



2017 Comprehensive Annual Financial Report



LONG BEACH
TRANSIT

A component unit of the City of
Long Beach, CA for the years
ended June 30, 2017 and 2016.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

TABLE OF CONTENTS

Introductory Section

Letter of Transmittal	i
Reporting Entity	ii
Services	ii
Accomplishments	iv
Key Performance Results	vi
Factors Affecting Financial Condition	viii
Recognition	ix
Acknowledgments	ix
Organization Chart	xi
Principal Officials	xii

Financial Section

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Financial Highlights	3
Overview of the Financial Statements	3
Financial Statement Analysis	4
Capital Assets	8
Economic Factors and Next Year's Financial Plan	10
Statements of Net Position	12
Statement of Revenues, Expenses and Changes in Net Position	14
Statements of Cash Flows	15
Notes to Financial Statements	17
(1) Summary of Significant Accounting Policies	17
(2) Cash and Investments	20
(3) Operating Subsidies	25
(4) Accounts Receivable	27
(5) Unearned Revenue	27
(6) Estimated Liability for Insurance Claims	27
(7) Deferred Compensation	28
(8) Capital Assets	29

TABLE OF CONTENTS (Continued)

(9)	Subsidy Deferral	31
(10)	Commitments and Contingencies	31
(11)	Employee Benefits	32
(12)	Labor Agreements	33
(13)	Pension Benefits	34
	Required Supplementary Information	46
	Schedule of Funding Progress – Contract Employees Retirement Plan	
	Schedule of Funding Progress – Salaried Employees Retirement Plan	

Statistical Section

Exhibit

Financial Trends

1	Net Position by Component	49
2	Operating Expenses by Type	49
3	Changes in Net Position	50
4	Capital Expenditures by Type	51

Revenue Capacity

5	Operating Subsidy Sources	52
6	Farebox Recovery Percentage	52
7	Fare History	53

Demographic and Economic Information

8	Demographic Statistics	54
9	Principal Employers	55

Operating Information

10	Key Performance Indicators	56
11	Customer Satisfaction Trends	57
12	Fixed Route Statistics	58
13	Dial-A-Lift Statistics	59
14	Water Taxi Statistics	60
15	Schedule of Insurance in Force	61
16	Summary of Service Frequency & Hours of Operation	63

Pension Information

17	Employer and Employee Pension Contributions	64
18	Pension Revenues by Source & Expenses by Type	65

Grant Information

19	Capital Grant History, Federal	66
20	Capital Grant History, State	68
21	Capital Grant History, Local	69

Long Beach Public Transportation Company

December 18, 2017

Dear Long Beach Transit Board of Directors:

On behalf of Long Beach Transit, I am pleased to submit for your information and consideration the Comprehensive Annual Financial Report (CAFR) of Long Beach Transit (LBT or Agency) for fiscal year July 1, 2016 to June 30, 2017.

The CAFR has become the standard format used in presenting the results of Agency's annual financial operations for the fiscal year. LBT believes this report is presented in a manner designed to fairly disclose the financial position and results of Agency operations as measured by its financial activities. To the best of LBT's knowledge and belief, the disclosures are accurate in all material respects.

The accompanying basic financial statements, supplemental schedules and statistical information are the representations of the Agency's management, which bears the responsibility for their accuracy and completeness. The Independent Auditors' Report, prepared by Windes, Inc., is included, along with other necessary disclosures, to enable the reader to gain maximum understanding of the Agency's financial activities.

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

Governmental Accounting Standards Board (GASB) requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Agency's MD&A can be found immediately following the report of the independent auditors.

Sincerely,

Kenneth A. McDonald
President and Chief Executive Officer

REPORTING ENTITY

LBT is a nonprofit corporation, formed in 1963 to provide public transportation services to the City of Long Beach and its neighboring cities.

LBT is governed by a seven-member Board of Directors (Board, appointed by the Mayor of Long Beach and confirmed by the City Council), which provides broad policy and financial decisions, setting direction for management.

Additionally, two designees of the City Manager's Office serve as nonvoting City Representative members of the Board. The Board appoints a Chief Executive Officer (CEO) who is responsible for the performance of the organization and the day-to-day operation of the business of LBT. LBT's Executive Leadership Team is represented by the Deputy CEO and five Executive Directors/Vice Presidents heading Finance and Budget; Maintenance and Infrastructure; Information Technology; and Transit Service Delivery and Planning. LBT's organizational chart is shown later in this introductory section.

LBT's reporting entity includes only transit operations and there is no other organization within the City of Long Beach providing a similar scope of public transportation service.

In accordance with GASB, LBT is considered a component financial reporting unit of the City of Long Beach (City). As such, the Agency's financial statements are included in the City's comprehensive annual financial report as a discretely presented component unit. LBT has a separate legal status and has historically operated as an independently managed and operated nonprofit corporation, receiving no direct administrative or financial support from the City. Currently, there has been no expressed intent to alter the status of this financial reporting and administrative relationship.

SERVICES

LBT is continuing its strategic planning process, which commenced in late 2014, to develop a strategy and structure to obtain optimal organizational effectiveness. For 2017, LBT's focus has been on employees, the financial health of the Agency, and service quality for customers. LBT's Vision Statement, Mission Statement, Values and Leadership Competencies are in support of and have a clear connection to LBT's five Strategic Priorities, which are the functional pillars of the organization and guide LBT's organizational strategies, processes, and people:

- Improve Safety and Service Quality
- Exercise Financial Accountability
- Foster Employee Engagement
- Enhance Customer Experience
- Promote Community and Industry Focus

LBT is a full-service public transit system, providing a wide range of transit services, including:

- Fixed-route bus service
- Downtown Circulator (Passport route)
- Demand responsive paratransit service (Dial-A-Lift)
- Water taxi service (AquaBus and AquaLink)
- Community Special Services

Fixed Route Bus Service

LBT provides fixed-route bus service to a 100- square-mile area, which includes the cities of Long Beach, Lakewood and Signal Hill; and portions of Artesia, Bellflower, Carson, Cerritos, Compton, Hawaiian Gardens, Los Alamitos, Norwalk, Paramount and Seal Beach. This service covers 35 routes, requiring 223 buses.

Of the 35 fixed routes operated by LBT, 26 radiate from the First Street Transit Gallery. The First Street Transit Gallery, located in downtown Long Beach, is the focal point of the fixed-route system as well as Los Angeles County Metropolitan Transportation Authority (Metro) Blue Line rail service running between Long Beach and downtown Los Angeles. The First Street Transit Gallery provides special features such as exclusive bus lanes and traffic control equipment, special bus stop improvements, customer transit shelters equipped with graphic displays, and electronic monitors displaying real-time schedule information. This location is also a major transfer point for Torrance Transit, Los Angeles Department of Transportation (LADOT), and Metro.

All of Long Beach Transit's fixed-route service fleet are low-floor and mobility device accessible. These buses are maintained and dispatched from two facilities. Approximately two-thirds of the vehicles are stored at the central administrative, operating and maintenance facility located at 1963 E. Anaheim St. in Long Beach. The remaining buses are assigned to a second operating and maintenance facility located at 6860 Cherry Street in North Long Beach. Besides the buses, LBT owns a number of non-revenue vehicles used for supervisory and administrative functions and various maintenance vehicles for emergency road services and bus stop support.

LBT maintains transit shelters and benches, providing customer convenience and comfort. There are over 1,900 stops throughout the system and the Agency ensures the stops are well-maintained and meet high cleanliness standards.

Downtown Circulator (Passport route)

The *Passport* is a downtown and waterfront service that is a vital mobility component to the City of Long Beach. The *Passport* connects many points of interest such as: the Aquarium of the Pacific, the Pike, the Queen Mary, Pine Avenue, Shoreline Village, the Convention Center, the Long Beach Sports Arena, surrounding hotels, business and government hubs. It is a complimentary service that starts at 3rd Street and the Promenade and links the Pacific Avenue restaurants, shops and offices to the Convention Center, the Pike, Shoreline Village, Aquarium, and Queen Mary. Service operates daily from 5:10 a.m. to 1:00 a.m.

The service is provided by low-floor, zero emission battery electric buses. *Passport* vehicles are stored and maintained at the central administrative, operating and maintenance facility on Anaheim Street. During fiscal year 2017, the *Passport* carried 583,349 customers.

Demand Responsive Paratransit Service (Dial-A-Lift)

LBT offers Dial-A-Lift paratransit service for persons with disabilities. This curb-to-curb, shared-ride service operates on a call-in basis and is provided by a private contractor. All vehicles are owned by LBT, but stored, maintained and dispatched by the contractor. In fiscal year 2017, the Dial-A-Lift service was operated by a local company using a fleet of mini-vans. There were 42,793 boardings on Dial-A-Lift in fiscal year 2017.

Water Taxi Service (AquaBus and AquaLink)

The Aquarium of the Pacific, Convention Center, and the Pike venue with restaurants, retail and theatres, continue to attract many visitors to the City's downtown waterfront. As a complement to the *Passport* shuttles, LBT also operates water taxi service in Queensway Bay and along the Long Beach coastline.

There are two AquaBus boats that provide links to the Queen Mary, Aquarium of the Pacific, and Shoreline Village. These boats, which carry up to 49 customers each, tie directly with the downtown *Passport* shuttle buses and parking facilities, allowing visitors and tourists to see Long Beach's many attractions without using a car.

For customers wanting to travel further down the coast, the AquaLink boats, two 75-seat catamarans, provide service that operates between the Queen Mary, Aquarium of the Pacific, Belmont Pier and Alamitos Bay Landing.

The service is operated by Catalina Express, a private contractor. The vessels are owned by LBT, and stored and maintained at the contractor's docking facilities. This service runs daily during the summer months. Annual ridership for fiscal year 2017 was 71,239 boardings.

Community Special Service

LBT provides a Museum Express bus service to major museums and garden attractions in Los Angeles and Orange counties. Tickets can be purchased in advance for the service, which runs from June through August. The Museum Express offers residents who would not ordinarily use transit an opportunity to experience transit and is particularly beneficial to LBT's senior and transit-dependent customers who can rely on the service to access attractions they could not travel to on their own. Each year, LBT also supports the Toyota Grand Prix of Long Beach and other large-scale, special events by providing supplemental service where needed.

ACCOMPLISHMENTS

Long Beach Transit (LBT) began operations in 1963 with fewer than 100 buses and carrying 8 million boarding customers annually. LBT has grown to over 260 buses, paratransit vehicles, catamarans and boats that provide service to 26 million customer boardings annually across Long Beach and 12 surrounding communities. LBT makes everyday life better through its dedication to connecting communities and moving people.

Customer Code of Conduct

In October 2016, LBT adopted the agency's first-ever Customer Code of Conduct (Code). The Code sets out expected behaviors for everyone who uses LBT property, which includes, but is not limited to, operating, maintenance and administrative facilities, vehicles, transit stations, bus shelters, bus benches, water vessels and water vessel docks.

The Code authorizes specific personnel the ability to expel from LBT property persons who commit Transit Violations (as defined within the Code) and to suspend their privileges to enter upon LBT property and use the transit system.

Additionally, LBT established the Code to facilitate the proper use of LBT property; to protect

Long Beach Public Transportation Company

LBT property and employees; to ensure payment of fares; and to ensure LBT property is safe, secure, welcoming, and accessible for all customers.

Code of Conduct brochures are available onboard LBT buses in take-one holders, at the Transit and Visitor Information Center and at LBT administrative facilities. The Code is also available in full on LBT's website and promoted via social media.

Los Angeles Galaxy Express Shuttle Service

In February 2017, LBT partnered with AEG, the property owner and management agent for the StubHub Center, which is the home of the LA Galaxy major league soccer team, to provide a free, direct shuttle service—called the Galaxy Express—to and from LA Galaxy home games. The service is a public-private partnership among LBT, StubHub Center, LA Galaxy and LA Metro Express Lanes Net Toll Revenue program.

The Galaxy Express, powered by LBT's 60-foot articulated buses, provides game-day shuttle service from the Metro Blue Line Del Amo Station, and the Harbor Gateway Transit Center directly to the StubHub Center and significantly increases transit options for game attendees, as well as provides an opportunity to introduce soccer fans to LBT's services.

While there are many transit service providers that operate in the vicinity of the stadium, including an existing LBT route, such express transit service is sparse, especially at night or on weekends, which is when many of the LA Galaxy games occur. The goal of the Galaxy Express is to improve transit connectivity to the stadium, increase transit ridership among fans attending games, and ease traffic congestion before and after games.

The intent of our public-private partnership is to provide enhanced mobility options for LA Galaxy fans attending soccer games at StubHub for the 2017 and 2018 seasons. The service is made possible through the Metro Express Lanes Net Toll Revenue Reinvestment Grant Program.

CSULB TAP Stickers

In an effort to control TAP card misuse, LBT coordinated with California State University, Long Beach (CSULB) to ensure that students have a TAP-enabled sticker affixed to their student identification card so that the holder's card cannot be shared with other students.

DBE and SBE Programs

In January 2017, LBT enhanced its Disadvantaged Business Enterprise (DBE) Program and launched a Small Business Element (SBE) Program to foster greater businesses partnerships with the small business community in and around Los Angeles County.

As a part of these programs, LBT hosted outreach events in October 2016 and March 2017 to provide opportunities for Disadvantaged, Small- and Women-owned Businesses to learn about our contracting opportunities, as well as provide a networking forum among prime contractors and transit peers. Additionally, LBT participated in outreach events hosted by the Greater Los Angeles African American Chamber of Commerce, the Regional Hispanic Chamber of Commerce, as well as the Conference Of Minority Transportation Officials.

Battery-Electric Bus Program

In March 2017, LBT released three battery-electric buses (BEB) into regular service on the complimentary, downtown Passport route. In the following months, several more were released resulting in a total of ten BEBS deployed for service and/or training at the close of fiscal year 2017.

Water Taxi – Grand Prix

On April 6, 2017, LBT unveiled its new livery for its water taxi fleet, which now compliments the bus fleet. This unveiling occurred during a press conference that included vast media coverage from four television stations as well as the Press Telegram. The event occurred prior to the opening of the 2017 Toyota Grand Prix of Long Beach.

Transit Service Quality Assurance Program

In April 2017, LBT implemented its transit quality assurance program which is essentially a ‘mystery customer’ program. A third-party vendor acts as LBT’s eyes and ears in identifying potential issues that assists LBT in providing enhanced customer service. Monthly and quarterly reports are provided on mystery rides conducted on LBT buses and mystery calls made to the agency’s Customer Service Center.

Comprehensive Operational Analysis – STAR Initiative

LBT launched its Comprehensive Operational Analysis, branded the Systemwide Transit Analysis and Reassessment (STAR) Initiative, in late 2016. This in-depth analysis looks at LBT’s transit operations and gathers community feedback on how the agency can continually enhance on-time performance, ridership, route efficiency, staffing, facilities, and service amenities. LBT is dedicated to improving safety, service quality, and the customer experience. The STAR Initiative is helping LBT meet those goals. As Long Beach and its surrounding communities change, LBT must change with its customers and anticipate future needs. After gathering feedback, a final set of recommendations to modify routes, bus stops, and other improvements will be released. The study is expected to be concluded in December 2017, with a report that will serve as LBT’s roadmap for the next five to 10 years.

KEY PERFORMANCE RESULTS

One of the several methods used to monitor performance is through key indicators that track service quality, efficiency, and productivity. The results for fiscal year 2017 are on page 58.

Improving On-Time Performance

At LBT, a bus is considered “on-time” if it leaves a stop no more than five minutes late or one minute early. To improve the actual travel experience of its customers, LBT reviewed individual routes to determine where, within the route, delays were likely to occur so they could be addressed. As a result, LBT’s on-time performance rate has increased from 81 percent in fiscal year 2016 to 87 percent in fiscal year 2017. Improving schedule reliability allows customers to better plan their trips and encourages repeat ridership.

Reducing Preventable Accidents

A preventable accident is one in which the Operator failed to do everything that reasonably could have been done to avoid a collision. LBT has a formal method of measuring and evaluating individual and organizational safety performance with an emphasis on continuous improvement. In fiscal year 2017, LBT was able to reduce the number of preventable accidents from 1.34 per 100,000 miles to 1.29 per 100,000 miles.

Increasing Unplanned Absences

An unplanned absence is when an Operator is unexpectedly absent from work. Measuring and decreasing unplanned absences is important as excessive unplanned absences impact LBT's ability to provide consistent and reliable service to our customers. In fiscal year 2017, unplanned operator absences increased from 10 percent to 12 percent.

Improving Customer Service Response Time

Average speed of answer is a customer service center metric for the average amount of time it takes for calls to be answered in customer service. This data is used to measure efficiency, performance and degree of accessibility to customers. In fiscal year 2017, the average speed of answer decreased from 21 seconds to 11 seconds.

Declining Passengers per Revenue Hour

Route productivity is measured in "passengers per revenue (in-service) hour," which represents the total passengers on a route divided by the in-service time. This data may be used to determine if the level of transit service on that route is reasonably well matched with the distribution of demand throughout the day. As observed with many transit systems across the country, LBT's overall passengers per revenue declined during fiscal year 2017 from 36.9 to 35.4 passengers.

Declining Farebox Recovery Ratio

Farebox recovery ratio is the proportion of operating cost that is generated by passenger fares. It is calculated by dividing the total revenue obtained through rider fares by the total cost of operating service. It is generally used by transit and regulatory agencies as a measure of system efficiency. Farebox recovery ratio is affected by several elements including ridership, fare levels, fare structure (discounts), service levels and operating costs. Any changes in these elements affect the farebox recovery ratio. For instance, when ridership falls, there is less fare revenue and the farebox recovery ratio will correspondingly decrease. In fiscal year 2017, LBT's overall farebox recovery ratio declined from 22 percent to 19 percent.

Increasing Mean Distance Between Failures

Mean distance between failures (MDBF) is a transit industry standard that measures the mechanical reliability of the fleet. It measures the average bus miles between reportable mechanical failures, i.e., incidents precluding a revenue vehicle from completing its trip. In 2017 LBT's MDBF increased from 4,033 to 4,222 miles.

Customer Satisfaction

LBT tracks the degree of customer satisfaction with the quality of services provided. An independent research firm is engaged annually to randomly poll customers and non-customers to measure perceptions of LBT's service quality. Results for 2017 and prior years are shown on page 57. Overall, the customer satisfaction index increased from an average of 92 percent to 93 percent.

FACTORS AFFECTING FINANCIAL CONDITION

General Economic Conditions

The overall U.S. economy is slowly strengthening and stabilizing from the Recession. With an increase in job growth, U.S. unemployment rates have gradually declined. U.S. unemployment rates have gradually declined and fallen below five percent, while labor force participation has also stabilized. Overall, the outlook for job growth remains positive as real Gross Domestic Product (GDP), real export and local construction spending are the most influential factors affecting job creation in the local economy.

An important economic growth factor in Long Beach is the export market. Instability in economic growth abroad, as well as the strengthening U.S. dollar, is expected to stymie export growth making California's merchandise more expensive. International trade tied to the ports of Long Beach and Los Angeles is projected to be driven by U.S. consumers but cautions that exports may be negatively impacted in the short term if the economies of China and its trading partners continue to slow.

As the state and local economies continue to recover, LBT stands on firmer ground. More work remains to ensure the sustainability of LBT's pension plans moving forward. Although the existing local funding environment is expected to result in some additional transit funding in the near future, the federal funding environment is not expected to result in additional funding. LBT's management believes its conservative financial practices will allow it to meet the funding challenges for the upcoming year while maintaining current service levels.

