is not deemed useful to present the prior fiscal years for comparative analysis.

² Beginning in 2010, the methodology for accruing sales tax changed and the 2010 amount was restated. Prior years are not restated. The comparability impact between years is minimal since each year represents 12 months of sales tax.

Note: Certain amounts from prior years have been reclassified in order to present comparable results.

San Diego Association of Governments
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| Fiscal Year | Sales Tax |
|-------------------|----------------|
| 2008 | \$ 244,535,119 |
| 2009 | 239,071,064 |
| 2010 ¹ | 208,504,753 |
| 2011 | 223,939,663 |
| 2012 | 239,071,064 |
| 2013 | 249,520,133 |
| 2014 | 261,732,291 |
| 2015 | 270,482,476 |
| 2016 | 276,383,787 |
| 2017 | 286,965,955 |

Source: Finance Department

¹ Beginning in 2010, the methodology for accruing sales tax changed and the 2010 amount was restated. Prior years are not restated. The comparability impact between years is minimal since each year represents 12 months of sales tax.

San Diego Association of Governments

Direct and Overlapping Sales Tax Rates

Last Ten Fiscal Years

| Fiscal Year | <i>TransNet</i> Sales Tax Proposition A ¹ | County of San Diego ² |
|-------------------|---|----------------------------------|
| 2008 | 0.50% | 7.75% |
| 2009 | 0.50% | 8.75% |
| 2010 | 0.50% | 8.75% |
| 2011 | 0.50% | 8.75% |
| 2012 | 0.50% | 7.75% |
| 2013 | 0.50% | 8.00% |
| 2014 | 0.50% | 8.00% |
| 2015 | 0.50% | 8.00% |
| 2016 | 0.50% | 8.00% |
| 2017 ³ | 0.50% | 7.75% |

Source: California Department of Tax and Fee Administration <http://www.cdtfa.ca.gov/formspubs/cdtfa95.pdf>

¹ *TransNet* sales tax was extended another 40 years to 2048 in 2004 under Proposition A.

² The following six cities within the County of San Diego have a sales tax rate other than 7.75%:

| | |
|---------------|-------|
| Chula Vista | 8.25% |
| Del Mar | 8.75% |
| El Cajon | 8.25% |
| La Mesa | 8.50% |
| National City | 8.75% |
| Vista | 8.25% |

³ Rates Effective 10/1/17

San Diego Association of Governments
San Diego Region Taxable Sales by Jurisdiction
Fiscal Year 2016¹ and Nine Years Prior

| | FY 2016 ² | | | FY 2007 ³ | | |
|------------------------|--|------|------------------------|--|------|------------------------|
| | Taxable Sales (thousands of dollars) | Rank | Percentage of Total | Taxable Sales (thousands of dollars) | Rank | Percentage of Total |
| San Diego | \$ 22,640,491 | 1 | 41.5% | \$ 20,135,060 | 1 | 42.0% |
| Escondido | 3,076,108 | 3 | 5.6% | 2,801,508 | 3 | 5.8% |
| Carlsbad | 2,815,993 | 4 | 5.2% | 2,567,598 | 4 | 5.4% |
| Chula Vista | 2,690,409 | 5 | 4.9% | 2,449,198 | 5 | 5.1% |
| El Cajon | 2,133,342 | 6 | 3.9% | 2,109,695 | 6 | 4.4% |
| Oceanside | 1,712,515 | 7 | 3.1% | 1,588,390 | 7 | 3.3% |
| National City | 1,546,865 | 8 | 2.8% | 1,463,284 | 8 | 3.1% |
| Vista | 1,546,246 | 9 | 2.8% | 1,446,814 | 9 | 3.0% |
| San Marcos | 1,366,683 | 10 | 2.5% | 1,228,552 | 10 | 2.6% |
| Encinitas | 1,121,193 | 11 | 2.1% | 1,164,777 | 11 | 2.4% |
| Poway | 1,114,731 | 12 | 2.0% | 1,062,485 | 12 | 2.2% |
| La Mesa | 1,078,641 | 13 | 2.0% | 1,013,825 | 13 | 2.1% |
| Santee | 1,069,853 | 14 | 2.0% | 749,122 | 14 | 1.6% |
| Lemon Grove | 439,558 | 15 | 0.8% | 419,317 | 15 | 0.9% |
| Coronado | 293,386 | 16 | 0.5% | 280,170 | 16 | 0.6% |
| Solana Beach | 263,771 | 17 | 0.5% | 215,024 | 17 | 0.4% |
| Del Mar | 191,799 | 18 | 0.4% | 143,841 | 18 | 0.3% |
| Imperial Beach | 84,030 | 19 | 0.2% | 69,547 | 19 | 0.1% |
| Incorporated | 45,185,614 | | | 40,908,207 | | |
| Unincorporated | 9,375,105 | 2 | 17.2% | 7,049,198 | 2 | 14.7% |
| San Diego Region Total | <u>\$ 54,560,719</u> | | <u>100.0%</u> | <u>\$ 47,957,405</u> | | <u>100.0%</u> |

Source: California Board of Equalization, "Taxable Sales by City"

¹ Annual data for 2016 are not yet available.

