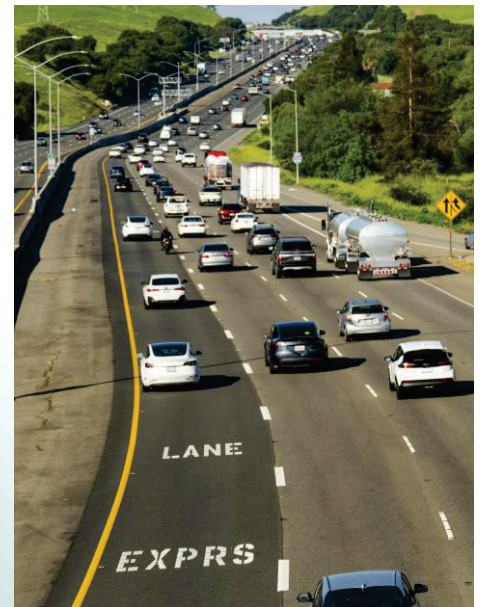
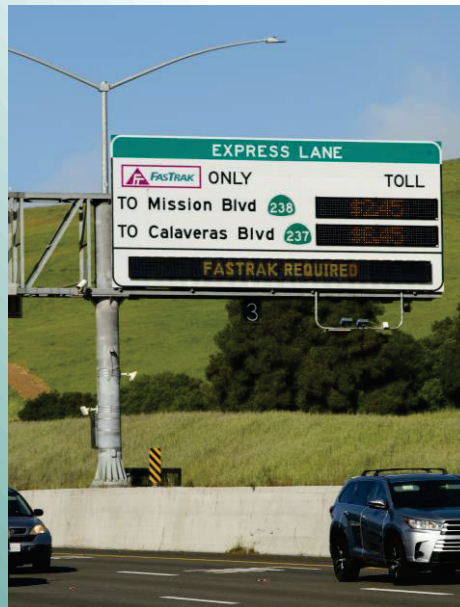




Sunol Smart Carpool Lane Joint Powers Authority



ANNUAL FINANCIAL REPORT FOR THE PERIOD ENDED MAY 31, 2024



**SUNOL SMART CARPOOL LANE
JOINT POWERS AUTHORITY
ANNUAL FINANCIAL REPORT
AS OF MAY 31, 2024**

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SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY
ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

The Governing Board
Sunol Smart Carpool Lane Joint Powers Authority
Oakland, California

Opinions

We have audited the accompanying financial statements of the business-type activities of the Sunol Smart Carpool Lane Joint Powers Authority (Authority) as of and for the eleven months ended May 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of May 31, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Emphasis of a Matter

As explained in Note 1, the Sunol Smart Carpool Lane Joint Powers Authority ceased operations on May 31, 2024, and conveyed all contracts and assets pertaining to the I-680 Express Lanes to the Alameda County Transportation Commission.

Required Supplementary Information

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



Pleasant Hill, California
August 19, 2024

I-680 Sunol Express Lanes



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SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 31, 2024

Management has prepared the following discussion and analysis of the Sunol Smart Carpool Lane Joint Powers Authority (the Authority) financial performance, which provides an overview of its final financial activities for the period July 1, 2023 through its dissolution on May 31, 2024. Management encourages readers to consider the information presented here in conjunction with the accompanying financial statements and related notes.

Financial Highlights

- Total net position increased by \$6.39 million or 23.3 percent from \$27.48 million to \$33.87 million as of May 31, 2024, compared to June 30, 2023. This increase is mostly due to an increase in cash and investments stemming from an increase over the prior year in the number of months that the express lanes were in revenue operations in both the north- and southbound directions as the lanes resumed operations late in fiscal year 2022-23 upon completion of construction work on the lanes. Capital assets, net of accumulated depreciation, comprised \$21.20 million or 62.6 percent of the total net position as of May 31, 2024.
- For the period ending May 31, 2024, cash and cash equivalents increased by \$6.61 million or 96.5 percent from \$6.85 million to \$13.46 million compared to June 30, 2023. This increase is related to toll revenue collections on the express lanes which were more than operating expenses during the period July 1, 2023 through May 31, 2024.
- Operating revenue was \$10.55 million during the period July 1, 2023 through May 31, 2024, an increase of \$7.60 million or 257.6 percent over fiscal year 2022-23. This significant increase is due to an increase over the prior year in the number of months that the express lanes were in revenue operations in both the north- and southbound directions during the 11-month period from July 1, 2023 through May 31, 2024.
- The Authority's total operating expenses including depreciation were \$6.59 million during the period July 1, 2023 through May 31, 2024, an increase of \$4.28 million or 185.6 percent over fiscal year 2022-23. This substantial increase is attributed to an increase over the prior year in the number of months that the express lanes were in revenue operations in both the north- and southbound directions as the lanes resumed operations on March 31, 2023 upon completion of construction work on the lanes, resulting in an increase in operations and maintenance expenses. Operating expenses of \$6.59 million for the period July 1, 2023 through May 31, 2024 were primarily comprised of operations and maintenance costs.