Financial Policies

It is LBT's policy to maintain the fiscal integrity of our operating and capital budgets. The Agency accomplishes this by ensuring that its ongoing operating costs do not exceed the amount of its ongoing revenue. Daily operations are financed by fare revenue, annual sales tax subsidies received from state and county programs, and miscellaneous revenue such as income from advertising on Agency vehicles and investment income. The amount of operating sales tax subsidies received each year is based on a regional formula comprised primarily of fares and revenue miles.

LBT has no debt and only uses available grant funds to procure capital acquisitions. The Agency has no plans to issue debt and its policy is to continue to fund future capital needs on a pay-as-you-go basis through formula and discretionary grants.

LBT procures the majority of its capital assets through annual grants awarded through the Federal Transit Administration. The federal grants are allocated by region under Section 5307 of the Fix America's Surface Transportation Act (FAST) of 2015. LBT is eligible to receive funds based on a formula allocation and discretionary money for specific projects, such as buses.

During 2006, a state-wide bond initiative was passed that provides Los Angeles County with additional capital funds for buses and security-related projects. The availability of these funds is

based on the state's ability to issue bonds. Bond proceeds are distributed based on the existing county formula allocation. Any remaining capital needs not funded by federal or bond monies are financed through state and local grants.

Long-Term Financial Planning

LBT's long-term financial planning combines financial forecasting with strategic decision making. Financial forecasts project revenues and expenditures over a five-year period, using assumptions about economic conditions and future spending.

LBT's five-year financial plan aligns the Agency's financial capacity with its five-year service objectives and ensures it is able to maintain existing levels of service. Strategies have been developed, including the transfer of federal capital funds to preventive maintenance operations, to achieve long-term sustainability in light of flat subsidy growth.

The Agency's long-term operating and capital plan helps to stimulate discussion and engender a long-range perspective for decision makers. It is used as a tool to prevent financial challenges, it stimulates long-term and strategic thinking, and it gives consensus on LBT's long-term financial direction.

RECOGNITION

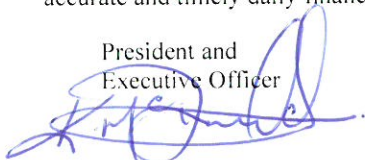
Achievement for Excellence in Financial Reporting

For the 26th straight year, the GFOA of the United States and Canada awarded a Certificate of Achievement for excellence in Financial Reporting to LBT for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. A Certificate of Achievement is valid for a period of one year only. In order to receive the award, a governmental unit must publish an easily readable and efficiently organized CAFR in compliance with the GFOA policies, procedures and program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

ACKNOWLEDGMENTS

LBT acknowledges the participation and professional contribution of the accountancy firm of Windes, Inc. in providing technical assistance. In addition, LBT recognizes all the Finance and Budget department staff members who contribute their time and efforts to ensure the Agency as accurate and timely daily financials.

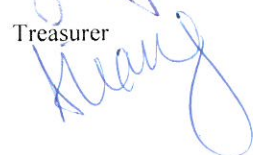
President and
Executive Officer



Controller



Treasurer



Executive Director/VP,
Financial Services



Finance Manager





Government Finance Officers Association

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

Presented to

**Long Beach Public Transportation
Company, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

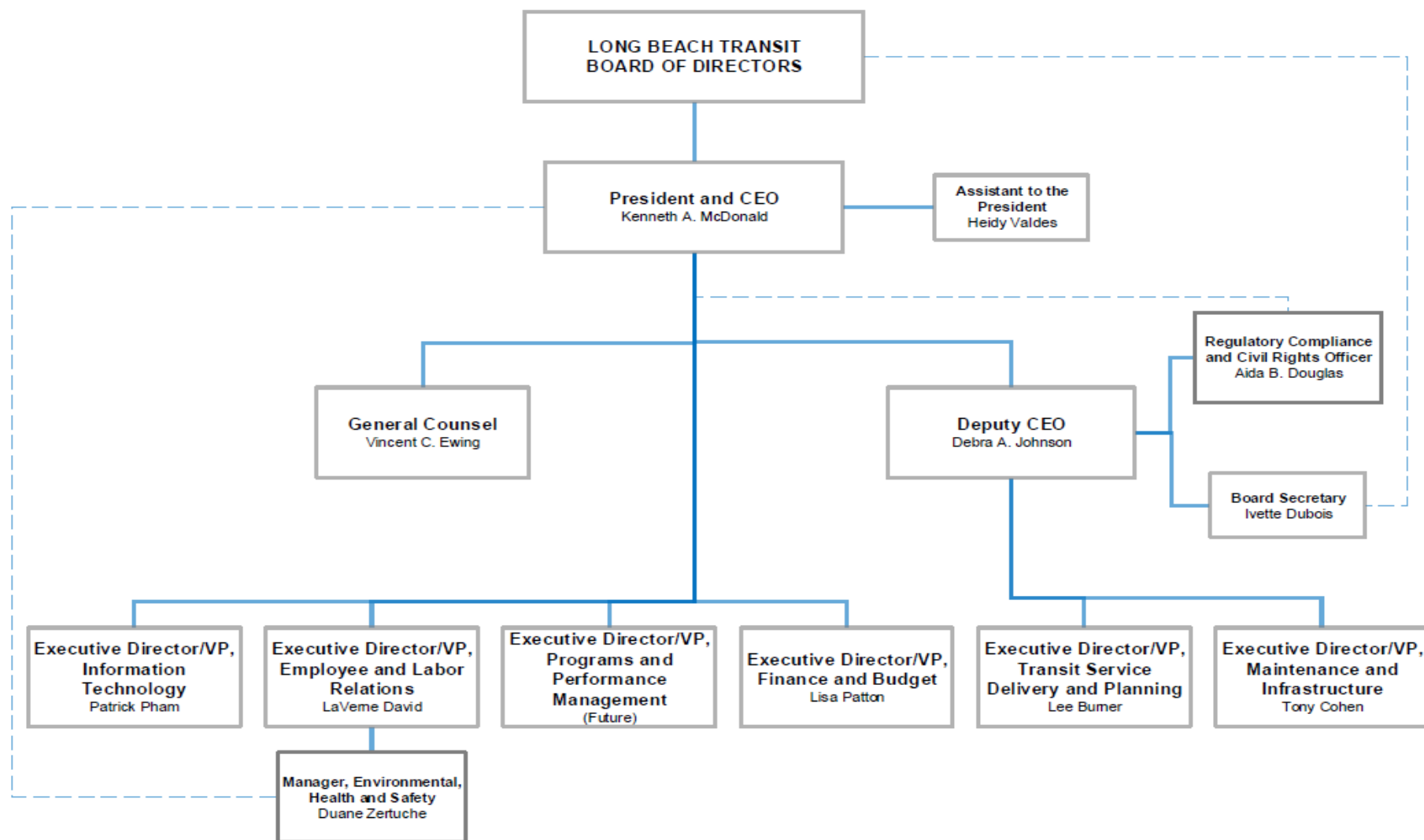
June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is fluid and cursive.

Executive Director/CEO



Organizational Chart



Board of Directors

Maricela de Rivera	Chair of the Board
Sumire Gant	Vice Chair
Colleen Bentley	Secretary – Treasurer
Michael Clemson	Director
Nancy Pfeffer	Director
Mary Zendejas	Director
Adam Carrillo	Director
Lea Eriksen	Ex Officio Member, City of Long Beach
Eric Widstrand	Ex Officio Member, City of Long Beach

Management

Kenneth McDonald	President & Chief Executive Officer
Debra Johnson	Deputy Chief Executive Officer
Lisa Patton	Executive Director, VP Finance & Budget
Lee Burner	Executive Director, VP Transit Service Delivery & Planning
Tony Cohen	Executive Director, VP Maintenance & Facilities
LaVerne David	Executive Director, VP Risk Management, Training & Human Resources
Patrick Pham	Executive Director, VP Information Systems & Technology

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Long Beach Public Transportation Company

Report on the Financial Statements

We have audited the accompanying financial statements of the Long Beach Public Transportation Company (Company), a component unit of the City of Long Beach, California, which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Long Beach Public Transportation Company as of June 30, 2017 and 2016, and the changes in its net position and its cash flows for the years 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 (MD&A) on pages 3 through 10 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 as a whole. The supplemental informational schedules summarizing the funding progress of the Company's defined benefit pension plan and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental informational schedules summarizing the funding progress of the Company's defined benefit pension plan are the responsibility of management and were derived from and relate 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 supplemental informational schedules summarizing the funding progress of the Company's defined benefit pension plan are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017 on our consideration of Long Beach Public Transportation Company'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 Long Beach Public Transportation Company's internal control over financial reporting and compliance.



Long Beach, California
December 18, 2017

MANAGEMENT'S DISCUSSION and ANALYSIS

As management of Long Beach Public Transportation Agency (Long Beach Transit or the Agency), we offer readers of Long Beach Transit's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal years ended June 2017, 2016 and 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-ix of this report.

FINANCIAL HIGHLIGHTS

- Passenger fares decreased \$1.3 million, or 7.8%, in fiscal year 2017 compared to 2016. The overall decrease is consistent with the decline in ridership of other agencies in the region.
- During the year, Long Beach Transit applied for the alternative fuel tax credit and received a total of \$1.2 million.
- Operating expenses increased due to an increased number of claims to both the workers' compensation and the causality and liability programs.
- Land occupied by the Agency's principal facility was transferred to Long Beach Transit from the City per a Quitclaim deed recorded on December 9, 2016 totaling \$8.75 million.
- The Agency funded preventive maintenance operating expenses with capital grant funds in the amount of \$4.3 million.
- Long Beach Transit's net position in fiscal year 2017 increased by \$5.4 million as a result of capital purchases exceeding depreciation.
- As of June 30, 2017, balances in deferred outflows related to pension liability and net pension liability decreased by \$1.3 million and \$0.8 million, respectively, primarily due to the increase in the investment market value. However, this increase was offset set by the interest rate assumption on the Contract Plan being lowered from 7.5% to 7.0% effective July 1, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Long Beach Transit's financial statements and notes to the financial statements.

The statements of net position present information on all of Long Beach Transit's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between the four reported as net position.

The statements of revenues, expenses, and changes in net position present information showing how the Agency's net position changed for the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Management's Discussion and Analysis, continued

The statements of cash flows present information on the Agency's cash receipts, cash payments and net changes in cash (and cash equivalents) for the two most recent fiscal years. Generally accepted accounting principles for governmental units require that cash flows be classified into one of four categories:

- Cash flows from operating activities
- Cash flows from noncapital financing activities
- Cash flows from capital and related financing activities
- Cash flows from investing activities

The Agency's financial statements can be found on pages 12-16 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 17-45 of this report.

FINANCIAL STATEMENT ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. In the case of Long Beach Transit, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$75.4 million at the close of fiscal year 2017.

Long Beach Public Transportation Agency's Condensed Summary of Net Position

	Year Ended		
	2017	2016	2015
Current assets	\$ 49,684,077	\$ 50,770,849	\$ 54,398,902
Other noncurrent assets	26,253,309	26,222,401	25,713,285
Capital assets, net	89,067,558	83,154,750	91,276,393
Total assets	165,004,944	160,148,000	171,388,580
Deferred outflows of resources	12,467,197	13,797,903	2,679,713
Current liabilities	45,527,860	43,995,791	47,397,824
Noncurrent liabilities	56,510,230	59,932,165	52,294,375
Total liabilities	102,038,090	103,927,956	99,692,199
Deferred inflows of resources	-	-	507,481
Net position:			
Invested in capital assets	89,067,558	83,154,750	91,276,393
Restricted	73,776	52,306	144,080
Unrestricted	(13,707,283)	(13,189,109)	(17,551,860)
Total net position	\$ 75,434,051	\$ 70,017,947	\$ 73,868,613

Management's Discussion and Analysis, continued

Net position includes \$89 million invested in capital assets and \$14 million representing unrestricted deficit. In 2015, Long Beach Transit restated its net position for the fiscal year ending 2014 due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Reporting for Pensions. Reporting the net pension liability (noncurrent) resulted in a deficit in the unrestricted portion of net position. Unrestricted net position are agency resources that have no restrictions in terms of its use. One reason a net position deficit is created is because of a significant noncurrent liability that is paid over time. In the case of Long Beach Transit, this would be the net pension liability that is funded over the years under the pension program.

During the year, Long Beach Transit applied for the alternative fuel tax credit and received a total of \$1.2 million. IRC Section 6426 contains the alternative fuel credit which is a product of 50 cents and the number of gallons of alternative fuel or gasoline equivalents of a nonliquid alternative fuel sold for use or used in a motor vehicle. One of the alternative fuels enumerated in this section is compressed natural gas.

All of Long Beach Transit's capital assets were procured with federal, state or local grant funds. Long Beach Transit spent \$14.7 million for capital assets, which included the purchase of seven battery electric buses, information systems and software upgrades, construction of a battery electric bus charging station, painting and rehabilitation of four water taxis and routine replacement of bus components. In addition, the City of Long Beach transferred the land located at Long Beach Transit's main facility to Long Beach Transit in December 2016.

For fiscal year 2016, Long Beach Transit spent \$10.2 million for capital assets, which included the purchase of Long Beach Transit's first battery electric bus, the upgrade of Berth 3 passenger facilities, \$1.1 million in Trapeze vehicle logic upgrades, security surveillance cameras and service cars. In addition, capital expenditures also included routine replacement of bus components, shop and IT equipment.

Management's Discussion and Analysis, continued

**Long Beach Public Transportation Agency's
Condensed Summary of Revenues, Expenses, and Changes in Net Position**

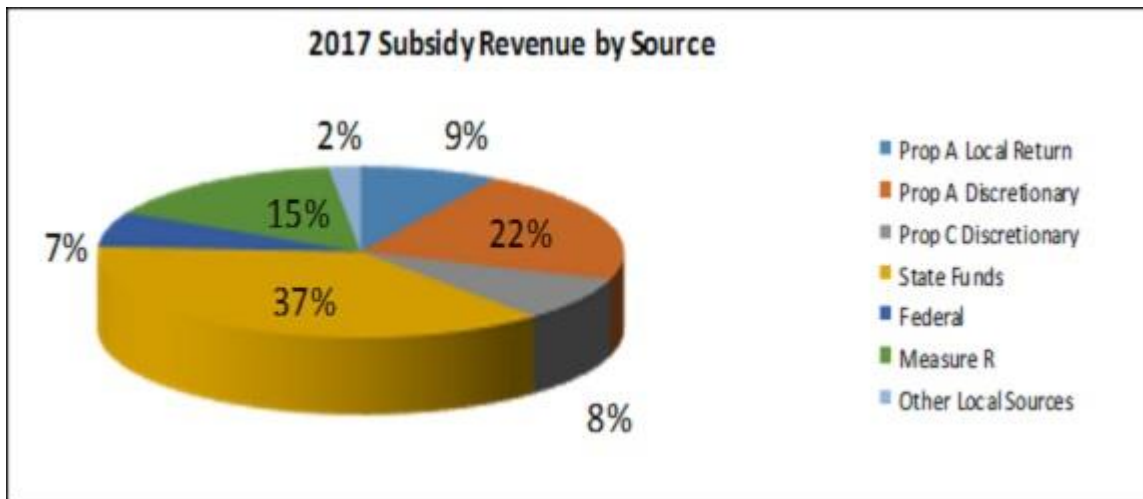
	Year – Ended		
	2017	2016	2015
Operating revenues:			
Passenger fares and special events	\$ 15,684,899	\$ 17,008,704	\$ 17,535,593
Advertising	618,750	743,132	603,029
Other revenue	1,186,303	804,359	63,585
Total operating revenues	<u>17,489,952</u>	<u>18,556,195</u>	<u>18,202,207</u>
Non-operating revenues:			
Subsidies	65,351,654	61,703,522	64,700,470
Interest	243,075	384,825	229,530
Total non-operating revenues	<u>65,594,729</u>	<u>62,088,347</u>	<u>64,930,000</u>
Total revenues	<u>83,084,681</u>	<u>80,644,542</u>	<u>83,132,207</u>
Expenses:			
Transportation	44,148,976	40,639,813	39,488,966
Maintenance	20,379,891	19,355,457	20,479,627
Administration	19,052,518	16,378,307	18,894,586
Depreciation	17,554,892	18,355,286	18,343,403
Total expenses	<u>101,136,277</u>	<u>94,728,863</u>	<u>97,206,582</u>
Change before capital grants	<u>(18,051,596)</u>	<u>(14,084,321)</u>	<u>(14,074,375)</u>
Capital grants	<u>23,467,700</u>	<u>10,233,655</u>	<u>24,761,575</u>
Change in net position	<u>5,416,104</u>	<u>(3,850,666)</u>	<u>10,687,200</u>
Total net position, July 1	<u>70,017,947</u>	<u>73,868,613</u>	<u>63,181,413</u>
Total net position, June 30	<u>\$ 75,434,051</u>	<u>\$ 70,017,947</u>	<u>\$ 73,868,613</u>

Management's Discussion and Analysis, continued

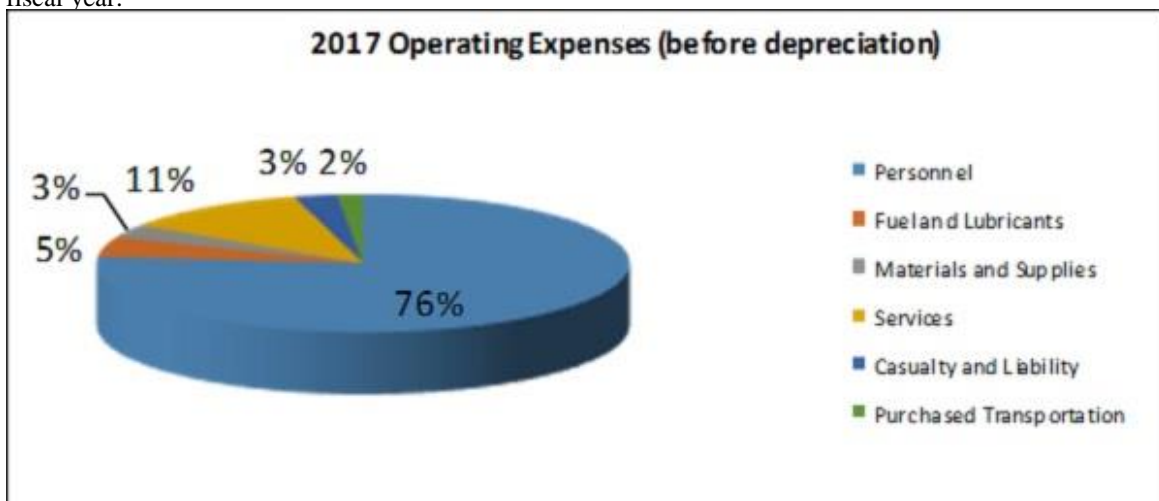
Operating revenues. Overall total operating revenues for 2017 decreased (5.7)%. The decrease was due to passenger fares decreasing by 8% offset by the alternative fuel tax credit totaling \$1.2 million. Fare revenue comprises 89.7% of operating revenues. Fare and special events revenue in 2017 decreased by \$(1.3) million, or (7.8)%.

Overall total operating revenues for 2016 increased 1.9%. Fare revenue comprises 91.3% of operating revenues. Fare and special events revenues in 2016 decreased by \$(526,889), or (3.0)%.

Nonoperating revenues. To make up for the decrease in state and local subsidies, Long Beach Transit transferred a portion of our capital grants to the operating budget to pay for maintenance costs. Subsidies in 2017, which comprise 79% of total revenues, increased \$3.6 million, or 5.9%. In 2016, subsidy revenue decreased \$3.0 million, or (4.6)%.