² Sum of data for third and fourth quarters of 2015 and first and second quarters of 2016.

³ Sum of data for third and fourth quarters of 2006 and first and second quarters of 2007.

San Diego Association of Governments
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | Business-type Activities | | Total Primary Government | Percentage of Personal Income ¹ | Debt Per Capita ¹ | | | | |
|----------------|----------------------------|----------------------------------|---------------|-----------------------------|-------------|--------------------------------|--|------------------------------------|------|----------------|--------|-----|
| | Sales Tax Revenue | Sales Tax Commercial Paper | Total | TIFIA Notes | Total | | | | | | | |
| | 2008 | \$ 600,000,000 | \$ 34,000,000 | \$ 634,000,000 | \$ - | | | | \$ - | \$ 634,000,000 | 0.409% | 209 |
| | 2009 | 589,200,000 | 37,000,000 | 626,200,000 | - | | | | - | 626,200,000 | 0.417% | 204 |
| 2010 | 577,800,000 | 41,888,000 | 619,688,000 | - | - | 619,688,000 | 0.406% | 200 | | | | |
| 2011 | 916,463,741 | 34,000,000 | 950,463,741 | - | - | 950,463,741 | 0.599% | 305 | | | | |
| 2012 | 1,228,392,144 | 33,821,000 | 1,262,213,144 | 95,629,359 | 95,629,359 | 1,357,842,503 | 0.818% | 434 | | | | |
| 2013 | 1,208,152,472 | 33,989,000 | 1,242,141,472 | 100,572,988 | 100,572,988 | 1,342,714,460 | 0.799% | 426 | | | | |
| 2014 | 1,191,472,800 | 73,001,000 | 1,264,473,800 | 159,790,992 | 159,790,992 | 1,424,264,792 | 0.829% | 446 | | | | |
| 2015 | 1,578,319,665 | 30,440,000 | 1,608,759,665 | 160,299,501 | 160,299,501 | 1,769,059,166 | 1.030% | 554 | | | | |
| 2016 | 1,554,507,253 | 75,000,000 | 1,629,507,253 | 161,363,534 | 161,363,534 | 1,790,870,787 | 1.041% | 555 | | | | |
| 2017 | 1,928,648,386 | 26,750,000 | 1,955,398,386 | 164,765,823 | 164,765,823 | 2,120,164,209 | 1.142% | 645 ² | | | | |

Source: Finance Department

Note: Details regarding the outstanding debt can be found in the Notes to the Basic Financial Statements, Note II.H.

¹ See the Schedule of Demographic and Economic Statistics for personal income and population data.

² Used the most recent data available (2016).

San Diego Association of Governments
Pledged-Revenue Coverage
Last Ten Fiscal Years

| Fiscal Year | Sales Tax Revenue | Sales Tax Revenue Bonds | | Sales Tax Commercial Paper | | Total | | Coverage |
|----------------|----------------------|-------------------------|--------------|----------------------------|------------|---------------|--------------|----------|
| | | Debt Service | | Debt Service | | Debt Service | | |
| | | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2008 | \$ 244,535,119 | \$ 57,765,000 | \$ 6,704,350 | \$ 32,604,000 | \$ 796,370 | \$ 90,369,000 | \$ 7,500,720 | 2.50 |
| 2009 | 219,173,861 | 10,800,000 | 23,664,091 | - | 497,799 | 10,800,000 | 24,161,890 | 6.27 |
| 2010 | 208,504,753 | 11,400,000 | 21,583,544 | 562,000 | 221,555 | 11,962,000 | 21,805,099 | 6.17 |
| 2011 | 223,939,663 | 12,160,000 | 29,792,943 | 572,000 | 381,768 | 12,732,000 | 30,174,711 | 5.22 |
| 2012 | 239,071,064 | 164,360,000 | 42,798,432 | 1,100,000 | 737,393 | 165,460,000 | 43,535,825 | 1.14 |
| 2013 | 249,520,133 | 18,640,000 | 50,723,216 | 1,620,000 | 584,452 | 20,260,000 | 51,307,668 | 3.49 |
| 2014 | 261,732,291 | 15,080,000 | 54,038,836 | 1,505,000 | 370,577 | 16,585,000 | 54,409,413 | 3.69 |
| 2015 | 270,482,476 | 15,490,000 | 63,254,010 | 1,835,000 | 401,719 | 17,325,000 | 63,655,729 | 3.34 |
| 2016 | 276,383,787 | 20,570,000 | 70,123,201 | 1,885,000 | 415,880 | 22,455,000 | 70,539,081 | 2.97 |
| 2017 | 286,965,955 | 24,260,000 | 80,450,441 | 48,250,000 | 581,493 | 72,510,000 | 81,031,934 | 1.87 |