Overview of the Basic Financial Statements

The basic financial statements of the Authority are presented as a single enterprise fund, which reports all activities using the accrual basis of accounting and the economic resources measurement focus. With this basis of accounting, revenues are recorded when earned and expenses are recorded when the related liabilities are incurred. The enterprise fund is used to account for the collection of toll revenues and payment of the Authority's expenses. The financial statements provide both long-term and short-term financial information and information about cash flows. The Authority's financial statements are presented as follows:

- Statement of Net Position;
- Statement of Revenues, Expenses and Changes in Net Position;
- Statement of Cash Flows; and
- Notes to Basic Financial Statements.

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS MAY 31, 2024

Financial Analysis

The following table presents the Authority's net position as of May 31, 2024 and June 30, 2023:

	<u>May 31, 2024</u>	<u>June 30, 2023</u>
Current assets	\$ 14,139,388	\$ 7,257,270
Capital assets, net	<u>21,201,515</u>	<u>21,260,815</u>
Total assets	35,340,903	28,518,085
Total liabilities	<u>(1,474,101)</u>	<u>(1,040,407)</u>
Net position	<u>\$ 33,866,802</u>	<u>\$ 27,477,678</u>

The following table presents the Authority's change in net position for the period ended May 31, 2024 and the fiscal year ended June 30, 2023:

	<u>May 31, 2024</u>	<u>June 30, 2023</u>
Operating revenues	\$ 10,546,972	\$ 2,949,685
Operating expenses	<u>6,590,498</u>	<u>2,307,621</u>
Operating income	3,956,474	642,064
Nonoperating revenue (expense)	<u>282,232</u>	<u>103,145</u>
Increase (decrease) in net position	4,238,706	745,209
Capital contributions	2,150,418	21,624,842
Net position, beginning of period	<u>27,477,678</u>	<u>5,107,627</u>
Net position, end of period	<u>\$ 33,866,802</u>	<u>\$ 27,477,678</u>