Expenses. Fiscal year 2017 operating expenses, before depreciation and pension adjustment related to the implementation of GASB 68, increased. This increase is due to increased claims in both workers' compensation and casualty and liability programs. In addition, the contract pension interest rate assumption was lowered from 7.5% to 7.0% effective July 1, 2016, which resulted in a higher pension liability for the fiscal year.



Management's Discussion and Analysis, continued

Fiscal year 2016 operating expenses, before depreciation and pension adjustment related to the implementation of GASB 68, decreased. This decrease is due to lower workers' compensation expenses of \$1.1 million, lower fuel costs of \$1.4 million and lower casualty and liability costs of \$1.9 million. These offset pension and wages increases by \$2 million, primarily due to a 3.13% wage increase.

In 2017, depreciation expense decreased (4.4)% and capital acquisitions exceeded depreciation expense by \$5.9 million. In 2016, depreciation expense increased 0.1% and depreciation expense exceeded capital acquisitions by \$8.1 million.

CAPITAL ASSETS

Long Beach Transit's investment in capital assets as of June 30, 2017 amounted to \$89.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, fleet, communication and farebox systems, equipment, and passenger facilities. All assets have been purchased with federal, state or local grants awarded to the Agency, and Long Beach Transit has never issued any debt to fund the procurement of capital assets.

The total net increase in the Agency's investment in capital assets for the current fiscal year was 7.1%. Long Beach Transit had \$14.7 million in new capital acquisitions during the year, an increase of \$4.5 million when compared to 2016. Fiscal year 2017 included the purchase of seven battery electric buses, information systems and software upgrades, construction of a battery electric bus charging station, painting and rehabilitation of four water taxis and routine replacement of bus components. In addition, the City of Long Beach transferred the land located at Long Beach Transit's main facility to Long Beach Transit in fiscal year 2017.

As noted above, all assets were purchased with grants, the majority coming from federal funding. Total grant awards will vary each year as Long Beach Transit is eligible for a formula percentage of the County's federal funding, plus one-time grants available for specific projects, such as bus replacement. Grant requirements allow, on average, three years to expend these funds. As of June 30, 2017, the Agency had \$108.3 million in grant funds designated for capital procurements. This is a \$607,000 increase from the available balance at the end of fiscal year 2016.

Management's Discussion and Analysis, continued

Significant capital asset acquisitions during 2017 included the following:

- Land at principal facility transferred from the City totaling \$8.7 million
- Seven battery electric buses totaling \$7.4 million
- Routine replacement of engines, transmissions, tires and bus components totaling \$2.3 million
- Information systems and software upgrades totaling \$1.5 million
- Construction of a battery electric bus charging station totaling \$1.4 million
- Upgrades to passenger facilities totaling \$580 thousand
- Painting and rehabilitation to water taxis totaling \$464 thousand

Long Beach Public Transportation Agency's Capital Assets (net of depreciation)

	Year – Ended		
	2017	2016	2015
Land	\$ 14,275,000	\$ 5,525,000	\$ 5,525,000
Buildings and improvements	12,271,762	12,073,320	13,683,808
Fleet	54,154,525	55,961,508	56,609,606
Communications systems	60,871	193,021	257,209
Fare collection system	286,695	219,140	280,399
Office, shop and garage equipment	4,606,677	2,089,621	1,771,018
Passenger facilities	2,139,831	2,360,698	2,847,367
Construction in progress	1,272,197	4,732,442	10,301,986
Total capital assets, net of depreciation	<u>\$ 89,067,558</u>	<u>\$ 83,154,750</u>	<u>\$ 91,276,393</u>

Long Beach Transit's investment in capital assets as of June 30, 2016, amounted to \$83.2 million (net of accumulated depreciation). The Agency had \$10.2 million in new capital acquisitions during the year, a decrease of \$14.5 million, when compared to 2015.

Significant capital asset acquisitions during 2016 included the following:

- Routine replacement of engines, transmissions, tires and bus components totaling \$3.5 million
- Information systems and surveillance cameras totaling \$1.8 million
- Trapeze Vehicle Logic Upgrade \$1.1 million
- One battery electric bus totaling \$1 million
- Upgrades to passenger facilities including the completion of Berth 3 dock totaling \$ 959 thousand
- Bus cosmetic rehab and detailing \$500 thousand
- Replacement of service and Dial-A-Lift vehicles \$328 thousand

Management's Discussion and Analysis, continued

Additional information on Long Beach Transit's capital assets can be found in note (8) in the notes to the Agency's financial statements beginning on page 29 of this report.

ECONOMIC FACTORS and NEXT YEAR'S FINANCIAL PLAN

The state and local economies continue with a slow recovery from the recession. As we move into 2018, Long Beach Transit will focus on improving efficiency, controlling costs and ensuring the sustainability of our pensions. The existing federal funding environment is not expected to result in additional funding for transit in the future.

On November 8, 2016, Los Angeles County voters approved Measure M—The Los Angeles County Traffic Improvement Plan. This is a half-cent sales tax to provide transportation and congestion relief. The funding will be used for LBT's transit operations and allows the agency to maintain current service levels without reductions and to implement a 2.3 percent increase in service.

LBT continues to face increasing pension and health care costs. During fiscal year 2017-18, the company is focusing on addressing a structural challenge within our pension plans by decreasing the expected rate of return on the contract plan. The result of this change in assumptions requires us to put more money into the pension plan to ensure it is sustainable for the future. By being more conservative now, Long Beach Transit will be better positioned heading into the future.

In addition to increasing pension costs, health care costs continue their steady climb. While health care costs continue to outpace inflation, offering competitive benefits is important in order to retain and attract high quality employees. With the rapid changes occurring within the health care industry, LBT will continue to look at concepts that may help to minimize our exposure in the future.

On December 12, 2017, the Amalgamated Transit Union, Local 1277 (the Agreement), ratified a new four-year Labor Agreement with Long Beach Transit. The contract is effective from July 1, 2017, through June 30, 2021. In May 2016, Long Beach Transit received notice from the State of California Public Employees Relations Board (PERB) that the American Federation of State, County, and Municipal Employees (AFSCME) District Council 36 was certified as the representative unit for LBT's Supervisors. LBT and AFSCME entered into negotiations for an initial contract in late 2016. At the time of printing, LBT and AFSCME are currently negotiating a collective bargaining agreement.

The way we will achieve our mission in this environment is to continue to improve all aspects of our core business processes, including our service delivery, customer experience and staff development. While management believes Long Beach Transit's conservative financial practices will allow us to meet the funding challenges for the upcoming year, we will closely monitor all of the issues.

Despite challenges, Long Beach Transit remains financially healthy. Our fiscal year 2018 budget is balanced with current revenues equal to current expenditures. Through improvements in efficiency, Long Beach Transit has been able to increase wages while controlling cost increases. The financial plan approved in May 2017 for fiscal year 2018 totals \$92.6 million.

This financial report is designed to provide a general overview of Long Beach Public Transportation Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director & Vice President of Finance and Budget, Long Beach Transit, P.O. Box 731, Long Beach, California, 90801.

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Long Beach Public Transportation Company

**Statements of Net Position
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (note 2)	\$ 43,497,090	\$ 43,162,289
Accounts receivable (note 4)	4,541,780	5,877,305
Materials and supplies inventory	1,156,761	1,153,822
Prepaid expenses	488,446	577,433
Total current assets	<u>49,684,077</u>	<u>50,770,849</u>
Noncurrent Assets:		
Investments (note 2)	26,253,309	26,222,401
Capital assets:		
Land	14,275,000	5,525,000
Construction-in-progress	1,272,197	4,732,442
Capital assets, net of accumulated depreciation:		
Buildings and improvements	12,271,762	12,073,320
Fleet	54,154,525	55,961,508
Communications systems	60,871	193,021
Fare collection system	286,695	219,140
Office, shop and garage equipment	4,606,677	2,089,621
Passenger facilities	2,139,831	2,360,698
Total noncurrent assets	<u>115,320,867</u>	<u>109,377,151</u>
Total assets	<u>\$ 165,004,944</u>	<u>\$ 160,148,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Net difference of changes related to pension liability	<u>\$ 12,467,197</u>	<u>\$ 13,797,903</u>

The notes to the financial statements are an integral part of these statements.

Long Beach Public Transportation Company

**Statements of Net Position, Continued
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 2,760,396	\$ 2,010,228
Accrued payroll expenses	514,527	1,047,398
Compensated absences payable (note 11)	3,100,575	3,014,117
Retiree health care benefits (note 11)	200,050	172,278
Subsidy deferral (note 9)	22,877,756	23,405,203
Estimated liability for insurance claims (note 6)	16,074,556	14,346,567
Total current liabilities	<u>45,527,860</u>	<u>43,995,791</u>
Noncurrent Liabilities:		
Unearned revenue (note 5)	22,860,865	25,768,072
Retiree health care benefits (note 11)	3,943,877	3,624,595
Net pension liability (note 13)	29,705,488	30,539,498
Total noncurrent liabilities	<u>56,510,230</u>	<u>59,932,165</u>
Total liabilities	<u>102,038,090</u>	<u>103,927,956</u>
DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Invested in capital assets	89,067,558	83,154,750
Restricted for:		
Restricted for capital procurement	73,776	52,306
Unrestricted	<u>(13,707,283)</u>	<u>(13,189,109)</u>
Total net position	<u>\$ 75,434,051</u>	<u>\$ 70,017,947</u>

The notes to the financial statements are an integral part of these statements.

Long Beach Public Transportation Company

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Passenger fares	\$ 15,630,301	\$ 16,945,561
Special events	54,598	63,143
Advertising	618,750	743,132
Other revenue	1,186,303	804,359
Total operating revenues	<u>17,489,952</u>	<u>18,556,195</u>
Operating expenses:		
Transportation	44,148,976	40,639,813
Maintenance	20,379,891	19,355,457
Administration	19,052,518	16,378,307
Depreciation (note 8)	17,554,892	18,355,286
Total operating expenses	<u>101,136,277</u>	<u>94,728,863</u>
Operating loss	<u>(83,646,325)</u>	<u>(76,172,668)</u>
Nonoperating income:		
Subsidies (note 3)	65,351,654	61,703,522
Interest income	243,075	384,825
Total nonoperating income	<u>65,594,729</u>	<u>62,088,347</u>
Change in net position before capital grants	(18,051,596)	(14,084,321)
Capital grants	<u>23,467,700</u>	<u>10,233,655</u>
Change in net position	5,416,104	(3,850,666)
Total net position, July 1	<u>70,017,947</u>	<u>73,868,613</u>
Total net position, June 30	<u>\$ 75,434,051</u>	<u>\$ 70,017,947</u>

The notes to the financial statements are an integral part of these statements.

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from customers	\$ 17,225,189	\$ 18,513,743
Cash paid to employees for services	(41,938,168)	(41,131,259)
Cash paid to other suppliers of goods or services	(38,666,831)	(46,778,555)
Net cash used in operating activities	<u>(63,379,810)</u>	<u>(69,396,071)</u>
Cash flows provided by noncapital financing activities:		
Operating subsidies received	<u>64,594,617</u>	<u>65,033,491</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	53,265	25,898
Purchase of capital assets	(14,717,700)	(10,233,655)
Capital grant contributions received	<u>13,591,896</u>	<u>13,614,386</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,072,539)</u>	<u>3,406,629</u>
Cash flows provided by investing activities:		
Proceeds from sales and maturities of investments	14,609,521	14,062,335
Purchase of investments	(14,462,308)	(14,203,139)
Realized and unrealized gains	(178,122)	(368,312)
Interest received on cash and investments	<u>223,442</u>	<u>312,610</u>
Net cash provided by (used in) investing activities	<u>192,533</u>	<u>(196,506)</u>
Net change in cash and cash equivalents	334,801	(1,152,457)
Cash and cash equivalents, July 1	<u>43,162,289</u>	<u>44,314,746</u>
Cash and cash equivalents, June 30 (note 2)	<u>\$ 43,497,090</u>	<u>\$ 43,162,289</u>
Noncash capital activities:		
Contribution of capital assets	<u>\$ 8,750,000</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

Statements of Cash Flows, Continued
Years Ended June 30, 2017 and 2016

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	2017	2016
Operating loss	\$ (83,646,325)	\$ (76,172,668)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	17,554,892	18,355,286
Increase in accounts receivable from operations	(250,914)	(91,728)
Decrease/(increase) in materials and supplies inventory	(2,944)	(151,887)
Decrease/(increase) in prepaid expenses	88,987	(206,042)
Decrease/(increase) in deferred flows of resources	1,330,706	(11,625,671)
Increase/(decrease) in accounts payable	751,165	(6,723,367)
Increase/(decrease) in accrued payroll expenses, compensated absences payable, and retiree health care benefits	(99,359)	(2,001)
Increase/(decrease) in net pension liability	(834,010)	7,354,709
Increase/(decrease) in estimated liability for insurance claims	1,727,992	(132,702)
Total adjustments	20,266,515	6,776,597
Net cash used in operating activities	<u>\$ (63,379,810)</u>	<u>\$ (69,396,071)</u>

The notes to the financial statements are an integral part of these statements.

Notes to Financial Statements
June 30, 2017 and 2016

(1) Summary of Significant Accounting Policies

Reporting Entity

Long Beach Public Transportation Agency (Long Beach Transit or the Agency) is a nonprofit corporation organized to provide public transportation services in Long Beach, California. The Agency is governed by a seven-member Board of Directors appointed to serve four-year terms by the Mayor, with the approval of the Long Beach City Council. In turn, the Board Members appoint a Chief Executive Officer who is responsible for overseeing the Agency's daily operations. The Agency is responsible for the preparation of its own annual financial plan.

In accordance with U.S. generally accepted accounting principles (GAAP), the Agency is considered a component financial reporting unit of the City of Long Beach (City), California. As such, the Agency's financial statements are included in the City's comprehensive annual financial report as a discretely presented component unit. Long Beach Transit has a separate legal status and has historically operated as an independently managed and operated nonprofit corporation, receiving no direct administrative or financial support from the City. For the present, there has been no expressed intent to alter the status of this financial reporting and administrative relationship.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under 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.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources – represent outflow of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense at that time.

Deferred Inflows of Resources – (acquisition of net position) that apply to future periods and that, therefore, are not be recognized as revenue until that time.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Agency's principal ongoing operations. The principal operating revenues of the Agency include passenger fares charged for transportation service to the community and advertising fees. Operating expenses include the cost of transportation services, maintenance of capital assets and facilities, administrative expenses and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

Notes to Financial Statements, Continued

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. Principal areas requiring the use of estimates include determination of useful lives of capital assets, liability for insurance claims, accrued retiree sick leave, and defined benefit plan assumptions.

Material and Supplies Inventory

Inventory is valued at cost on a first-in, first-out basis as applied on a moving-average-cost method, or market, whichever is lower.

Capital Assets

Capital assets, which include property, plant and equipment, are defined by the Agency as assets with initial project values exceeding \$5,000, with individual federally funded items costing more than \$500 and having an estimated useful life of more than one year. The Federal Transit Administration (FTA) excludes the bus tire lease from this requirement as it is depreciated over a 12-month period. Capital assets are valued at historical cost. Depreciation is provided using the straight-line method, with no allowance for salvage values. Donated capital assets are reported at acquisition value at the date of donation. The Agency received donated land during fiscal year 2017 and the Agency did not receive any donated capital assets during fiscal year 2016.

Estimated useful lives of the Agency's capital assets are as follows:

Buildings and improvements	5-25 years
Buses and vessels	12 years
Fareboxes	10 years
Smaller coaches	7 years
Furniture, equipment and passenger facilities	5 years
Service trucks	4 years
EDP equipment	3 years
Bus components	3 years
Service autos	3 years
Bus tires	1 year

Financial Plan

The Agency adopts an annual financial plan for management information purposes only. Accordingly, financial statements presenting comparison of budgeted and actual results are not included.

Government Grants

Grants, with the exception of Proposition A's local share (noted below) for operating assistance, for the acquisition of equipment or other capital outlay are not formally recognized in the accounts until the grant becomes a valid receivable as a result of the Agency complying with appropriate grant requirements.

Notes to Financial Statements, Continued

Operating assistance grants are included in nonoperating revenues in the year in which a related reimbursable expenditure is incurred or in deferred revenue for use in the subsequent fiscal year.

The Agency's policy is to report revenues from capital grants separately after nonoperating revenues as the related expenditures are incurred. Assets acquired with capital grant funds are included in capital assets. Capital monies received prior to an expenditure being incurred are recorded as deferred revenue.

The City allocates a portion of its Proposition A local share funding to the Agency in accordance with an agreement between the Agency, the City and the Los Angeles County Metropolitan Transportation Authority (Metro). (See Notes 3 and 5.) The Agency records such Proposition A funds received from the City as deferred revenue until used for operating assistance and/or capital expenditures. Those Proposition A funds used for operating assistance are included in non-operating subsidies income and those funds used for capital expenditures are included in capital assets.

Statements of Cash Flows

For purposes of the statements of cash flows, the Agency considers all of its cash deposits and investments with an original maturity of three months or less to be cash and cash equivalents. Monies invested with the State Treasurer's Local Agency Investment Fund (LAIF) may have maturities longer than 90 days; however, LAIF functions as a demand deposit account. Therefore, the Agency considers such investments to be cash equivalents. There was \$8,750,000 of noncash capital contributions from the City of Long Beach (See Note 5) during 2017. There were no significant noncash capital and related financing activities in 2016.

Notes to Financial Statements, Continued

(2) Cash and Investments

Cash, cash equivalents, and investments consist of the following as of June 30:

	2017	2016
Cash on hand	\$ 107,068	\$ 59,595
Deposits with financial institutions	3,508,605	2,312,572
Outstanding checks	(1,395,241)	(2,600,261)
Cash equivalents	41,276,658	43,390,383
Total cash and cash equivalents	43,497,090	43,162,289
Investments	26,253,309	26,222,401
Total cash, cash equivalents, and investments	\$ 69,750,399	\$ 69,384,690

Investments Authorized by the California Government Code and Long Beach Public Transportation Agency's Investment Policy

The table below identifies the investment types that are authorized for Long Beach Transit by the Agency's investment policy. The table also identifies certain provisions of the Agency's investment policy that address interest rate risk, credit risk, and concentration of credit risk. During fiscal year 2017 and 2016, the Agency elected to have its investments with LAIF and a similarly structured investment vehicle managed by an independent manager.

	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Percentage In One Issuer
Local Agency Investment Fund (LAIF)	N/A	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Commercial Paper	270 days	10%	10%
Money Market Mutual Funds	N/A	None	None
Bankers Acceptances	180 days	40%	10%
Repurchase Agreements	90 days	None	None
Reverse Repurchase Agreements	92 days	20%	None
Mutual Funds	N/A	15%	10%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Medium-Term Notes	5 years	30%	None
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Bonds	5 years	10%	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Agency manages its exposure to declines in fair values by limiting the weighted average maturity of the investment portfolio to no more than two years.

Information about the sensitivity of fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment at June 30, 2017 and 2016, respectively.