Source: Finance Department

Note: Details regarding the outstanding debt can be found in the Notes to the Basic Financial Statements, Note II.H.

**San Diego Association of Governments
Pledged-Revenue Coverage - SR 125 Toll Road
Last Six Fiscal Years**

| Fiscal Year | SR 125 Project Revenues | Less: | Net SR 125 Revenues | Less: TIFIA Debt Service | Less: Major Maintenance Reserve Fund Deposits | Adjusted Net SR 125 Revenues | Principal | Interest | Total |
|---|-------------------------|---------------------------------|---------------------|--------------------------|---|------------------------------|-----------|--------------------|--------------|
| | | Operating and Maintenance Costs | | | | | | | |
| 2012 | \$ 15,125,130 | \$ (5,196,570) | \$ 9,928,560 | \$ (1,860,488) | \$ (4,540,504) | \$ 3,527,568 | \$ - | \$ 1,860,488 | \$ 1,860,488 |
| 2013 | 26,134,191 | (8,172,275) | 17,961,916 | (3,676,182) | (10,865,173) | 3,420,561 | 135,018 | 3,541,164 | 3,676,182 |
| 2014 | 29,743,159 | (8,768,921) | 20,974,238 | (4,190,918) | (5,684,084) | 11,099,236 | 656,988 | 3,533,930 | 4,190,918 |
| 2015 | 31,951,777 | (8,914,720) | 23,037,057 | (4,951,173) | (12,727,141) | 5,358,743 | 1,468,175 | 3,482,998 | 4,951,173 |
| 2016 | 35,346,500 | (11,384,338) | 23,962,162 | (4,805,164) | (15,572,916) | 3,584,082 | 1,140,315 | 3,664,849 | 4,805,164 |
| 2017 | 38,049,829 | (11,540,125) | 26,509,704 | (4,524,125) | (16,485,768) | 5,499,811 | 637,212 | 3,886,914 | 4,524,126 |
| First Subordinate Obligation Debt Service | | | Total Debt Service | | | Coverage Ratios | | | |
| | Principal | Interest | Total | Principal | Interest | Total | TIFIA | First Subordinated | |
| 2012 | \$ 2,044,204 | \$ 112,585 | \$ 2,156,789 | \$ 2,044,204 | \$ 1,973,073 | \$ 4,017,277 | 5.34 | 1.64 | |
| 2013 | 1,044,422 | 316,883 | 1,361,305 | 1,179,440 | 3,858,047 | 5,037,487 | 4.89 | 2.51 | |
| 2014 | 528,080 | 2,674,226 | 3,202,306 | 1,185,068 | 6,208,156 | 7,393,224 | 5.00 | 3.47 | |
| 2015 | - | 2,649,982 | 2,649,982 | 1,468,175 | 6,132,980 | 7,601,155 | 4.65 | 2.02 | |
| 2016 | - | 2,649,982 | 2,649,982 | 1,140,315 | 6,314,831 | 7,455,146 | 4.99 | 1.35 | |
| 2017 | - | 2,649,982 | 2,649,982 | 637,212 | 6,536,896 | 7,174,108 | 5.86 | 2.08 | |

Source: Finance Department

Note: Details regarding the outstanding debt can be found in the Notes to the Basic Financial Statements, Note II.H.

SR 125 toll road was acquired by SANDAG in fiscal year 2012, therefore only six years of information is presented.