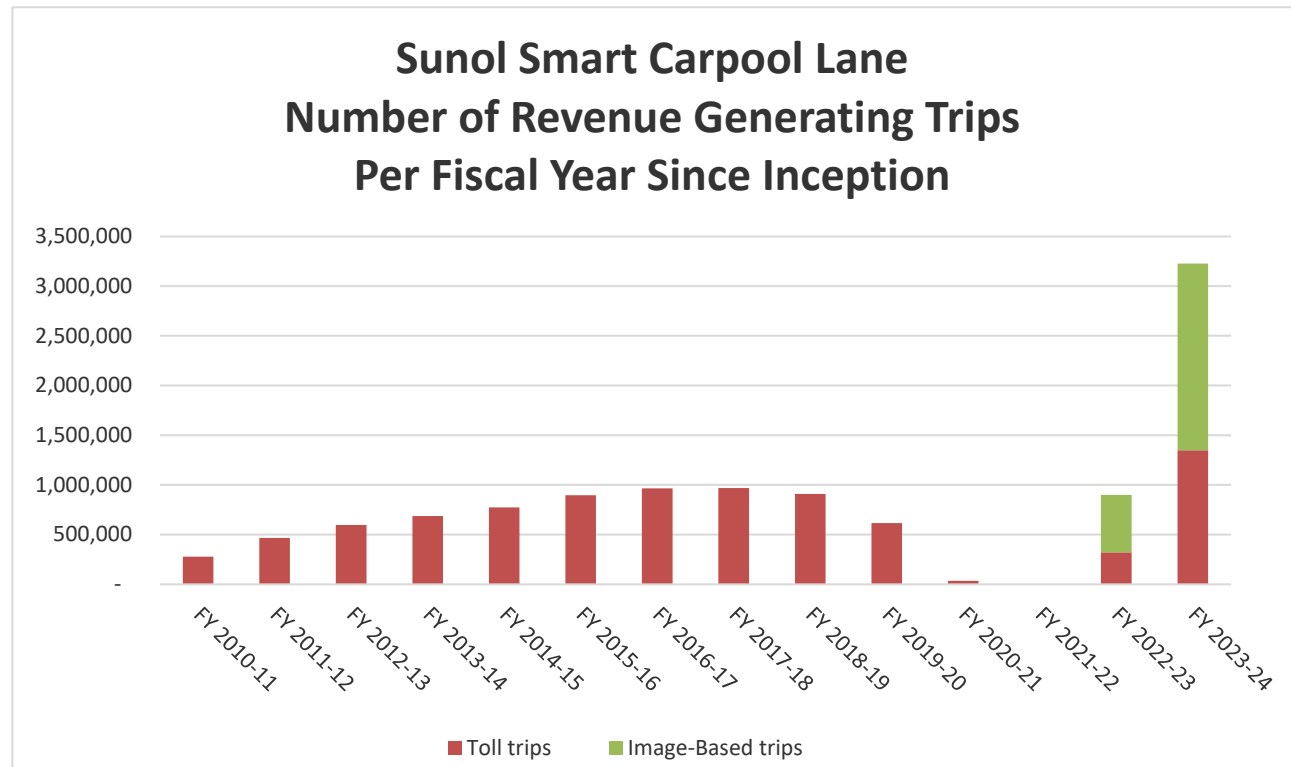
While Alameda CTC was the managing agency of the Sunol Smart Carpool Lane during the period July 1, 2023 through May 31, 2024, Alameda CTC did not subsidize administrative support costs on behalf of the Authority. Accordingly, Sunol Smart Carpool Lane costs have been included in the Statement of Revenues, Expenses, and Changes in Net Position (see Note 3 to the financial statements on page 16 for a more detailed explanation).

The Authority began operating a toll lane on the Sunol Grade segment of southbound I-680 in Alameda and Santa Clara counties on September 20, 2010. Annual toll lane usage almost doubled, going from 465,688 toll-paying trips during fiscal year 2011-12, the lane's first full fiscal year of operations, to 907,972 trips by fiscal year 2018-19; however, the number of trips decreased in fiscal year 2019-20, to 615,054 toll-paying trips, related to the temporary suspension of toll collections along with other bay area toll lanes due to the COVID-19 pandemic shelter-in-place order that was put in place in March 2020. In fiscal year 2020-21, the number of toll-paying trips was down even further to 34,228 related to the suspension of revenue operations, which began in August 2020, to allow for the transition to a new toll system and other construction work on the I-680 Express Lanes. On March 31, 2023, the I-680 Express Lanes resumed revenue operations on the southbound express lane and began revenue operations for the first time on the new northbound express lane with a new image-based toll system in both directions which was able to capture license plate images to deter toll lane violators. The number of toll-paying trips in fiscal year 2022-23, between March 31, 2023 and June 30, 2023, was 899,652, including 579,374 trips that were captured using images. In fiscal year 2023-24, between July 1, 2023 and May 31, 2024, there were 3,225,813 toll-paying trips including 1,877,346 trips that were captured using images.

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS MAY 31, 2024

The following chart reflects the trips that have been recorded in the express lanes by fiscal year since inception of the southbound express lane in September 2010. The chart demonstrates the decline in trips when revenue operations were suspended due to the pandemic and revenue operations were temporarily put on hold for construction activities on the lanes, during fiscal year 2019-20 through fiscal year 2022-23. It also shows when trips started to increase again as the express lanes reopened for revenue operations in both the north- and southbound directions upon completion of construction in fiscal year 2022-23.



During the period ended May 31, 2024, cash and investments increased by \$6.61 million or 96.5 percent. Revenues for the period, including tolls and other revenues in the amount of \$10.83 million, plus the change in liabilities of \$0.43 million, less the change in receivables and prepaids of \$0.27 million, and operations and maintenance expenses of \$4.38 million resulted in the overall change in the cash and investments balance.

Capital Assets

The following table presents the Authority's capital asset activity from June 30, 2023 to May 31, 2024:

	June 30, 2023	Additions	Deletions	May 31, 2024
Toll revenue equipment	\$ 22,179,187	\$ 2,150,418	\$ -	\$ 24,329,605
Accumulated depreciation	(918,372)	(2,209,718)	-	(3,128,090)
Net book value	\$ 21,260,815	\$ (59,300)	\$ -	\$ 21,201,515

Additional information regarding the Authority's capital assets can be found in Note 5 on page 18 of this report.