Notes to Financial Statements, Continued

Type	2017	Weighted Average Maturity (Yrs)
Cash Equivalents		
Local Agency Investment Fund (LAIF)	\$ 41,211,083	0.53
Fidelity Municipal Money Market	65,575	N/A
Total cash equivalents	<u>\$ 41,276,658</u>	
Corporate Bonds		
Amgen Inc 1.900% Due 05-10-19	\$ 700,658	1.9
Blackrock Inc 5.000% Due 12-10-19	751,604	2.5
General Elec Cap Corp 5.625% Due 05-01-18	723,856	0.8
Genzyme Corp 5.000% due 6-15-20	756,343	3.0
NYSE Euronext 2.000% Due 10-05-17	700,899	0.3
Pepsico Inc 2.250% Due 01-07-19	706,790	1.5
Prudential Financial Inc 4.500% Due 11-16-21	759,234	4.4
Qualcomm Inc 1.400% Due 05-18-18	699,559	0.9
Texas Instruments Inc 2.750% Due 03-12-21	714,581	3.7
Toronto-Dominion Bank 2.125% Due 07-02-19	703,430	2.0
Wells Fargo & Agency 1.400% Due 09-08-17	700,042	0.2
Corporate Bonds Total	<u>\$ 7,916,996</u>	
Government Bonds		
Federal Hm Ln Bk 1.250% Due 05-25-21	\$ 1,974,800	3.9
Federal Farm Cr Bks 0.780% Due 09-14-17	1,249,238	0.2
Federal Farm Cr Bks 1.560% Due 07-26-21	1,474,365	4.1
Federal Farm Cr Bks 1.470% Due 02-17-21	979,990	3.6
Federal Hm Ln Bk 5.000% Due 11-17-17	2,028,140	0.4
Fannie Mae 1.875% Due 02-19-19	2,015,500	1.6
US Treasury N/B 1.500% Due 01-31-22	1,969,680	4.6
US Treasury N/B 1.000% Due 03-15-18	1,996,640	0.7
US Treasury Note 1.375% Due 11-30-18	2,250,698	1.4
US Treasury Note 0.750% Due 10-31-17	2,397,262	0.3
Government & Government Agency Bonds Total	<u>\$ 18,336,313</u>	
Total Investment Value	<u><u>\$ 26,253,309</u></u>	

As of June 30, 2017, there was \$105,375 of accrued bond interest which is included in accounts receivable.

Notes to Financial Statements, Continued

Type	2016	Weighted Average Maturity (Yrs)
<u>Cash Equivalents</u>		
Local Agency Investment Fund (LAIF)	\$ 43,350,781	0.66
Fidelity Municipal Money Market	39,602	N/A
Total cash equivalents	<u>\$ 43,390,383</u>	
<u>Corporate Bonds</u>		
Amgen Inc 2.125% Due 05-15-17	\$ 705,838	0.9
Apple Inc 0.900% Due 05-12-17	701,288	0.9
Berkshire Hathaway Fin Corp 1.600% Due 05-15-17	604,980	0.9
Blackrock Inc 5.000% Due 12-10-19	671,964	3.5
General Elec Cap Corp 5.625% Due 05-01-18	768,208	2.6
E M C Corp Mass Sr Nt 1.875% Due 06-01-18	686,049	1.9
General Elec Cap Corp 5.625% Due 05-01-18	758,870	1.8
NYSE Euronext Nt 2.000% Due 10-05-17	706,895	1.3
Pfizer Inc 6.050% Due 03-30-17	726,831	0.8
Target Corp 5.875% Due 07-15-16	700,889	-
Wells Fargo Co Mtn Be 2.625% Due 12-15-16	705,866	0.5
Corporate Bonds Total	<u>\$ 7,737,678</u>	
<u>Government Bonds</u>		
Federal Hm Ln Bk 1.250% Due 05-25-21	\$ 2,000,740	4.9
Federal Farm Cr Bks 0.780% Due 09-14-17	1,252,400	1.2
Federal Farm Cr Bks 1.650% Due 09-08-20	1,500,030	4.2
Federal Hm Ln Bk 5.000% Due 11-17-17	2,119,080	1.4
Federal Nat/Mtg Assoc 1.875% Due 02-19-19	2,055,340	2.6
Federal Nat/Mtg Assoc 0.900% Due 11-14-17	1,000,160	1.4
US Treasury Note 1.375% Due 11-30-18	2,288,948	2.4
US Treasury Note 0.875% Due 02-28-17	2,005,160	0.7
US Treasury Note 1.000% Due 03-31-17	2,007,420	0.8
US Treasury Note 0.750% Due 10-31-17	2,255,445	1.3
Government and Government Agency Bonds Total	<u>18,484,723</u>	
Total Investment Value	<u><u>\$ 26,222,401</u></u>	

As of June 30, 2016, there was \$117,831 of accrued bond interest which is included in accounts receivable.

Notes to Financial Statements, Continued

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization. Ratings on the investments, excluding LAIF and money market accounts, are as follows at June 30, 2017.

Investment Type	Rating
<u>Investments</u>	
Amgen Inc 1.900% Due 05-10-19	A
Blackrock Inc 5.000% Due 12-10-19	AA-
General Elec Cap Corp 5.625% Due 05-01-18	AA-
Genzyme Corp 5.000% due 6-15-20	AA-
NYSE Euronext 2.000% Due 10-05-17	A
Pepsico Inc 2.250% Due 01-07-19	A+
Prudential Financial Inc 4.500% Due 11-16-21	A
Qualcomm Inc 1.400% Due 05-18-18	A
Texas Instruments Inc 2.750% Due 03-12-21	A+
Toronto-Dominion Bank 2.125% Due 07-02-19	AA-
Wells Fargo & Agency 1.400% Due 09-08-17	A
<u>Investment Type</u>	<u>Rating</u>
<u>Government Bonds</u>	
Federal Hm Ln Bk 1.250% Due 05-25-21	AA+
Federal Farm Cr Bks 0.780% Due 09-14-17	AA+
Federal Farm Cr Bks 1.560% Due 07-26-21	AA+
Federal Farm Cr Bks 1.470% Due 02-17-21	AA+
Federal Hm Ln Bk 5.000% Due 11-17-17	AA+
Fannie Mae 1.875% Due 02-19-19	AA+

Notes to Financial Statements, Continued

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial Credit Risk

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

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to the Agency's indirect investment in securities through the use of mutual funds or government investment pools, such as LAIF.

Fair Value

The Agency follows the provisions of GASB No. 72 for fair value measurements of financial assets and financial liabilities and for fair value measurements that are recognized or disclosed at fair value in the financial statements on a recurring basis. GASB No. 72 establishes a fair value 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 (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the Agency has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset.

The following table sets forth by level, within the fair value hierarchy, the Company's investments at fair value measurements:

Notes to Financial Statements, Continued

Fair Value Measurements at June 30, 2017

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Money Market		\$ 65,575		\$ 65,575
US Treasury Securities:				
Corporate Bonds		7,916,996		7,916,996
Government Bonds		18,336,313		18,336,313
State of California Local				
Agency Investment Fund		41,211,083		41,211,083
Total assets at fair value	<u>None</u>	<u>\$ 67,529,967</u>	<u>None</u>	<u>\$ 67,529,967</u>

Fair Value Measurements at June 30, 2016

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Money Market		\$ 39,602		\$ 39,602
US Treasury Securities:				
Corporate Bonds		7,737,678		7,737,678
Government Bonds		18,484,723		18,484,723
State of California Local				
Agency Investment Fund		43,350,781		43,350,781
Total assets at fair value	<u>None</u>	<u>\$ 69,612,784</u>	<u>None</u>	<u>\$ 69,612,784</u>

(3) Operating Subsidies

Subsidies from the following sources were earned during the years ended June 30:

	<u>2017</u>	<u>2016</u>
Proposition A, County of Los Angeles	\$ 14,174,567	\$ 12,680,667
TDA, STA and LCTOP, State of California	24,402,408	24,914,119
Proposition C, County of Los Angeles	5,480,517	5,284,705
Proposition A Allocation, City of Long Beach	5,572,292	5,190,603
Preventative Maintenance, Federal	4,327,990	5,325,398
Measure R	10,091,533	6,343,909
Other local sources	1,302,347	1,964,121
Total	<u>\$ 65,351,654</u>	<u>\$ 61,703,522</u>

Notes to Financial Statements, Continued

The voters of the County of Los Angeles (the County) approved Proposition A in November 1980 and Proposition C in November 1990. These voter approved sales tax initiatives each provide a 1/2% sales tax within the County to be used for mass transit and transportation purposes. A substantial portion of these funds are distributed to the various County transit operators by Metro on both a formula and discretionary basis.

Additionally, each city in Los Angeles County receives a formula allocation of certain Proposition A revenues. The City of Long Beach in turn allocates a portion of its Proposition A local share funding to the Agency in accordance with an agreement between the Agency and the City. The portion of the local Proposition A funds used for operating assistance is included above.

The State of California's Transportation Development Act (TDA) of 1971 designated a portion of County sales tax receipts to finance transit operations and development. This financing is made available to eligible transit operators within the County through allocations from the Local Transportation Fund of Los Angeles County and administered by Metro. State Transit Assistance Funds (STA) are generated from state fuel taxes and are disbursed to transit agencies based on a formula allocation by Metro.

The Low Carbon Transit Operations Program (LCTOP) is one of several programs that are part of the Transit Affordable Housing and Sustainable Communities Program established by the California Legislature in 2014 in Senate Bill 862, which will draw on the funds from the GGRF (Greenhouse Gas Reduction Fund). The LCTOP is designed to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with serving disadvantaged communities being a priority.

In accordance with the Federal Transit Administration (FTA) regulations, the Agency is allowed to use a portion of federal grant monies for operating preventative maintenance expenditures. These funds are shown as subsidy income in the Agency's financial statements. The FTA funds 100% of the costs and FTA local match requirement is met by utilizing Transportation Development Credits.

Measure R, approved by the voters in November 2009, provides a ½ cent sales tax for transportation improvements.

Other local monies are reimbursement for service hours supplied to seven surrounding cities and Job Access Reverse Commute funds (JARC) awarded for service for Route 1 Service Expansion project that provides direct connection between major employment centers in the City of Carson, downtown Long Beach, and the Metro Blue Line Del Amo Station. In 2017, Long Beach Transit was awarded funds from the Metro Express Lanes Net Toll Revenue Reinvestment Grant to operate the Los Angeles Galaxy Shuttle Bus Service.

Notes to Financial Statements, Continued

(4) Accounts Receivable

Accounts receivable were comprised of the following at June 30:

	<u>2017</u>	<u>2016</u>
Subsidies	\$ 178,015	\$ 492,475
Insurance reimbursements	404,262	418,114
Interest	195,355	175,717
Trade receivables	882,744	617,981
Proposition A funds due from City	1,568,667	1,125,000
Capital grants receivable	859,350	1,371,060
STA	453,387	1,676,958
Total	<u>\$ 4,541,780</u>	<u>\$ 5,877,305</u>

Accounts are written off when determined to be uncollectible. In the opinion of management, all significant accounts receivable at June 30, 2017 and 2016 are fully collectible.

(5) Unearned Revenue

At June 30, 2017 and 2016, the balances of unearned revenue are as follows:

	<u>2017</u>	<u>2016</u>
Capital grant funds	\$ 22,376,550	\$ 25,282,339
Other	484,315	485,733
Total unearned revenue	<u>\$ 22,860,865</u>	<u>\$ 25,768,072</u>

Capital grants receivable are grant funds earned and shown as capital contributions through purchase or construction of qualifying capital assets, but not yet received. Capital grant funds included in unearned revenue are funds the Agency has received in advance for capital asset acquisition or construction but which have not been expended at the date of the statements of net position.

Other unearned revenue includes proceeds from the sale of assets originally purchased with capital grant contributions, which will be used for future asset acquisitions, and escheat checks.

(6) Estimated Liability for Insurance Claims

Under its insurance programs, the Agency retains the risk for each occurrence of workers' compensation and public liability and property damage claimed up to \$1.5 million and \$2 million respectively. Workers' compensation maximum limit of indemnity per occurrence is statutory and employer's liability is \$2,000,000 per aggregate. Individual claim settlements for both workers' compensation and public liability and property damage did not exceed insurance coverage limits in fiscal years 2017 and 2016.

The level of risk retention is dictated by the insurance market and the rates available to the Agency. The Agency weighs the increased premium costs against the risk level attempting to minimize overall program expenses.

Notes to Financial Statements, Continued

The Agency's policy is to estimate and recognize losses on the accrual basis based on the report of the Agency's independent claims manager or an actuarial report and to maintain designated cash and investments to fund the estimated liabilities. Liabilities may also be accrued if it is reasonable to suspect claims may arise from an incident that has occurred, but has yet to be reported to our independent claims manager.

The changes in estimated liabilities for reported claims are as follows:

	Public Liability and Property Damage	Workers' Compensation	Total
Estimated liabilities at June 30, 2015	\$ 6,742,245	\$ 7,737,024	\$ 14,479,269
Reserves:			
New claims	415,656	1,268,744	1,684,400
Adjustments to existing claims	730,014	1,262,988	1,993,002
Payouts	<u>(920,556)</u>	<u>(2,889,548)</u>	<u>(3,810,104)</u>
Estimated liabilities at June 30, 2016	6,967,359	7,379,208	14,346,567
Reserves:			
New claims	1,015,809	724,154	1,739,963
Adjustments to existing claims	491,539	3,010,525	3,502,064
Payouts	<u>(867,686)</u>	<u>(2,646,352)</u>	<u>(3,514,038)</u>
Estimated liabilities at June 30, 2017	<u>\$ 7,607,021</u>	<u>\$ 8,467,535</u>	<u>\$ 16,074,556</u>

(7) Deferred Compensation

The Agency offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by an independent contractor. The Plan is available to all Agency employees and permits them to defer a portion of their salary until future years. Plan assets consist of money market and mutual funds and are purchased based on elections made by the Agency's employees. The deferred compensation is not available to employees or beneficiaries until termination, retirement, death or unforeseeable emergency.

Existing assets in the Plan are maintained in a qualified custodial account. The Custodian holds the Plan's assets for the exclusive benefit of participants and beneficiaries. The Plan's assets are not the legal property of the Agency and are not subject to the claims of the Agency's general creditors nor can they be used by the Agency for any purpose other than the payment of benefits to employees participating in the Plan or their designated beneficiaries. Therefore, deferred compensation funds are not shown on the Agency's Statements of Net Position.

Notes to Financial Statements, Continued

(8) Capital Assets

Capital asset activity for the years ended June 30, 2017 and 2016 was as follows:

	Balance at June 30, 2016	Adjustments/ Transfers	Increases	Decreases	Balance at June 30, 2017
Capital assets not being depreciated:					
Land	\$ 5,525,000	\$ --	\$ 8,750,000	\$ --	\$ 14,275,000
Construction in progress	4,732,442	(4,657,322)	1,197,077	--	1,272,197
Total capital assets not being depreciated	10,257,442	(4,657,322)	9,947,077	--	15,547,197
Capital assets being depreciated:					
Buildings and improvements	51,165,750	527,564	1,416,056	--	53,109,370
Fleet	149,384,221	1,407,282	10,246,803	(3,888,735)	157,149,571
Communications systems	7,458,484	--	3,637	--	7,462,121
Fare collection system	8,346,764	31,466	142,545	--	8,520,775
Office, shop and garage equipment	22,945,576	2,447,362	1,368,490	(491,848)	26,269,580
Passenger facilities	15,926,726	243,648	343,092	(127,494)	16,385,972
Total capital assets being depreciated	255,227,521	4,657,322	13,520,623	(4,508,077)	268,897,389
Less accumulated depreciation:					
Buildings and improvements	(39,092,430)	--	(1,745,178)	--	(40,837,608)
Fleet	(93,422,713)	--	(13,461,068)	3,888,735	(102,995,046)
Communications systems	(7,265,463)	--	(135,787)	--	(7,401,250)
Fare collection system	(8,127,624)	--	(106,456)	--	(8,234,080)
Office, shop and garage equipment	(20,855,955)	--	(1,298,796)	491,848	(21,662,903)
Passenger facilities	(13,566,028)	--	(807,607)	127,494	(14,246,141)
Total accumulated depreciation	(182,330,213)	-	(17,554,892)	4,508,077	(195,377,028)
Total capital assets being depreciated, net	72,897,308	4,657,322	(4,034,269)	--	73,520,361
Total capital assets, net	\$ 83,154,750	\$ -	\$ 5,912,808	\$ -	\$ 89,067,558

The Agency operates from two locations within the City of Long Beach. The principal maintenance facility is located in the central portion of the City and the satellite facility is in North Long Beach. Land previously included on the Agency's books includes a parcel adjacent to the principal maintenance facility and the North Long Beach site. Land occupied by the Agency's principal facility was transferred to Long Beach Transit from the City per a Quitclaim deed recorded on December 9, 2016. The appraised value was estimated at \$8,750,000.

Notes to Financial Statements, Continued

	Balance at June 30, 2015	Adjustments/ Transfers	Increases	Decreases	Balance at June 30, 2016
Capital assets not being depreciated:					
Land	\$ 5,525,000	\$ --	\$ --	\$ --	5,525,000
Construction in progress	10,301,986	(7,328,910)	1,759,378	(12)	4,732,442
Total capital assets not being depreciated	15,826,986	(7,328,910)	1,759,378	(12)	10,257,442
Capital assets being depreciated:					
Buildings and improvements	50,880,899	67,208	224,327	(6,684)	51,165,750
Fleet	150,714,896	6,485,420	5,981,527	(13,797,622)	149,384,221
Communications systems	7,403,467	--	55,017	--	7,458,484
Fare collection system	8,255,946	--	90,818	--	8,346,764
Office, shop and garage equipment	23,893,523	76,581	1,426,843	(2,451,371)	22,945,576
Passenger facilities	14,546,359	699,701	695,745	(15,079)	15,926,726
Total capital assets being depreciated	255,695,090	7,328,910	8,474,277	(16,270,756)	255,227,521
Less accumulated depreciation:					
Buildings and improvements	(37,197,091)	--	(1,902,023)	6,684	(39,092,430)
Fleet	(94,105,290)	--	(13,115,045)	13,797,622	(93,422,713)
Communications systems	(7,146,258)	--	(119,205)	--	(7,265,463)
Fare collection system	(7,975,547)	--	(152,077)	--	(8,127,624)
Office, shop and garage equipment	(22,122,505)	--	(1,184,821)	2,451,371	(20,855,955)
Passenger facilities	(11,698,992)	--	(1,882,115)	15,079	(13,566,028)
Total accumulated depreciation	(180,245,683)	--	(18,355,286)	16,270,756	(182,330,213)
Total capital assets being depreciated, net	75,449,407	7,328,910	(9,881,009)	--	72,897,308
Total capital assets, net	\$ 91,276,393	\$ --	\$ (8,121,631)	\$ (12)	\$ 83,154,750

Notes to Financial Statements, Continued

(9) Subsidy Deferral

The amount of subsidies received each year is based upon estimated funding marks prepared by Metro. These estimates are used for budget preparation, with final marks received after final budgets are approved. Subsidies received in excess of expenditures are carried over for use in the next year. As of June 30, 2017 and 2016, the Agency had remaining Prop A subsidy funding of \$21,409,979 and \$21,038,418, to be utilized in future fiscal years.

As of June 30, 2017 and 2016, the Agency had remaining Measure R subsidy funding of \$1,467,777 and \$2,366,785, to be used to fund operations in fiscal year 2018 and 2017 respectively.

(10) Commitments and Contingencies

The Agency is subject to claims and lawsuits arising in the normal course of business. Such claims are routinely evaluated by the Agency's legal counsel. Management may make provisions for probable losses if deemed appropriate on advice of legal counsel. To the extent provisions for damages are considered necessary, appropriate amounts are reflected in the agency's financial statements. It is the opinion of management, based on consultation with legal counsel, that the estimated liability for unreserved claims and suits will not have a material impact on the Agency's financial statements.