San Diego Association of Governments
Demographic and Economic Statistics
Last Ten Available Calendar Years¹

| Calendar Year | Population ² | Personal Income (<i>millions of dollars</i>) ⁴ | Per Capita Personal Income ⁴ | Median Age ² | Unemployment Rate ³ |
|------------------|-------------------------|--|--|----------------------------|-----------------------------------|
| 2007 | 2,998,477 | \$ 153,535 | \$ 51,200 | 33.8 | 4.6% |
| 2008 | 3,032,689 | 154,195 | 50,840 | 33.7 | 6.0% |
| 2009 | 3,064,436 | 149,181 | 48,680 | 33.7 | 9.6% |
| 2010 | 3,095,313 | 151,858 | 49,060 | 33.7 | 10.6% |
| 2011 | 3,115,810 | 157,629 | 50,590 | 34.7 | 10.1% |
| 2012 | 3,128,387 | 163,526 | 52,270 | 34.8 | 8.9% |
| 2013 | 3,164,818 | 166,463 | 52,600 | 34.8 | 7.5% |
| 2014 | 3,192,457 | 170,649 | 53,450 | 35.0 | 6.4% |
| 2015 | 3,227,496 | 172,110 | 53,330 | 35.3 | 5.2% |
| 2016 | 3,286,717 | 185,688 | 55,700 | 35.5 | 4.7% |

Source: Data compiled by SANDAG.

¹ Data for 2017 is not yet available, therefore, 2016 data is the most current year provided; ² SANDAG Current Estimates; ³ California Employment Development Department; ⁴ U.S. Bureau of Economic Analysis (BEA), Regional Economic Accounts "Local Area Personal Income Accounts," Table CA5N; Bureau of Labor Statistics (BLS), Chained Consumer Price Index (CPI), "Series CUUSA424SA0"

Notes: Year-to-year variation for Educational Attainment and Poverty are the result of both actual change and sampling error. Personal Income and Per Capita Personal Income were inflation-adjusted to 2016 dollars. Median Age for 2017 and Personal Income and Per Capita Personal Income for 2016 were estimated using the prior year's growth rate. BEA Personal Income definition: "Personal income is the income received by, or on behalf of, all persons from all sources: from participation as laborers in production, from owning a home or business, from the ownership of financial assets, and from government and business in the form of transfers. It includes income from domestic sources as well as the rest of world. It does not include realized or unrealized capital gains or losses."

San Diego Association of Governments
San Diego Region Employment by Industry
Calendar Year 2016¹ and Nine Years Prior

| Industry Type | 2016 ¹ | | 2007 | |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
| | Average Annual Employment | % of Total Employment | Average Annual Employment | % of Total Employment |
| Agriculture | 9,000 | 0.6% | 10,900 | 0.8% |
| Natural Resources and Mining | 300 | 0.0% | 400 | 0.0% |
| Construction | 76,100 | 5.3% | 87,000 | 6.5% |
| Manufacturing | 107,800 | 7.5% | 102,800 | 7.7% |
| Wholesale Trade | 44,800 | 3.1% | 45,600 | 3.4% |
| Retail Trade | 147,400 | 10.3% | 148,100 | 11.1% |
| Transportation, Warehousing and Utilities | 29,400 | 2.1% | 28,800 | 2.2% |
| Information | 23,600 | 1.6% | 31,300 | 2.3% |
| Financial Activities | 73,000 | 5.1% | 80,300 | 6.0% |
| Professional and Business Services | 234,000 | 16.3% | 223,200 | 16.7% |
| Educational and Health Services | 198,500 | 13.9% | 144,100 | 10.8% |
| Leisure and Hospitality | 190,700 | 13.3% | 161,800 | 12.1% |
| Other Services | 54,900 | 3.8% | 48,300 | 3.6% |
| Government (civilian) | 242,100 | 16.9% | 222,400 | 16.7% |
| Total, All Industries | 1,431,600 | 100.0% | 1,334,700 | 100.0% |

Source: California Employment Development Department, Labor Market Information Division, March 2016 Benchmark.

Note: Employment figures may not add up to totals due to rounding.

¹ Data for 2017 are not yet available; therefore, 2016 data are provided.