Purchase Contracts

The Agency had the following significant purchase commitments outstanding at June 30, 2017. These purchase orders are for future goods and services the Agency has yet to receive and can be cancelled prior to delivery by either party subject to the provisions of each individual contract. The balances listed represent some contingency balances; therefore, actual costs may be lower than shown.

<u>Vendor</u>	<u>Project</u>	<u>Amount</u>	<u>Expected Completion</u>
New Flyer of America	Bus Replacement	\$ 22,981,485	July 2018
BYD Motors, Inc.	Bus Replacement	3,284,157	December 2017
Merrimac Energy Group	Gasoline Fuel	1,339,724	December 2017
	Design Build		
Fast Track Construction	Convention Center	1,146,577	March 2018
New Flyer Industries	Hybrid UCap	1,030,721	June 2018
Giro, Inc	Hastus Upgrade	726,884	April 2018
SC Fuels	Diesel Fuels	522,887	December 2017
Nelson/Nygaard	Operational Analysis	434,854	December 2017
Eco Energy Solutions	Depot Charging Station	182,368	September 2017
Universal Pro	Security Guard Service	132,468	October 2017
	CNG Station		
Clean Energy	Maintenance	156,684	December 2017
Delta Motor Co. Inc.	Hybrid Components	154,000	June 2018
Michelin North America, Inc.	Tires	110,815	September 2017
Catalina Express	Water Taxi Service	110,617	August 2017

Notes to Financial Statements, Continued

Lease Obligations

The Agency's tire lease is eligible for capitalization and is depreciated over a 12-month period. Under the terms of the lease, the vendor supplies the tires and invoices to the Agency based on monthly mileage. There are no minimum guarantee payments required in the contracts. Total lease costs were \$604,672 and \$675,411 for the years ended June 30, 2017 and 2016, respectively.

(11) Employee Benefits

Vacation Compensation

Employees accrue vacation by reason of tenure at annual rates ranging from 12 to 30 days per year. Salaried employees may accumulate and carryover no more than the number of vacation days earned in the previous year. Contract employees are paid their earned vacation in full each year. On June 30, 2017 and 2016, accrued unpaid vacation for all Agency employees amounted to \$3,100,575 and \$3,014,117, respectively.

<u>Balance 6/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/17</u>	<u>Due Within One Year</u>
\$ 3,014,117	\$ 3,100,575	\$(3,014,117)	\$ 3,100,575	\$ 3,100,575

<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/16</u>	<u>Due Within One Year</u>
\$ 2,832,830	\$ 3,014,117	\$(2,832,830)	\$ 3,014,117	\$ 3,014,117

Once a year, the Agency allows employees to sell back a portion of their earned vacation in lieu of taking the time off. The Agency has agreed to buy back vacation time in excess of ten (10) days earned during the calendar year. Vacation days carried over from the previous year are not eligible for this program. The Agency paid \$167,595 and \$217,097 under this program during 2017 and 2016, respectively.

Notes to Financial Statements, Continued

Post-Retirement Health Care Benefits

Full-time Agency employees are entitled to receive up to 96 hours of sick leave per year. Unused sick leave may be accumulated until retirement with the cash value, or a percentage thereof for Contract retirees, used to pay health and dental insurance premiums under the Agency's Retired Employees Health Insurance Program (REHIP). Once the cash value of the retiring employee's unused sick leave is exhausted, the retiree is required to pay all health and dental premiums.

There were 125 and 114 participants in the Agency's REHIP at June 30, 2017 and 2016, respectively. The cash value equivalent of the remaining unused sick leave for the current retirees totaled \$1,627,617 and \$1,449,444 respectively. Total premiums paid by the Agency under the REHIP during the fiscal years ended June 30, 2017 and 2016, were \$208,834 and \$165,619, respectively.

The Agency has established a liability related to unused sick leave which it estimates will be used by retirees to cover premiums under the REHIP. The estimated costs of the REHIP for both current and expected future payments are \$4,143,927 and \$3,796,873 at June 30, 2017 and 2016, respectively.

<u>Balance 6/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/17</u>	<u>Due Within One Year</u>
\$ 3,796,873	\$ 555,888	\$(208,834)	\$ 4,143,927	\$ 200,050

<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/16</u>	<u>Due Within One Year</u>
\$ 3,584,590	\$ 377,902	\$(165,619)	\$ 3,796,873	\$ 172,278

(12) Labor Agreements

Union Labor Agreements

On December 12, 2017, the Amalgamated Transit Union, Local 1277 (the Agreement), ratified a new four-year Labor Agreement with Long Beach Transit. The contract is effective from July 1, 2017, through June 30, 2021. In May 2016, Long Beach Transit received notice from the State of California Public Employees Relations Board (PERB) that the American Federation of State, County, and Municipal Employees (AFSCME) District Council 36 was certified as the representative unit for LBT's Supervisors. LBT and AFSCME entered into negotiations for an initial contract in late 2016. At the time of printing, LBT and AFSCME are currently negotiating a collective bargaining agreement.

Notes to Financial Statements, Continued

(13) Pension Benefits

Plan Descriptions

The Agency sponsors two single employer defined benefit pension plans: one for contract employees, the Long Beach Public Transportation Agency Retirement Plan - Contract Employees (Contract Plan), and one for staff employees, the Long Beach Public Transportation Agency Retirement Plan – Salaried Employees (Salaried Plan) for employees hired before April 1, 2011. For staff employees hired on or after April 1, 2011, Long Beach Transit adopted a new 401(a) qualified retirement plan for employer matching contributions.

The Agency's payroll for employees covered by each pension plan for the years ended June 30, 2017 and 2016 was \$31,258,394 and \$29,453,575 for the Contract Plan, respectively, and \$6,843,159 and \$7,192,890 for the Salaried Plan, respectively. Total Agency payroll for 2017 and 2016 was \$41,938,168 and \$41,131,259, respectively.

The Contract and the Salaried Plans are contributory single employer defined benefit pension plans sponsored by the Agency. Full-time employees in a job classification covered by a ATU collective bargaining agreement between the Agency and the Union participate in the Contract Plan as of their date of employment. All full-time employees not covered by a collective bargaining agreement and hired before April 1, 2011 participate in the Salaried Plan as of their date of employment. Participants in the Contract Plan and Salaried Plan employees hired before April 1, 2011, are eligible for annual benefit payments at the normal retirement age of 64 and completion of ten years of credited service and become 100% vested after five credited years of service. Employees covered under the Salaried Plan can retire prior to 64 with a normal retirement benefit if the combination of the employee's age and service equals 80 or more. For employees covered under the Salaried Plan hired on or after April 1, 2011, Long Beach Transit adopted a new 401(a) qualified retirement plan for employer matching contributions. Contract employees hired on or after April 1, 2011 are not eligible to participate in the 401(a) qualified retirement plan, but are eligible to continue to participate in the Contract Plan.

Notes to Financial Statements, Continued

Pension Plan Benefits

Benefit payments for the Salaried Plan are determined as 1.70% of adjusted final monthly earnings multiplied by years of credited service (maximum credit of 40 years). Adjusted final monthly earnings are the employee's highest average monthly wage for 36 consecutive months of earnings during the last 10 calendar years of employment, prior to normal retirement date, which provide the highest value.

Benefit payments for the Contract Plan are determined as the sum of the following:

1. 1.23% of the first \$500 of adjusted monthly earnings multiplied by the years of credited service (maximum credit of 40 years).
2. 1.7% of adjusted final monthly earnings greater than \$500 multiplied by the years of credited service (maximum credit of 40 years).

Contract employees who are at least 54 years of age with ten years of service or more, will have their pension benefits, calculated as the sum of items 1 and 2 above, increased by 15%.

Adjusted final monthly earnings under the Contract Plan are the employee's highest average monthly wage for 60 consecutive months of earnings during the last 10 calendar years of employment, prior to normal retirement date, which provide the highest value.

Retirees for both Plans, if married, are eligible to receive a joint annuity with a reduced annuity to the surviving spouse or domestic partner and, if unmarried, a straight-life annuity. These benefits are actuarially equivalent at the normal retirement date. Plan members are entitled, upon leaving service, to a vested termination of employment benefit if they have completed five years of credited service on their termination date. The vested termination of employment benefit is equal to the normal retirement benefit earned to the termination date.

Death and Disability Benefits

In the event a Plan member dies after reaching retirement age, while still actively employed, a retirement benefit will be paid to the spouse in the amount of 50% of the amount the Plan member would have received under the joint and 50% survivor spouse annuity, assuming retirement occurred the day immediately prior to death.

If a Salaried Plan participant becomes occupationally disabled, he or she is entitled to a monthly benefit equal to 1.7% of the participant's average monthly final earnings for each year of service earned. The minimum monthly disability benefit is 17% of the participant average earnings regardless of the length of service or vesting status.

If a Contract Plan participant is totally and permanently disabled with 10 or more years of credited service, the participant is entitled to receive the full normal retirement benefit earned to the date of disability, without actuarial reduction, commencing six months after the date of disablement. A reduced occupational disability benefit is available for those Plan members unable to perform their usual work duties who leave service after 10 or more years of credited service.

Termination

The Plans may be amended, altered or modified, or successor plans may be adopted at any time with the consent of the employer and its Board of Directors or its successor in interest. In the event of termination, the net assets will be allocated based on the order of priority prescribed in the Plans.

Notes to Financial Statements, Continued

Funding Policy and Annual Pension Contributions

Plan members are required to contribute 5% for salaried and 6.3% for contract employees of their annual salaries. The Agency is required to contribute to the Plans at an actuarially determined rate. The contribution rates for 2017 were 19.95% and 29.85% for the Contract and Salaried Plans, respectively. For 2017, the Agency's annual contributions were \$3,877,435 and \$2,790,134 for the Contract and Salaried Plans, respectively.

Funding Progress

The status of funding progress for both Plans is based on the actuarial valuations performed as of July 1, 2017 and 2016. The actuarial accrued liability is calculated using the entry-age method.

Salaried Plan (in thousands)

Actuarial valuation date (July 1)	(a) Actuarial value of assets	(b) Actuarial Accrued liability (AAL) – entry age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of covered payroll
2017	\$ 25,233	\$ 29,528	\$ 4,295	85.45%	\$ 6,843	62.77%
2016	\$ 22,778	\$ 29,966	\$ 7,188	76.01%	\$ 7,193	99.94%

Contract Plan (in thousands)

Actuarial valuation date (July 1)	(a) Actuarial value of assets	(b) Actuarial Accrued liability (AAL) – entry age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of covered payroll
2017	\$ 52,742	\$ 81,804	\$ 29,062	64.47%	\$ 31,258	92.97%
2016	\$ 47,051	\$ 73,596	\$ 26,545	63.93%	\$ 29,454	90.13%

Notes to Financial Statements, Continued

Three-Year Trend Information

Contract Plan

Year ended <u>June 30</u>	Actuarially Determined <u>Amount</u>	Actual <u>Contribution</u>
2017	\$ 6,018,860	\$ 6,018,860
2016	5,193,480	5,193,480
2015	4,711,230	4,711,230

Salaried Plan

Year ended <u>June 30</u>	Actuarially Determined <u>Amount</u>	Actual <u>Contribution</u>
2017	\$ 2,030,220	\$ 3,130,220
2016	2,000,708	4,635,552
2015	2,605,222	5,160,860

Notes to Financial Statements, Continued

Net Pension Liability – Salaried Plan

The Salaried Plan's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	6.00% compounded annually
Salary Increases	3.00% per year
Mortality	IRS 2007 Current Liability Combined Table
Employee Contribution	
Interest Credit	5.00% compounded annually
Administrative Expenses	\$203,559 per year payable at the beginning of the year

Termination before retirement:

Age	Turnover Rate
20	7.94%
25	7.72
30	7.22
35	6.28
40	5.15
45	3.98
50	2.56
55	0.94

Retirement:

For participants who are eligible for 70/80 Retirement, the following rates apply:

Age	Retirement Rate
50-53	5%
54-55	10
56-57	20
58-59	40
60+	100

All other active participants, inactive vested participants, and future inactive vested participants are assumed to retire at age 64 after completion of 10 years of service.

Marital Status:

80% of non-retired participants are married. Female spouse is assumed to be three years younger than the male spouse.

Form of Payment:

80% of active participants are assumed to elect the lump-sum option. The remaining 20% of active participants are assumed to elect a single-life annuity. Vested terminated participants are assumed to elect a single-life annuity.

Unknown Data:

Participants with unreported data, such as missing birthdates, are assumed to have the same characteristics as similar participants.

Notes to Financial Statements, Continued

The long-term expected rate of return on pension plan investments has been based upon the assumption that future real returns will approximate the long-term rates of return projected for each asset class in the Investment Policy Statement. The relative benchmarks for the investment options are monitored on an ongoing basis by the Pension Committee. The Committee has discretion to take corrective action by replacing a manager. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the follow table:

Asset Class	Strategic Allocation	Long-Term Expected Real Rate of Return
US Large Agency Stocks	20%	6.9%
US Small Agency Stocks	5	6.9
Real Estate Securities	6	6.9
International Equity	23	7.3
Multi-strategy	15	6.9
Fixed Income	30	5.5
Cash Equivalent	1	2.9

Discount Rate. The discount rate used to measure the total pension liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2016	\$ 29,966,438	\$ 22,777,566	\$ 7,188,872
Changes for the year:			
Service cost	858,666		858,666
Interest	1,626,217		1,626,217
Expected investment income		1,364,370	(1,364,370)
Difference between expected and actual experience	80,484	913,167	(832,683)
Net Transfer to/from Contract Plan		255,041	(255,041)
Contributions - employer		2,790,134	(2,790,134)
Contributions - employee		340,086	(340,086)
Benefit payments, including refunds	(3,003,925)	(3,003,925)	
Administrative expense		(203,559)	203,559
Net changes	(438,558)	2,455,314	(2,893,872)
Balances at 6/30/2017	\$ 29,527,880	\$ 25,232,880	\$ 4,295,000

Notes to Financial Statements, Continued

		Increase (Decrease)	
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
Balances at 6/30/2015	\$ 25,560,718	\$ 19,819,217	\$ 5,741,501
Changes for the year:			
Service cost	769,704		769,704
Interest	1,724,678		1,724,678
Expected investment income		1,601,909	(1,601,909)
Difference between expected and actual experience	427,104	(1,779,397)	2,206,501
Contributions - employer		4,270,185	(4,270,185)
Contributions - employee		365,367	(365,367)
Benefit payments, including refunds	(1,332,112)	(1,332,112)	
Administrative expense		(167,603)	167,603
Other changes (assumptions)	2,816,346		2,816,346
Net changes	4,405,720	2,958,349	1,447,371
Balances at 6/30/2016	\$ 29,966,438	\$ 22,777,566	\$ 7,188,872

Notes to Financial Statements, Continued

Net Pension Liability – Contract Plan

The Contract Plan's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	7.00% compounded annually
Salary Increases	3.00% per year
Mortality	IRS 2007 Current Liability Combined Table
Employee Contribution	
Interest Credit	5.00% compounded annually
Administrative Expenses	\$376,137 per year payable at the beginning of the year

Termination before retirement:

Age	Turnover Rate
20	7.94%
25	7.72
30	7.22
35	6.28
40	5.15
45	3.98
50	2.56
55	0.94

Retirement: All active participants, inactive vested participants and future inactive vested participants are assumed to retire at age 64 after completion of 10 years of service.

Marital Status: 80% of non-retired participants are married. Female spouse is assumed to be three years younger than the male spouse.

Form of Payment: 80% of active participants hired prior to July 1, 2012 are assumed to elect the lump-sum option. The remaining 20% of active participants hired prior to July 1, 2012, all actives hired on or after July 1, 2012, and all Vested Terminated participants are assumed to elect the single-life annuity.

Unknown Data: Participants with unreported data, such as missing birthdates, are assumed to have the same characteristics as similar participants.

Notes to Financial Statements, Continued

The long-term expected rate of return on pension plan investments has been based upon the assumption that future real returns will approximate the long-term rates of return projected for each asset class in the Investment Policy Statement. The relative benchmarks for the investment options are monitored on an ongoing basis by the Pension Committee. The Committee has discretion to take corrective action by replacing a manager. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the follow table:

Asset Class	Strategic Allocation	Long-Term Expected Real Rate of Return
US Large Agency Stocks	20%	6.9%
US Small Agency Stocks	5	6.9
Real Estate Securities	6	6.9
International Equity	23	7.3
Multi-strategy	15	6.9
Fixed Income	30	5.5
Cash Equivalent	1	2.9

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2016	\$ 70,401,250	\$ 47,050,624	\$ 23,350,626
Changes for the year:			
Service cost	3,352,311		3,352,311
Interest	4,970,642		4,970,642
Expected investment income		3,328,875	(3,328,875)
Difference between expected and actual experience	849,980	1,591,024	(741,044)
Net Transfer to/from Contract Plan		(255,041)	255,041
Contributions - employer		3,877,435	(3,877,435)
Contributions - employee		2,141,425	(2,141,425)
Benefit payments, including refunds	(4,615,902)	(4,615,902)	
Administrative expense		(376,137)	376,137
Other changes (assumptions)	3,194,510		3,194,510
Net changes	7,751,541	5,691,679	2,059,862
Balances at 6/30/2017	\$ 78,152,791	\$ 52,742,303	\$ 25,410,488

Notes to Financial Statements, Continued

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2015	\$ 63,233,552	\$ 45,790,264	\$ 17,443,288
Changes for the year:			
Service cost	2,713,135		2,713,135
Interest	4,575,251		4,575,251
Expected investment income		3,496,339	(3,496,339)
Difference between expected and actual experience	3,062,106	(3,921,639)	6,983,745
Contributions - employer		3,439,288	(3,439,288)
Contributions - employee		1,754,192	(1,754,192)
Benefit payments, including refunds	(3,182,794)	(3,182,794)	
Administrative expense		(325,026)	325,026
Net changes	7,167,698	1,260,360	5,907,338
Balances at 6/30/2016	\$ 70,401,250	\$ 47,050,624	\$ 23,350,626

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Contract Plan as of June 30, 2017, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate. The Salaried Plan's net position is calculated using a discount rate that is 1-percentage point lower (5.00%) or 1-percentage point higher (7.00%) than the current rate or 6.00%.

	<u>Contract Plan</u>
1% Decrease or 6.0%	\$ 32,975,950
7.0 % Current Discount Rate	\$ 25,410,488
1% Increase or 8.0%	\$ 18,816,702

	<u>Salaried Plan</u>
1% Decrease or 5.0%	\$ 6,368,570
6.0% Current Discount Rate	\$ 4,295,000
1% Increase of 7.0%	\$ 2,473,242

Notes to Financial Statements, Continued

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension

For the year ended June 30, 2017, the Salaried Plan reported deferred outflows and resources and deferred inflows of resources related to pensions from the following sources:

Salaried Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 373,654	
Changes of assumptions	2,211,980	
Net difference between projected and actual earning on plan investments	809,555	
Total	<u>\$ 3,395,189</u>	<u>None</u>

For the year ended June 30, 2016, the Salaried Plan reported deferred outflows and resources and deferred inflows of resources related to pensions from the following sources:

Salaried Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 389,623	
Changes of assumptions	2,816,346	
Net difference between projected and actual earning on plan investments	2,473,003	
Total	<u>\$ 5,678,972</u>	<u>None</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Salaried Plan – Year Ended June 30	Amount to Be Recognized
2018	\$(980,626)
2019	\$(980,626)
2020	\$(1,078,179)
2021	\$(581,749)
2022	\$ 225,991
Thereafter	\$ --

Notes to Financial Statements, Continued

For the year ended June 30, 2017, the Contract Plan reported deferred outflows and resources and deferred inflows of resources related to pensions from the following sources:

Contract Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,182,266	
Changes in assumptions	2,819,568	
Net difference between projected and actual earning on plan investments	3,070,174	
Total	<u>\$ 9,072,008</u>	<u>None</u>

For the year ended June 30, 2016, the Contract Plan reported deferred outflows and resources and deferred inflows of resources related to pensions from the following sources:

Contract Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,639,496	
Net difference between projected and actual earning on plan investments	\$ 5,479,435	
Total	<u>\$ 8,118,931</u>	<u>None</u>

Amounts report as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Contract Plan – Year Ended June 30	Amount to Be Recognized
2018	\$(1,585,042)
2019	\$(1,585,042)
2020	\$(1,987,038)
2021	\$(1,296,091)
2022	\$(511,766)
Thereafter	\$(2,107,029)

Defined Contribution Plan 401 (a)

Participation in the 401(a) Plan is limited to full-time regular staff employees hired on or after April 1, 2011. The Agency's contribution to the 401(a) Plan is as follows: (A) eligible employees with 3 years of service or less, a matching contribution equal to the amount of the employee's salary deferrals to the 457 Plan, up to a maximum of 5% of the employee's base salary, and (B) for eligible employees with more than 3 years of service, the Agency would make the following contributions: (1) matching contribution equal to the amount of the employee's salary deferrals to the 457 Plan, up to a maximum of 4% of the employee's base salary, and (2) a non-elective contribution equal to 3% of the employee's base salary regardless of whether the employee makes any salary deferrals to the 457 Plan for the plan year.

Financial statements for the Contract and Salaried Plans are available under separate covers. Copies of the financial statements can be obtained by writing to Long Beach Transit, Attn: Executive Director, VP Financial Services, 1963 E. Anaheim St, Long Beach, CA 90813.

Required Supplementary Information

The following are schedules of Funding Progress and Contributions and Schedules of Changes in Net Pension Liability for the five years ending June 30, 2013 through 2017 for the two Company sponsored defined benefit pension plans – Long Beach Public Transportation Company Retirement Plan – Contract Employees (Contract Plan) and Long Beach Public Transportation Company Retirement Plan – Salaried Employees (Salaried Plan).

**LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES**

Schedule of Funding Progress and Contributions and Schedule of Changes in Net Pension Liability and Related Ratios, continued June 30, 2017 and 2016					
	Schedule of Changes in Net Pension Liability and Related Ratios				
	2017	2016	2015	2014	2013
Total pension liability					
Service cost	\$ 858,666	\$ 769,704	\$ 845,302	\$ 773,964	\$ 641,489
Interest	1,626,217	1,724,678	1,704,802	1,809,528	1,355,511
Difference between expected and actual experience	80,484	427,104	(582,806)	667,873	1,089,429
Changes of assumptions	-	2,816,346	-	-	3,694,438
Benefit payments	(3,003,925)	(1,332,112)	(1,818,412)	(2,342,868)	(702,018)
Net change	(438,558)	4,405,720	148,886	908,497	6,078,849
Beginning total pension liability	29,966,438	25,560,718	25,411,832	24,503,335	18,424,486
Ending total pension liability	<u>\$ 29,527,880</u>	<u>\$ 29,966,438</u>	<u>\$ 25,560,718</u>	<u>\$ 25,411,832</u>	<u>\$ 24,503,335</u>
Plan fiduciary net position					
Employer contributions	\$ 2,790,134	\$ 4,270,185	\$ 4,758,243	\$ 2,847,508	\$ 2,244,185
Employee contributions	340,086	365,367	402,617	436,748	449,958
Net transfer to/from Contract Plan	255,041	17,501	288	241,886	-
Investment income (loss)	2,277,537	(194,989)	(11,557)	1,750,047	960,977
Pension benefits	(3,003,925)	(1,332,112)	(1,818,412)	(2,342,868)	(702,018)
Administrative expenses	(203,559)	(167,603)	(167,173)	(142,202)	(117,013)
Net change	2,455,314	2,958,349	3,164,006	2,791,119	2,836,089
Beginning plan fiduciary net position	22,777,566	19,819,217	16,655,211	13,864,092	11,028,003
Ending plan fiduciary net position	<u>\$ 25,232,880</u>	<u>\$ 22,777,566</u>	<u>\$ 19,819,217</u>	<u>\$ 16,655,211</u>	<u>\$ 13,864,092</u>
Company's net pension liability	<u>\$ 4,295,000</u>	<u>\$ 7,188,872</u>	<u>\$ 5,741,501</u>	<u>\$ 8,756,621</u>	<u>\$ 10,639,243</u>
Plan fiduciary net position as a % of total pension liability	85.5%	76.0%	77.5%	65.5%	56.6%
Covered payroll	\$ 6,843,000	\$ 7,190,000	\$ 8,028,000	\$ 8,539,000	\$ 10,282,000
Company's net pension liability as a % of covered payroll	62.8%	100.0%	71.5%	102.5%	103.5%
Note: The information presented above is not available for years prior to the year ended June 30, 2013.					

Required Supplementary Information

**LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - CONTRACT EMPLOYEES**

**Schedule of Funding Progress and Contributions and
Schedule of Changes in Net Pension Liability and Related Ratios, continued
June 30, 2017 and 2016**

	Schedule of Changes in Net Pension Liability and Related Ratios				
	2017	2016	2015	2014	2013
Total pension liability					
Service cost	\$ 3,352,311	\$ 2,713,135	\$ 2,893,596	\$ 2,285,562	\$ 1,972,068
Interest	4,970,642	4,575,251	4,462,912	4,418,719	3,621,647
Difference between expected and actual experience	849,980	3,062,106	(1,252,537)	877,921	(652,845)
Changes of assumptions	3,194,510	-	-	-	6,749,225
Benefit payments	(4,615,902)	(3,182,794)	(4,881,029)	(4,326,353)	(2,447,910)
Net change	7,751,541	7,167,698	1,222,942	3,255,849	9,242,185
Beginning total pension liability	70,401,250	63,233,552	62,010,610	58,754,761	49,512,576
Ending total pension liability	<u>\$ 78,152,791</u>	<u>\$ 70,401,250</u>	<u>\$ 63,233,552</u>	<u>\$ 62,010,610</u>	<u>\$ 58,754,761</u>
Plan fiduciary net position					
Employer contributions	\$ 3,877,435	\$ 3,439,288	\$ 3,067,778	\$ 3,326,307	\$ 2,572,888
Employee contributions	2,141,425	1,754,192	1,643,452	1,437,006	1,142,100
Net transfer to/from Contract Plan	(255,041)	(17,501)	(288)	(241,886)	-
Investment income (loss)	4,919,899	(407,799)	(569)	5,113,555	3,324,692
Pension benefits	(4,615,902)	(3,182,794)	(4,881,029)	(4,326,353)	(2,447,910)
Administrative expenses	(376,137)	(325,026)	(349,496)	(323,518)	(291,858)
Net change	5,691,679	1,260,360	(520,152)	4,985,111	4,299,912
Beginning plan fiduciary net position	47,050,624	45,790,264	46,310,416	41,325,305	37,025,393
Ending plan fiduciary net position	<u>\$ 52,742,303</u>	<u>\$ 47,050,624</u>	<u>\$ 45,790,264</u>	<u>\$ 46,310,416</u>	<u>\$ 41,325,305</u>
Company's net pension liability	<u>\$ 25,410,488</u>	<u>\$ 23,350,626</u>	<u>\$ 17,443,288</u>	<u>\$ 15,700,194</u>	<u>\$ 17,429,456</u>
Plan fiduciary net position as a % of total pension liability	67.5%	66.8%	72.4%	74.7%	70.3%
Covered payroll	\$ 31,258,000	\$ 29,454,000	\$ 28,434,000	\$ 27,081,000	\$ 26,589,000
Company's net pension liability as a % of covered payroll	81.29%	79.3%	61.3%	58.0%	65.6%

Note: The information presented above is not available for years prior to the year ended June 30, 2013.

STATISTICAL SECTION

This part of Long Beach Public Transportation Agency's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Agency's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to assess how the Agency's financial performance and well-being have changed over time.</i>	49
Revenue Capacity <i>These schedules contain information on the Agency's revenue sources and their fluctuations over time.</i>	52
Demographic and Economic Information <i>These schedules offer demographic and economic indicators regarding the environment within which the Agency's financial activities take place.</i>	54
Operating Information <i>These schedules contain information about services the Agency provides and the activities it performs.</i>	56
Pension Information <i>The Agency's Pension Plans' financial statements are issued under separate cover. The schedules contained in this section include general financial and actuarial information providing data concerning the Plans' funding status and general activity.</i>	64
Grant Information <i>The Agency's grant programs are issued under separate cover in the Single Audit. The schedules contained in this section provide a summary of capital grant activity for Federal, State and Local sources.</i>	66

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Financial Trends
Net Position by Component
2008 - 2017**

Exhibit 1

	Invested in Capital Assets	(1)	Restricted	Unrestricted	Total
2008	\$ 72,514,620		\$ 259,954	\$ 3,344,825	\$ 76,119,399
2009	87,250,464		102,205	3,502,574	90,855,243
2010	84,286,309		16,747	3,588,032	87,891,088
2011	83,828,062		21,356	3,583,423	87,432,841
2012	79,281,750		13,558	3,591,221	82,886,529
2013	98,327,695		30,174	3,574,605	101,932,474
2014	84,858,221		156,350	(21,833,158)	63,181,413
2015	91,276,393		144,080	(17,551,860)	73,868,613
2016	83,154,750		52,306	(13,189,109)	70,017,947
2017	89,067,558		73,776	(13,707,283)	75,434,051

(1) Fluctuations in balances reflect the Agency's procurement of capital assets in each year. Significant changes occur in years which included the receipt of new buses and pension liability adjustments.

**Financial Trends
Operating Expenses By Type
2008 – 2017**

Exhibit 2

	Personnel Wages & Benefits	Fuel & Lubricants	Supplies & Materials	Services	Casualty & Liability	Purchased Transportation	Depreciation	Total
2008	\$ 49,895,725	\$ 7,146,145	\$ 2,198,443	\$ 6,023,734	\$ 2,812,729	\$ 1,407,953	\$ 17,441,700	\$ 86,926,429
2009	50,711,153	5,721,736	2,442,697	5,758,880	2,115,349	1,380,796	14,009,081	82,139,692
2010	52,742,176	5,625,348	2,280,932	5,997,208	1,897,047	1,349,681	16,519,346	86,411,738
2011	52,462,571	6,754,776	2,858,490	6,644,394	3,693,995	1,026,413	17,588,757	91,029,396
2012	51,744,582	7,816,511	3,104,125	7,132,271	2,274,190	1,204,522	19,311,548	92,587,749
2013	54,820,343	7,290,527	2,654,286	7,692,693	2,532,732	1,464,569	20,249,160	96,704,310
2014	56,985,858	6,770,574	2,619,659	7,917,623	3,953,610	1,645,713	20,605,041	100,498,078
2015	57,228,802	5,487,215	2,414,826	8,483,128	3,606,383	1,642,825	18,343,403	97,206,582
2016	57,929,446	4,133,479	2,480,321	8,599,766	1,700,504	1,530,061	18,355,286	94,728,863
2017	63,930,184	3,941,433	2,546,144	9,657,936	2,171,419	1,334,269	17,554,892	101,136,277

Financial Trends
Changes in Net Position
2008 – 2017

Exhibit 3

Expenses	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Transportation	\$ 32,376,023	\$ 34,874,385	\$ 36,416,765	\$ 35,413,269	\$ 35,139,334	\$ 37,554,281	\$ 38,869,648	\$ 39,488,966	\$ 40,639,813	\$ 44,148,976
Maintenance	19,612,265	18,602,288	18,546,811	21,292,632	21,834,078	22,042,606	21,878,415	20,479,627	19,355,457	20,379,891
Risk Management	8,119,926	5,278,264	5,266,428	6,791,630	7,175,642	6,222,310	7,900,442	8,795,766	5,891,767	7,638,605
Marketing & Customer Service	1,631,278	1,578,839	1,673,878	1,665,938	1,761,195	1,827,629	1,917,253	1,948,218	1,950,613	2,119,166
General Administration	7,745,237	7,796,835	7,988,510	8,277,170	7,365,952	8,808,324	9,327,279	8,150,602	8,535,927	9,294,747
Depreciation	17,441,700	14,009,081	16,519,346	17,588,757	19,311,548	20,249,160	20,605,041	18,343,403	18,355,286	17,554,892
Total Expenses	\$ 86,926,429	\$ 82,139,692	\$ 86,411,738	\$ 91,029,396	\$ 92,587,749	\$ 96,704,310	\$ 100,498,078	\$ 97,206,582	\$ 94,728,863	\$ 101,136,277
Revenues										
Passenger Fares	\$ 14,789,817	\$ 15,785,523	\$ 16,473,909	\$ 17,308,290	\$ 18,085,942	\$ 18,024,416	\$ 17,966,020	\$ 17,516,839	\$ 16,945,561	\$ 15,630,301
Special Events	103,971	72,389	71,809	41,935	21,386	43,693	25,496	18,754	63,143	54,598
Advertising	857,449	797,814	609,161	558,490	688,089	542,382	630,413	603,029	743,132	618,750
Subtotal Operating	15,751,237	16,655,726	17,154,879	17,908,715	18,795,417	18,610,491	18,621,929	18,138,622	17,751,836	16,303,649
Subsidies	52,151,341	50,720,199	51,773,322	55,012,754	54,112,325	57,671,790	61,008,975	64,700,470	61,703,522	65,351,654
Interest & Other	1,582,151	754,686	964,191	519,170	368,458	172,869	262,133	293,115	1,189,184	1,429,383
Subtotal Non-Op	53,733,492	51,474,885	52,737,513	55,531,924	54,480,783	57,844,659	61,271,108	64,993,585	62,892,706	66,781,037
Total Revenues	\$ 69,484,729	\$ 68,130,611	\$ 69,892,392	\$ 73,440,639	\$ 73,276,200	\$ 76,455,150	\$ 79,893,037	\$ 83,132,207	\$ 80,644,542	\$ 83,084,686
Net Expense	\$ (17,441,700)	\$ (14,009,081)	\$ (16,519,346)	\$ (17,588,757)	\$ (19,311,549)	\$ (20,249,160)	\$ (20,605,041)	\$ (14,074,375)	\$ (14,084,321)	\$ (18,051,591)
Capital Grants	15,194,512	28,744,925	13,555,191	17,130,510	14,765,236	39,295,105	7,135,567	24,761,575	10,233,655	23,467,695
Change in Net Position	\$ (2,247,188)	\$ 14,735,844	\$ (2,964,155)	\$ (458,247)	\$ (4,546,313)	\$ 19,045,945	\$ (13,469,474)	\$ 10,687,200	\$ (3,850,666)	\$ 5,416,104

**Financial Trends
Capital Expenditures By Type
2008 - 2017**

Exhibit 4

Fiscal Year	Facilities	Fleet	Passenger Facilities	AVL, Farebox & Radio Equipment	Furniture & IT Equipment	Shop & Garage Equipment	Total
2008	\$ 1,427,166	\$ 11,386,235	\$ 1,142,643	\$ 337,773	\$ 744,408	\$ 156,287	\$ 15,194,512
2009	3,133,478	20,214,981	1,557,227	2,068,732	1,468,789	301,718	28,744,925
2010	1,224,068	6,436,753	2,149,479	47,960	1,796,856	1,900,075	13,555,191
2011	1,206,706	6,764,468	7,256,720	518,104	1,134,931	249,581	17,130,510
2012	4,325,055	6,651,509	859,424	395,016	2,320,594	213,638	14,765,236
2013	3,499,678	33,192,608	246,410	173,465	1,900,072	282,872	39,295,105
2014	1,179,707	4,291,904	432,180	93,033	1,090,098	48,645	7,135,567
2015	790,850	21,682,852	1,121,151	154,802	964,131	47,789	24,761,575
2016	428,727	6,722,168	961,882	177,299	1,739,603	203,976	10,233,655
2017	1,562,076	10,528,848	1,039,431	146,183	1,406,411	34,751	14,717,700

**Revenue Capacity
Operating Subsidy Sources
2008 - 2017**

Exhibit 5

	Prop A Funds City of Long Beach	Prop A Discretionary Funds L.A. County	Prop C & Measure R Funds L.A. County	State Assistance	Federal Preventative Maintenance Program	Other Sources	Total
2008	\$ 7,087,958	\$ 11,679,125	\$ 5,224,479	\$ 25,777,123	\$ 2,126,915	\$ 255,741	\$ 52,151,341
2009	4,067,755	12,500,860	9,848,459	21,266,639	2,378,850	657,636	50,720,199
2010	3,536,593	12,069,662	14,374,634	14,777,565	6,704,200	310,668	51,773,322
2011	5,375,238	13,460,669	12,371,325	17,480,351	6,067,800	257,371	55,012,754
2012	5,891,768	8,822,958	13,546,398	20,170,522	5,325,134	355,545	54,112,325
2013	5,044,272	10,873,265	11,934,386	22,547,344	6,339,255	933,268	57,671,790
2014	4,850,603	12,508,593	13,598,965	24,909,438	3,412,984	1,728,392	61,008,975
2015	5,190,603	12,767,792	14,269,674	24,826,792	5,929,059	1,716,550	64,700,470
2016	5,190,603	12,680,667	11,628,614	24,914,119	5,325,398	1,964,121	61,703,522
2017	5,572,292	14,174,567	15,575,050	24,402,408	4,327,990	1,302,347	65,354,654

**Revenue Capacity
Farebox Recovery Percentage
2008 - 2017**

Exhibit 6

<u>Year</u>	<u>Percentage</u>
2008	21.9
2009	23.9
2010	24.3
2011	24.2
2012	25.4
2013	24.3
2014	23.1
2015	21.6
2016	21.5
2017	18.8

NOTE: Represents passenger fares divided by fixed route operating expenses before depreciation.

**Revenue Capacity
Fare History
2008 - 2017**

Exhibit 7

	<u>2008</u>	<u>2009</u>	<u>2010-2017</u>
Fixed Route Service:			
<u>Cash Fares:</u>			
Regular	\$ 0.90	\$ 1.10	\$ 1.25
Student	0.90	1.10	1.25
Senior & Disabled	0.45	0.50	0.60
Local transfer	-	-	-
Interagency transfer	0.50	0.50	0.50
<u>Day Pass:</u>			
Regular	\$ 2.50	\$ 3.50	\$ 4.00
Discounted	1.50	2.00	2.50
<u>5Day Pass:</u>			
Regular		\$ 16.00	\$ 18.00
Discounted		8.00	9.00
<u>Monthly Pass:</u>			
Regular	\$ 50.00	\$ 60.00	\$ 65.00
Student	31.00	35.00	40.00
Senior & Disabled	19.00	21.00	24.00
Dial-A-Lift Service:			
Cash Fares	\$ 1.50	\$ 2.00	\$ 2.00
Water Taxi:			
<u>Cash Fares:</u>			
AquaBus	\$ 1.00	\$ 1.00	\$ 1.00
AquaLink	3.00	5.00	5.00

**Demographic and Economic Information
City of Long Beach
Demographic Statistics
2007-2016**

Exhibit 8

Fiscal Year Ended June 30	Estimated Population (A)	Personal Income (in millions) (B&E)	Per Capita Personal Income (B&E)	Public School Enrollment (C)	Unemployment Rate (D)
2007	465,017	13,222	28,434	90,663	5.6
2008	463,250	13,387	28,898	88,186	8.2
2009	462,211	12,752	27,589	87,509	12.8
2010	462,685	12,938	27,964	86,283	13.9
2011	462,257	13,486	29,173	84,812	13.4
2012	465,576	14,058	30,196	83,691	12.2
2013	467,646	14,757	31,556	82,256	10.3
2014	469,428	15,525	33,072	81,155	8.6
2015	473,577	16,242	34,296	79,709	6.8
2016	474,140	16,939	35,725	77,812	5.7

Sources:

- (A) California Department of Finance.
- (B) Bureau of Economic Analysis. Personal income and per capita personal income, with exception of 2005, are based on percent change of per capita personal income for Los Angeles-Long Beach-Santa Ana, CA (Metropolitan Statistical Area). BEA's report does not have personal income and per capita personal income available for 2015, so an average of the last five years was used.
- (C) California Department of Education Educational Demographic Unit. Annual school census from Long Beach Unified School District for preschool, grades kindergarten through 12.
- (D) Average annual rate reported by California Employment Development Department (EDD).
- (E) Restated prior years due to the data's annual revision.