San Diego Association of Governments
Operating Indicators: Employees by Functional Department
Last Ten Fiscal Years

| Functional Department | Fiscal Year | | | | | | | | | |
|--|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Regular Full-Time Equivalent (FTE) Employees: ¹ | | | | | | | | | | |
| Administration | 35 | 35 | 38 | 33 | 32 | 33 | 33 | 33 | 35 | 34 |
| Communications | - | - | - | - | - | - | - | - | 9 | 9 |
| Finance | 19 | 19 | 18 | 17 | 16 | 17 | 17 | 15 | 16 | 16 |
| Executive | 16 | 16 | 16 | 21 | 30 | 32 | 31 | 31 | 15 | 11 |
| Technical Services | 47 | 47 | 49 | 49 | 49 | 53 | 55 | 55 | 54 | 49 |
| Land Use and Transportation Planning | 30 | 30 | 31 | 31 | 31 | 35 | 35 | 35 | 36 | 39 |
| Operations | - | - | - | - | - | - | 4 | 4 | 20 | 26 |
| TransNet Department | - | - | - | - | - | - | - | 9 | 8 | 8 |
| Mobility Management and Project Implementation | 39 | 45 | 43 | 46 | 41 | 42 | 40 | 37 | 29 | 30 |
| Total Regular FTE Employees | 186 | 192 | 195 | 197 | 199 | 212 | 215 | 219 | 222 | 222 |
| Limited Term FTE Employees: ² | | | | | | | | | | |
| Administration | 1 | 2 | - | - | 1 | 4 | 4 | 13 | 15 | 17 |
| Communications | - | - | - | - | - | - | - | - | 9 | 8 |
| Finance | - | 1 | 1 | - | - | 1 | 1 | 1 | 1 | 2 |
| Executive | 1 | 1 | 1 | 5 | 9 | 7 | 7 | 12 | 3 | 2 |
| Technical Services | 6 | 7 | 4 | 4 | 4 | 9 | 9 | 10 | 10 | 10 |
| Land Use and Transportation Planning | 3 | 3 | 4 | 8 | 7 | 9 | 9 | 7 | 6 | 6 |
| Operations | - | - | - | - | - | - | - | 1 | 2 | 4 |
| TransNet Department | - | - | - | - | - | - | - | 1 | 2 | 2 |
| Mobility Management and Project Implementation | 17 | 12 | 7 | 6 | 6 | 4 | 4 | 6 | 5 | 4 |
| Total Limited Term FTE Employees | 28 | 26 | 17 | 23 | 26 | 34 | 34 | 51 | 53 | 55 |
| Toll Operations Personnel (TOP) FTE Employees: | | | | | | | | | | |
| Operations | - | - | - | - | 52 | 51 | 51 | 47 | 50 | 50 |
| Finance | - | - | - | - | - | - | - | 4 | 4 | 4 |
| Total Toll Operations Personnel (TOP) FTE Employees | - | - | - | - | 52 | 51 | 51 | 51 | 54 | 54 |
| Temporary, Interns, Part-time, or Seasonal (TIPS) Employees: ³ | | | | | | | | | | |
| Administration | 1 | 2 | 2 | - | 4 | 3 | 4 | 4 | 4 | 4 |
| Communications | - | - | - | - | - | - | - | - | 4 | 5 |
| Finance | 1 | - | - | - | - | - | - | 1 | 4 | 1 |
| Executive | 1 | 2 | 2 | 4 | 3 | 4 | 4 | 4 | 4 | 2 |
| Technical Services | 13 | 9 | 13 | 11 | 9 | 9 | 9 | 15 | 15 | 6 |
| Land Use and Transportation Planning | 5 | 7 | 6 | 13 | 8 | 14 | 16 | 18 | 18 | 16 |
| Operations | - | - | - | - | - | - | 1 | 5 | 5 | 5 |
| TransNet Department | - | - | - | - | - | - | - | 2 | 2 | 2 |
| Mobility Management and Project Implementation | 7 | 11 | 11 | 9 | 13 | 13 | 13 | 5 | 4 | 4 |
| Total TIPS Employees | 28 | 31 | 34 | 37 | 37 | 43 | 47 | 54 | 60 | 45 |
| Total Employees | 242 | 249 | 246 | 257 | 314 | 340 | 347 | 375 | 389 | 376 |

¹ Regular positions make up the core Board of Director authorized positions. Most regular positions are full-time.

² Limited Term positions are considered part of the contingent workforce, hired to fill a short-term need for additional staff. Most Limited Term positions are full-time positions authorized for a term of one year.

³ TIPS positions are determined by the number of authorized positions on the active payroll as of June 30 each year. TIPS employees are part of the contingent workforce, the majority of which are interns working on a part-time basis.

Note: The number of government employees is more appropriately represented by functional department than the functional levels used in the government-wide statement of activities due to the cross functional nature of SANDAG's employees and activities. Individual employees generally work on several functions.

Note: Operating indicators of demand or level of service by functions used in the government-wide statement of activities are not available due to the nature of functional services provided by SANDAG, a special-purpose government.

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