**Demographic and Economic Information
City of Long Beach
Principal Employers
Current Year and Nine Years Ago***

Exhibit 9

Employer	2016 Number of Employees	Percentage of Total City Employment	2007 Number of Employees	Percentage of Total City Employment
Long Beach Unified School District	12,213	4.98%	13,044	5.61%
Long Beach Memorial Medical Center	5,138	2.10	5,000	2.15
City of Long Beach	5,122	2.09	5,763	2.48
California State University, Long Beach	3,057	1.25	5,605	2.41
Veterans Affairs Medical Center	2,950	1.20	2,000	0.86
Long Beach City College	2,695	1.10	1,636	0.70
The Boeing Agency	2,039	0.83	6,455	2.78
California State Univ Long Beach Foundation	1,677	0.68	N/A	N/A
Molina Healthcare Inc.	1,488	0.61	N/A	N/A
St. Mary's Medical Center	1,480	0.60	1,480	0.64

Source: City of Long Beach, Department of Financial Management Accounting and Business License and State of California Employment Development Department Labor Market Information.

* This is the latest information available.

**Operating Information
Key Performance Indicators
2008 – 2017**

Exhibit 10

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Fixed Route</u>										
Operating Cost Per Vehicle Service Hour	\$ 96.17	\$ 96.28	\$ 98.73	\$ 106.77	\$ 105.61	\$ 110.11	\$ 115.04	\$ 115.40	\$ 112.67	\$ 114.57
Operating Cost Per Passenger	\$ 2.36	\$ 2.20	\$ 2.34	\$ 2.54	\$ 2.50	\$ 2.56	\$ 2.69	\$ 2.85	\$ 2.94	\$ 3.22
Roadcalls	1,339	1,392	1,481	1,325	1,819	1,778	2,243	2,163	1,912	1,897
Miles Between Roadcalls	5,904	5,716	5,384	5,807	4,219	4,438	3,413	3,572	4,040	4,222
Total Accidents	923	940	923	851	865	881	1,026	912	999	938
Preventable Accidents	166	149	100	90	89	120	101	126	103	99
Preventable Accidents Per 100,000 Miles	2.10	1.87	1.25	1.17	1.16	1.52	1.36	2.07	1.34	1.29
Passengers per Vehicle Service Hour	43	44	43	45	48	43	42	40	37	35
Schedule Adherence	99.88%	99.88%	99.85%	99.83%	99.90%	99.94%	77.4%	78.5%	85.2%	86.7%
Number of Vehicles	229	263	265	265	260	262	248	249	249	249
Number of Employees	739	742	732	708	725	728	729	723	728	727
<u>Special Services</u>										
Dial-A-Lift Cost Per Passenger	\$ 21.32	\$ 21.65	\$ 23.02	\$ 19.71	\$ 19.64	\$ 20.42	\$ 20.60	\$ 19.36	\$ 18.34	\$ 20.57
Dial-A-Lift Passengers Per Vehicle Service Hour*	4.8	4.7	4.8	5.0	5.1	4.8	5.1	5.7	4.8	2.1
Number of Dial-A-Lift Vehicles	17	16	17	15	15	13	13	15	12	10
Water Taxi Cost Per Passenger	\$ 10.17	\$ 9.47	\$ 10.99	\$ 11.94	\$ 13.73	\$ 9.23	\$ 12.69	\$ 11.27	\$ 10.94	\$ 12.54
Water Taxi Passengers Per Vehicle Service Hour	14.54	14.96	13.81	13.45	13.40	13.80	16.33	16.12	18.70	18.99
Number of Water Taxi Vessels	3	3	3	3	4	4	4	4	4	4

Note: FY14 Schedule Adherence calculation has changed. Scheduled times are compared with actual departure times using TransitMaster AVL system data. No waivers are used.

*In FY17 Dial-A-Lift was reclassified from Demand Taxi to Demand Response. All hours and miles are now reported including deadhead and breaks between trips.

**Operating Information
Customer Satisfaction Trends
2007-2017***

Exhibit 11

<u>Service Element</u>	% of Customers Rating Favorably									
	2007	2008	2009	2011	2012	2013	2014	2015	2016	2017
LBT Overall	95	96	95	97	97	97	97	90	96	93
LBT Compared to Others	94	92	89	89	93	95	91	**	**	**
Operator Appearance	97	99	97	99	99	99	98	92	98	98
Fares	90	91	85	73	87	91	92	90	94	93
Operator Courtesy	91	88	90	90	92	94	91	91	95	95
Operator Safety	93	93	97	97	98	99	92	90	98	97
On Board Safety	90	93	95	95	96	97	95	86	90	**
Route Convenience	93	96	93	95	96	98	95	90	95	94
Information Available	88	93	93	90	95	95	92	86	92	91
Telephone Information	90	92	91	90	91	89	86	83	91	88
Bus Stop Safety	82	91	87	90	92	95	92	84	78	**
Bus Stop Convenience	95	97	95	96	96	97	97	89	95	94
Schedule Reliability	72	77	78	78	85	89	84	83	89	88
Bus Cleanliness	76	88	85	93	94	95	95	85	88	91
Bus Stop Cleanliness	75	89	84	86	91	91	92	87	86	88
Customer Satisfaction Index***	88	92	90	90	93	95	93	88	92	93

Source: Annual community survey.

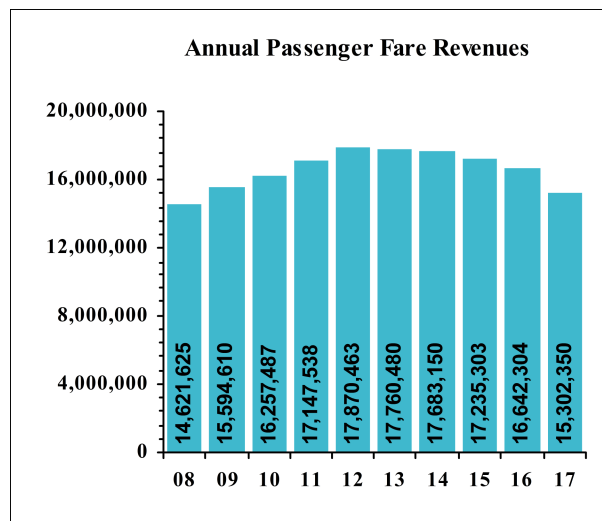
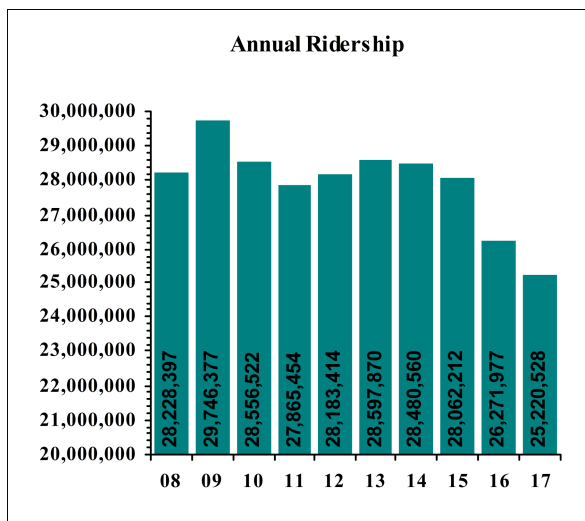
* Formal customer surveys were not performed for fiscal year 2010.

** Not surveyed in 2015, 2016 and 2017

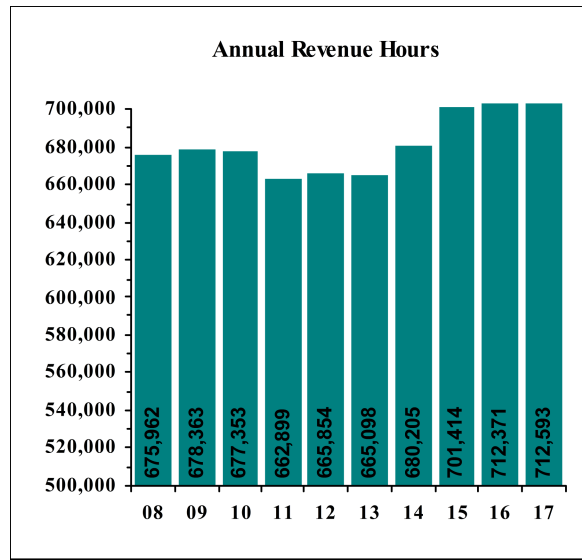
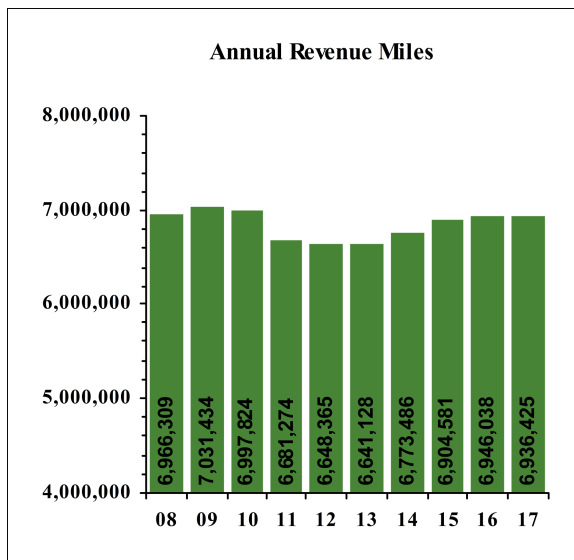
*** The customer satisfaction index is an average of the above ratings.

**Operating Information
Fixed Route Statistics
2008 - 2017**

Exhibit 12



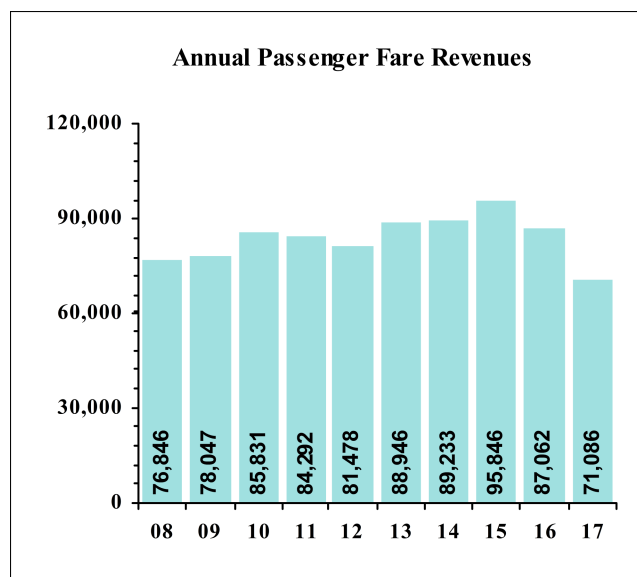
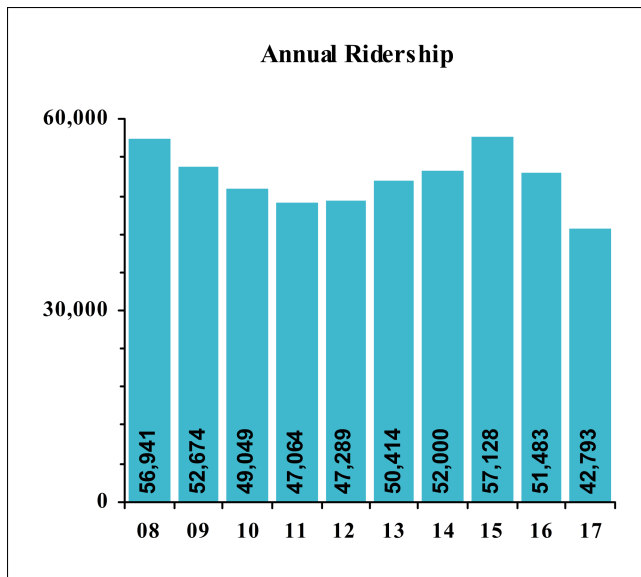
Long Beach Transit had a loss of ridership from FY 2016 to FY 2017, with 26.3 million boardings on Long Beach Transit buses in FY 2016 falling to 25.2 million boardings on Long Beach Transit buses in FY 2017. The 25.2 million boardings represented a 4.0% decrease from the previous year. This ridership decline is consistent with the experiences of other southern Californian transit agencies.



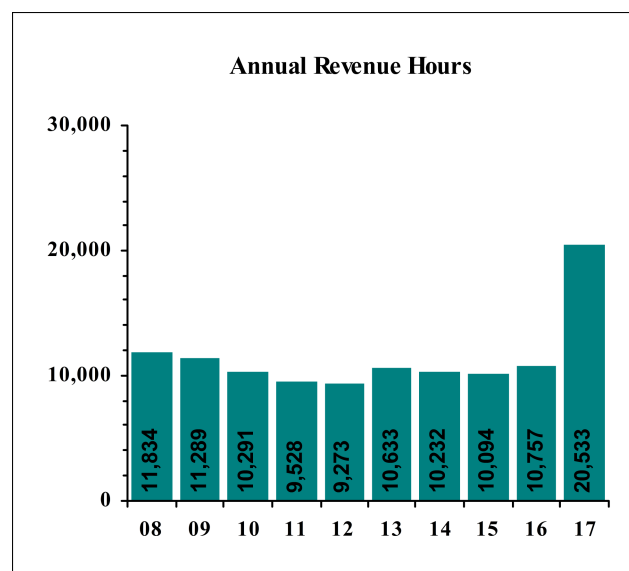
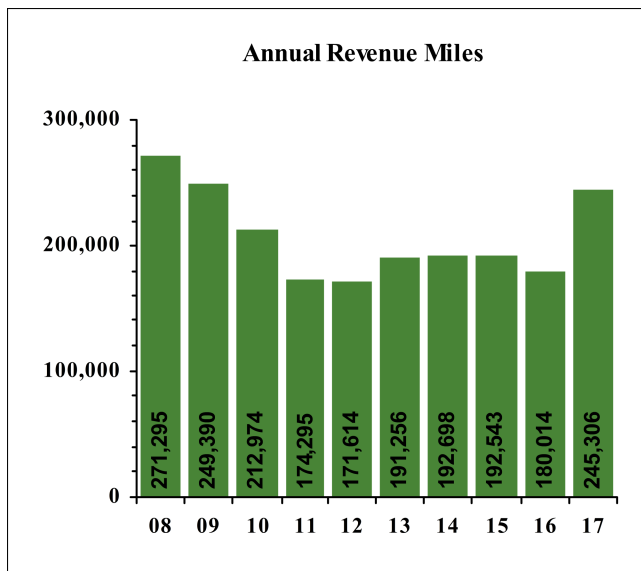
Source: Long Beach Transit's Annual National Transit Database Report

**Operating Information
Dial-A-Lift Statistics
2008 - 2017**

Exhibit 13



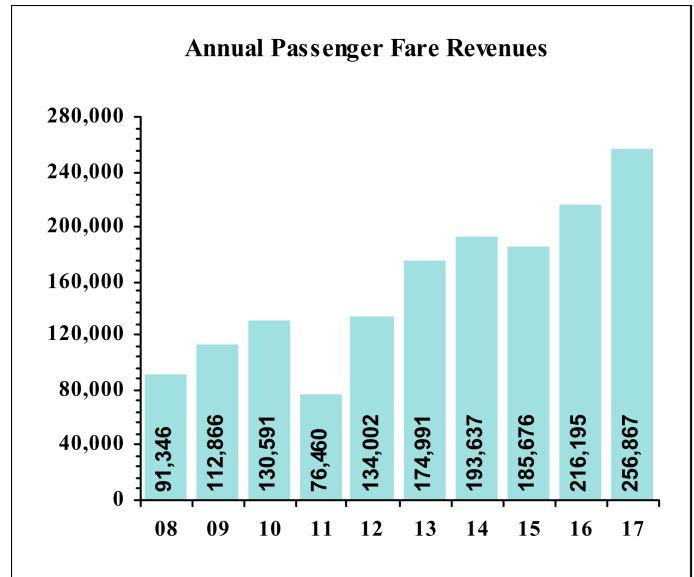
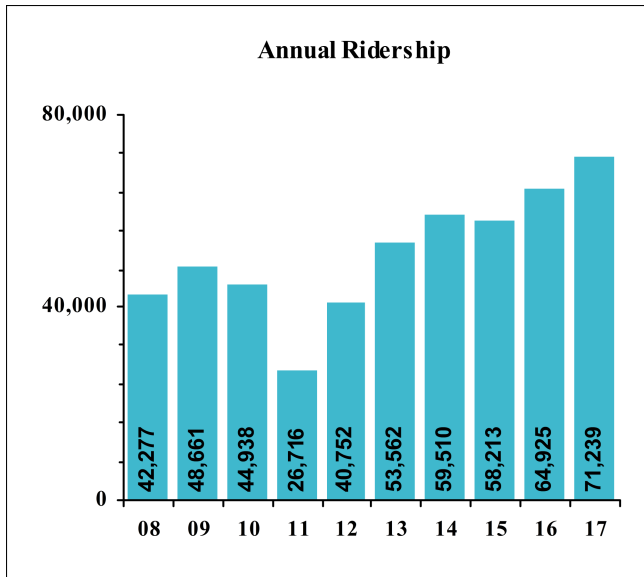
Dial-A-Lift had a 16.9% decrease in ridership in FY17. In FY16 LBT began recertifying members who had the service for more than 3 years to ensure that Dial-A-Lift is serving customers who truly need the service. The ridership decrease is attributed to this recertification process. The Dial-A-Lift service is supplied by a private contractor who provides Dial-A-Lift van trips. In FY17 DAL was reclassified from Demand Taxi to Demand Response. All hours and miles are now reported including deadhead and breaks between trips.



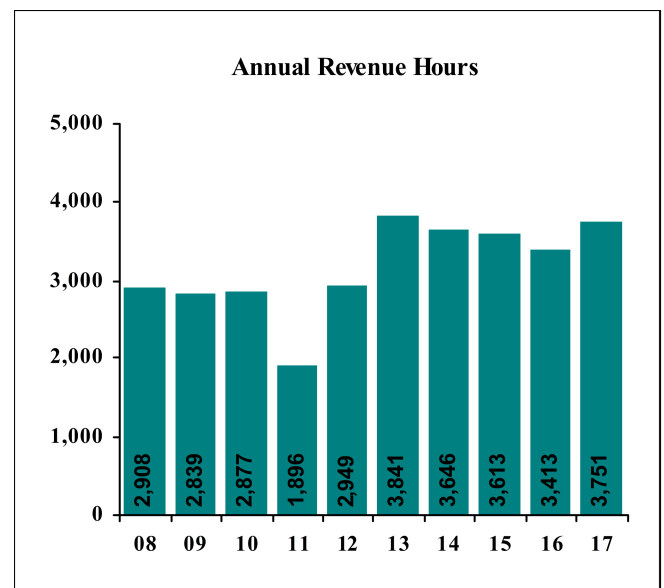
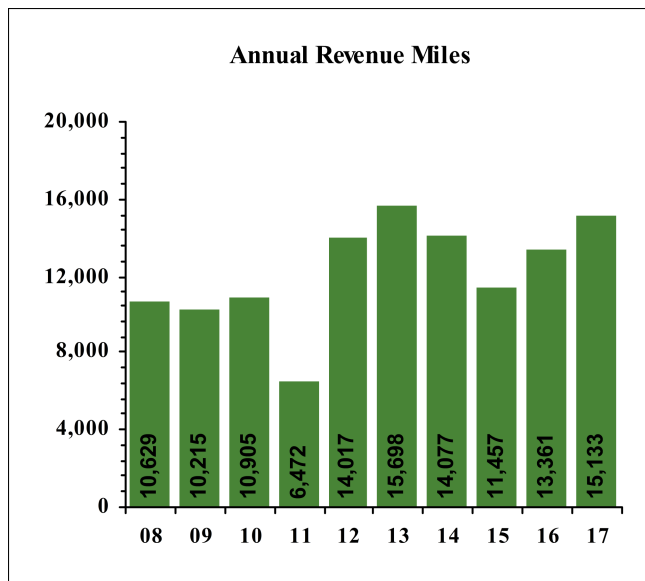
Source: Long Beach Transit's Annual National Transit Database Report

**Operating Information
Water Taxi Statistics
2008-2017**

Exhibit 14



Water Taxi ridership increased 9.7% and revenues increased 18.8% in FY17. These increases are due to the increased ridership on the AquaLink service. The attractions along the AquaLink route have increased the popularity of the service.



Source: Long Beach Transit's Annual National Transit Database Report

**Operating Information
Schedule of Insurance in Force
June 30, 2017**

Exhibit 15

Program	Expiration Term	Agency	Amount/Limit
<u>LIABILITY</u>			
A. Auto and General Liability			
	7/1/18 1 yr	Argonaut Insurance Agency Alteris Insurance Services	\$10,000,000 excess of \$2,000,000 SIR
B. Underground Storage Tank- Third-Party Liability			
	3/4/18 1 yr	Illinois Union Insurance Co.	\$2,000,000 - each incident \$3,000,000 - aggregate Deductible \$50,000
<u>COMMERCIAL PROPERTY</u>			
	3/14/18 1 yr	Travelers Property Casualty Co.	\$ 22,589,000 Real Property \$ 41,943,000 Business Personal Property \$ 50,000 Deductible for buses in the open \$ 476,000 Extra Expense \$ 2,500 per occurrence; except \$50,000 for buses in the yard
<u>WORKERS' COMPENSATION</u>			
	7/1/18 1 yr	Safety National Casualty Corp	SIR: \$1,500,000 WC limit each accident: Statutory Employer's Liability per occurrence: \$2,000,000
<u>CRIME SHIELD POLICY</u>			
	8/8/18 1 yr	Hartford Fire Insurance Co.	\$1,000,000 - employee theft; \$20,000 deductible \$1,000,000 - computer and funds transfer fraud; \$5,000 deductible \$1,000,000 – theft, disappearance and destruction; \$5,000 deductible

Operating Information
Schedule of Insurance in Force (Continued)
June 30, 2017

FELONIOUS ASSAULT POLICY

7/1/20 3 yr	Chubb and Son, A Division of Federal Insurance Agency	\$100,000 – life insurance policy
-------------	---	-----------------------------------

FIDUCIARY LIABILITY

11/1/17 1 yr	Chubb Group of Insurance Co.	\$ 1,000,000 Each Loss
		\$ 1,000,000 Each Policy Period
		\$ 10,000 Deductible

ENVIRONMENTAL LEGAL LIABILITY

6/21/18 2 yr	Aspen Specialty Insurance Co.	\$ 5,000,000 Pollution Incident Coverage
		\$ 5,000,000 Aggregate Limit of Liability
		\$ 25,000 per incident

Source: Long Beach Transit's Risk Management Department.

Operating Information
Fixed-Route Bus Service
Summary of Service Frequency and Hours of Operation

Exhibit 16

ROUTES	FREQUENCY OF SERVICE						DAILY HOURS OF OPERATION		
	<u>Peak/Base</u> (5am-6pm)			<u>Evening/Night</u> (after 6pm)					
	Weekday	Saturday	Sunday	Weekday	Saturday	Sunday	Weekday	Saturday	Sunday
1	30	40	40	30/60	40/60	40/60	508A – 1110P	507A - 1015P	507A - 1015P
20	15	20/30	20/30	20/30/60	20/30/60	20/60	445A - 110X	505A – 113X	505A – 113X
40	10	12	15	10/30	15/30	15/30	431A - 217X	504A – 124X	504A – 115X
50	12/15	20/30	20	15/20/30	20/30	20/30	430A – 1211X	504A – 1211X	510A – 1211X
60	12/20	20	20	20/30/60	20/30	20/25/35/60	450A - 120X	538A - 115X	528A - 116X
70	30	40	40	30	40	40	445A – 825P	506A – 1055P	506A – 1055P
80	50	-	-	-	-	-	615A - 642P	--	--
90	10/12/20	15/20	20/30	15/20/30	20/30	20/30	408A – 105X	500A – 115X	500A – 105X
96 ZAP	-	-	-	-	-	-	--	----	----
100	20/30/40	20	20	30/40	20	20	458A - 1045P	550A – 805P	550A – 805P
110	20	30	30	30/60	30/60	30/60	500A - 120X	505A - 101X	505A – 1259X
121	18	20/30	25/30	18/20/30	20/30	25/30	450A – 114X	501A – 112X	502A – 112X
131	45	60	60	60	60	60	510A – 1000P	530A – 931P	530A – 931P
151	20	30/35/40	30/35/40	20/60	30/40/60	40/60	423A – 1252X	459A – 1254X	459A – 1254X
170	15	15/30	15/30	20/30/60	30/60	30/60	459A – 1256X	508A - 1257X	508A – 1255X
171	30/40	45	45	40/50	60	45	430A - 1101X	700A – 1106P	708A – 1006P
176	30	-	-	-	-	-	646A – 710P	--	--
180	20/25	30	30	20/25/30	30	30	530A – 1055X	515A – 855X	515A – 855X
190	15	20/30	20	20/30/60	20/30/60	20/30/60	410A - 120X	510A - 122X	510A – 117X
Passport	15	10/15	10/15	15/20/30	10/15/30	10/15/30	508A - 1246X	508A – 1258X	508A – 1248X

Source: Long Beach Transit's Service Development Department

Pension Information
Employer and Employee Pension Contributions
2008 – 2017

Fiscal Year Ended June 30	Employer Contribution*	Employee Contribution	Payroll	Contribution as a Percentage of Payroll
<u>Contract Plan</u>				
2008	\$ 2,661,268	\$	\$ 23,643,084	11.35%
2009	3,048,814		25,266,127	12.18
2010	4,111,605		25,501,412	16.20
2011	3,791,200		25,473,634	15.01
2012	2,099,802	1,141,708	25,904,690	12.32
2013	2,473,826	1,105,052	26,589,061	13.74
2014	3,326,307	1,437,006	27,081,026	17.75
2015	3,067,778	1,643,452	28,434,333	15.95
2016	3,439,288	1,754,192	29,453,575	17.58
2017	3,877,435	2,141,425	31,258,394	19.95
<u>Salaried Plan</u>				
2008	\$ 1,202,609	\$	\$ 9,125,649	13.43%
2009	1,582,975		9,554,774	17.26
2010	1,964,523		9,337,229	23.11
2011	2,041,762		9,520,926	22.19
2012	1,244,244	387,987	9,516,264	18.90
2013	2,244,185	449,958	10,281,649	20.97
2014	2,847,508	436,748	8,538,999	28.46
2015	4,758,243	402,617	8,027,453	27.52
2016	4,270,185	365,367	7,192,890	24.55
2017	2,790,134	340,086	6,524,547	29.85

* Total contribution amounts reflect year-end accruals which are adjusted for actual pay in the following fiscal year.

Source: Contract and Salaried pension plan financial statements for the year-ended June 30, 2017.

These financial statements are prepared under separate cover and contain additional trend information.

Pension Information
Pension Revenues by Source and Expenses by Type
2008 – 2017

Fiscal Year Ended June 30	Revenues by Source				Expenses by Type			
	Employer and Employee Contributions	Benefit transfer receivable	Investment Return	Total	Administrative Expenses	Benefit Payments	Benefit transfer payable	Total
<u>Contract Plan</u>								
2008	\$ 2,661,268	\$ --	\$ 571,633	\$ 3,232,901	\$ 242,097	\$ 2,238,944	\$ 6,800	\$ 2,487,841
2009	3,048,814	--	(5,613,626)	(2,564,812)	167,515	1,448,156	35,377	1,651,048
2010	4,111,605	--	(3,780,305)	331,300	204,627	2,544,902	158,341	2,907,870
2011	3,791,200	--	6,604,495	10,395,695	227,965	1,852,836	168,731	2,249,532
2012	3,241,510	--	(682,971)	2,558,539	255,280	2,610,617	25,643	2,891,540
2013	3,714,988	--	3,324,692	7,039,680	291,858	2,447,910	--	2,739,768
2014	4,763,313	--	5,113,555	9,876,868	323,518	4,326,353	241,886	4,891,757
2015	4,711,230	--	(569)	4,710,661	349,496	4,881,029	288	5,230,813
2016	5,193,480	--	(407,799)	4,785,681	325,026	3,182,794	17,501	3,525,321
2017	6,018,860	--	4,919,899	10,938,759	376,137	4,615,902	255,041	5,247,080
<u>Salaried Plan</u>								
2008	\$ 1,202,609	\$ 6,800	\$ (184,115)	\$ 1,025,294	\$ 124,292	\$ 3,654,399	\$ -	\$ 3,778,691
2009	1,582,975	35,377	(1,889,274)	(270,922)	90,378	1,567,196	--	1,657,574
2010	1,964,523	158,341	(1,169,295)	953,569	94,633	950,146	--	1,044,779
2011	2,041,762	168,731	2,235,151	4,445,644	118,827	2,255,212	--	2,374,039
2012	1,632,231	25,643	(238,790)	1,419,084	118,457	2,294,168	--	2,412,625
2013	2,694,143	--	960,977	3,655,120	117,013	702,018	--	819,031
2014	3,284,256	241,886	1,750,047	5,276,189	142,002	2,342,868	--	2,484,870
2015	5,160,860	288	(11,557)	5,149,591	167,173	1,818,412	--	1,985,585
2016	4,635,552	17,501	(194,989)	4,458,064	167,603	1,332,112	--	1,499,715
2017	3,130,220	255,041	2,277,537	5,662,798	203,559	3,003,925	--	3,207,484

Source: Contract and Salaried pension plan financial statements for the year-ended June 30, 2017.

These financial statements are prepared under separate cover and contain additional trend information.

**Grant Information
Capital Grant History
Federal Grants 2008 - 2017**

Exhibit 19

FTA Grants	Authorized Amount	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
CA-90-Y082	11,356,000	\$ 79,907	\$ 608,104								
CA-90-Y117	7,751,180	582,745	239,603								
CA-90-Y226	10,958,295	452,558	241,178	\$ 57,407							
CA-90-Y271	9,982,170	754,104	1,132,509	130,707							
CA-90-Y391	13,354,477	5,457,189	2,125,881	484,648	\$ 95,849	\$ 60,034	\$ 2,527,386				
CA-90-Y440	6,358,401	1,343,478	3,394,798	178,157	35,420	11,972					
CA-90-Y502	14,756,941	1,979,965	10,160,890	1,582,195	81,688	132,711	26,545				
CA-90-Y652	13,051,167	5,821	1,446,032	1,569,176	654,528	398,367	8,331,767	\$ 428,257	\$ 175,263	\$ 41,956	
CA-95-X040	447,000	18,538	70,418	300,763	57,282						
CA-03-0714	970,874	970,874									
CA-04-0061	1,915,492	3,651	1,911,839								
CA-90-Y731	14,960,635		71,794	5,850,160	4,965,764	234,409	3,761,979	71,168	5,361		
CA-03-0759	485,888		485,888								
CA-90-X007	16,497,214		496,563	6,466,024	8,840,940	693,688					
CA-04-0065	2,604,050				1,998,932	(173,860)	778,978				
CA-04-0134	1,783,466				222,952	351,368	1,096,541	71,421	41,184		
CA-90-Y798	13,994,380				3,046,130	6,541,814	646,277	312,347	829,421	11,026	\$ 2,344
CA-90Y880	15,774,862					746,816	7,199,267	2,525,909	86,464	40,244	33,223
CA-04-0184	2,863,280					899,012	702,223	387,690	330,469	5,296	70,224
CA-04-0199	950,000						950,000				
CA-88-0004	6,700,000						637,161	193,185	88,283	237,053	4,213,586
Subtotal		\$ 11,648,830	\$ 22,385,497	\$ 16,619,237	\$ 19,999,485	\$ 9,896,331	\$ 26,658,124	\$ 3,989,977	\$ 1,556,445	\$ 335,575	\$ 4,319,377

**Grant Information
Capital Grant History (Continued)
Federal Grants 2008 - 2017**

Exhibit 19

FTA Grants	Authorized Amount	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Subtotal		\$ 11,648,830	\$ 22,385,497	\$ 16,619,237	\$ 19,999,485	\$ 9,896,331	\$ 26,658,124	\$ 3,989,977	\$ 1,556,445	\$ 335,575	\$ 4,319,377
CA-90-Y957	16,248,527						1,048,270	2,605,970	5,748,917	46,226	112,598
CA-90-X053	17,391,081							773,241	3,102,621	6,504,828	44,927
CA-90-Z120	20,701,104							49,875	10,518,828	1,438,564	1,254,135
CA-58-0015	2,000,000								2,000,000		
CA-90-Z232	14,113,447									1,622,069	5,264,836
CA2016-049	20,731,551										1,314,496
TOTAL		\$ 11,648,830	\$ 22,385,497	\$ 16,619,237	\$ 19,999,485	\$ 9,896,331	\$ 27,706,394	\$ 7,419,063	\$ 22,926,811	\$ 9,947,262	\$ 12,310,369

**Grant Information
Capital Grant History
State Grants 2008 - 2017**

Exhibit 20

State Grants	Authorized Amount	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
CA-90-Y082	1,471,292 \$	10,394 \$	84,231								
CA-90-Y117	1,937,795	145,681	59,932								
CA-90-Y226	2,739,574	111,941	88,662 \$	14,374							
CA-95-X040	203,182	8,427	32,009	11,826							
STA 01	990,696	7,280									
STA 02	1,341,400	2,230									
STA 03	838,329	3,698									
STA 07	910,000	746,044									
STA 08	3,528,162	102,135	2,352,877	440,431 \$	40,077 \$	10,681 \$	19,986				
STA 11	580,795						331,826 \$	248,972			
1B SEC	2,232,588		240,999	417,044	100,896	252,533	197,999	374,050 \$	274,793 \$	644,369 \$	84,411
TOTAL	\$	1,137,830 \$	2,858,710 \$	883,675 \$	140,973 \$	263,214 \$	549,811 \$	623,022 \$	274,793 \$	644,369 \$	84,411

**Grant Information
Local Grants 2008 - 2017**

Exhibit 21

Local Grants	Authorized Amount	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Prop C Security FY 03	349,154 \$	23,888 \$	4,096								
Prop C Security FY 04	923,452	16,208	127								
Prop C – CA-90-Y271	2,375,547	173,882	212,278 \$	27,101							
Prop C FY 02	1,041,853	3,004									
Prop C FY 03	1,123,797	111,223									
Prop C FY 04	923,452	98,592	335								
Prop C Security FY 05	324,000		110,000								
Prop C FY 05	1,324,200	237,755	39,410								
Prop C-CA-90-Y391	2,934,372	1,168,738	486,797	118,327 \$	21,172 \$	13,250 \$	517,992				
Prop C-CA-90-Y440	1,329,020	331,894	682,488	36,085	8,134	2,935					
Prop C FY 06	1,398,323	1,364,204									
Prop C FY 07	152,022	13,570	137,823								
Prop C Security FY 07	24,000	18,279									
Prop C Sec-CA-90-440	138,600	3,943	44,280	8,456	721						
Prop C FY 08	1,661,127	237,858	670,767	111,424	433,695	207,383					
Prop C-CA-90-Y502	3,512,702	495,589	2,562,193	394,626	20,417	33,179	6,698				
Prop C-CA-90-Y652	2,030,062	1,455	245,504	289,667	163,641	131,869	1,037,686 \$	107,052 \$	43,821 \$	9,366	-
Prop C–CA-03-0714	198,854	198,854									
Prop C-CA04-0061	392,330	748	391,582								
MTA 8111	428,774	162,341	62,909	164,545							
Subtotal	\$	4,662,025 \$	5,650,589 \$	1,150,231 \$	647,780 \$	388,616 \$	1,562,376 \$	107,052 \$	43,821 \$	9,366	-

Continue

Grant Information
Capital Grant History (Continued)
Local Grants 2008 - 2017

Exhibit 21

Local Grants	Authorized Amount	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Subtotal		\$ 4,662,025	\$ 5,650,589	\$ 1,150,231	\$ 647,780	\$ 388,616	\$ 1,562,376	\$ 107,052	\$ 43,821	\$ 9,366	-
AQMD 08	81,744		81,744								
Prop C- CA03-0759	99,520		99,520								
Prop C Sec-CA-90-Y652	47,128		13,381	33,761	(13)						
Prop C Sec FY08	31,896		31,896								
Prop C FY 09	985,343		142,767	322,747	519,828						
Prop C-CA90-Y731	3,604,442		63,292	1,484,939	1,239,842	58,875	736,865	17,792	2,837		
Prop C FY 10	110,000			60,825	49,175						
Prop C FY 11	3,808,593				155,049	908,816	1,257,341	702,307	341,032	339,043	105,434
Prop C-CA-90-798	3,003,969				762,626	1,635,402	161,627	78,086	107,922	2,693	586
Prop C-CA-04-065	576,983				499,766	(43,498)	120,715				
Prop C-CA-04-134	312,540				55,704	87,876	140,809	17,855	10,297		
Prop C-CA-04-184	860,720					224,801	225,800	125,882	109,267	1,324	17,254
Prop C FY 12	2,818,242						987,020	928,199	324,026	303,876	104,107
Prop C FY 13	3,242,074						27,419	328,881	1,747,453	551,216	357,117
Prop C-CA-88-0004	876,429						219,786	82,791	35,027	85,464	443,083
Prop C-CA-90-Y957	2,864						881	701	265	841	177
Prop C FY 14	2,518,706							61,119	499,668	429,482	708,945
Prop C-CA-90-Y880	2,252							927	1,325		
Prop C FY 15	4,033,963								658,270	1,117,119	990,459
Prop C-CA-90-Z053	89,216								3,305	5,799	706
Prop C-CA-90-Y120	1,465,833								890,691	150,106	86,122
Prop C FY 16	4,172,213									92,683	610,084
Prop C-CA-90-Z232	700,368										36,827
TOTAL		\$ 4,662,025	\$ 6,083,189	\$ 3,052,503	\$ 3,929,757	\$ 3,260,888	\$ 5,440,639	\$ 2,451,592	\$ 4,775,206	\$ 3,089,012	\$ 3,460,901