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS MAY 31, 2024

Comparison of Budget to Actual

Prior to each fiscal year, the Authority adopts a budget for the coming year. The adopted operating revenue budget for fiscal year 2023-24 was \$7.50 million; however, this budget was updated at mid-year to \$11.40 million to reflect updated projected revenues based on actual revenues realized since the lanes opened for operations on March 31, 2023. Actual operating revenues were \$10.55 million, which included 11 months of toll revenues during the period July 1, 2023 through May 31, 2024.

The adopted operating expense budget, including depreciation, was \$6.96 million; however, this was updated at mid-year to \$8.02 million. Actual operating expenses were \$6.59 million, which was \$1.43 million or 17.8 percent less than budget primarily due to the comparison of actual operating expenses for an 11-month period and the fiscal year budget which included expenses for a 12-month period.

The adopted investment income budget for fiscal year 2023-24 was \$0.10 million; however, this was updated at mid-year to \$0.18 million. Actual investment income was \$0.28 million or 61.3 percent more than budget due to the rise in interest rates after the mid-year budget update was adopted.

The Authority did not adopt a capital budget in the originally adopted budget for FY2023-24; however, this was updated at mid-year to \$1.496 million to reflect expected capital expenses related to the dissolution of the Authority and other capital costs. Actual capital expenses were \$.002 million, which was \$1.494 million less than budget as the majority of capital costs had not yet been incurred as of May 31, 2024.

Other Significant Matters

Alameda CTC is the implementing agency of an I-680 Southbound Express Lane Project from State Route 84 (SR-84) to Alcosta Boulevard to close the gap between existing express lanes directly to the north and south. Project partners and stakeholders include the California Department of Transportation (Caltrans), the Federal Highway Administration, the Bay Area Infrastructure Financing Authority, Alameda County, Contra Costa County, the community of Sunol, and the cities of Dublin, Pleasanton and San Ramon. The project extends for approximately nine miles on southbound I-680 through Sunol, Pleasanton, Dublin, and San Ramon. Benefits of this project include increased efficiency of the transportation system between SR-84 and Alcosta Boulevard to accommodate current and future traffic demand, improved travel time and travel reliability for all users, including high occupancy vehicle and transit users, and optimized freeway system management and traffic operations. Alameda CTC completed the environmental and preliminary engineering studies for this project, and the final environmental document was approved by Caltrans in fall 2020. Final design was completed in October 2021 and the project was awarded in November 2022. Construction on the project began in February 2023 and is scheduled to be completed in Winter 2025.

Revenue operations on the southbound express lane between SR-84 and SR-237 were suspended on August 10, 2020 to allow for necessary construction work. Construction included widening the freeway to accommodate a new 9-mile express lane in the northbound direction and associated improvements between Auto Mall Parkway and SR-84, converting the I-680 Southbound Express Lane access configuration from controlled access to a near continuous access configuration, modification of bridge crossings, construction of retaining walls to accommodate the widening, and repaving of the full project limits. Both the southbound and northbound express lanes opened for revenue operations on March 31, 2023.

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 31, 2024

The Authority was originally formed to plan, design, construct, and administer the operations of a value pricing high-occupancy vehicle program on the Sunol Grade segment of I-680 between the interchange of Alcosta Boulevard in the City of Dublin in Alameda County and State Route 237 (SR-237) (Calaveras Boulevard) in the City of Milpitas in Santa Clara County pursuant to Assembly Bill 2032 in 2004, establishing Section 149.5 of the Streets and Highways Code. In addition to managing the operations of the existing toll lane, the Authority is responsible for maintenance of the express lane.

In September 2023, the Governor signed legislation proposed by the Sunol JPA member agencies amending Section 149.5 of the Streets and Highways Code to authorize both Alameda CTC and the Santa Clara Valley Transportation Authority to operate the I-680 Express Lanes separately, and independent of the Authority, in their respective counties. The changes in legislation were proposed to support more efficient and streamlined governance and administrative structure and better utilize public agency resources.

On January 8, 2024, Alameda CTC adopted a resolution authorizing the Executive Director to take actions related to the dissolution of the Sunol Smart Carpool Lane Joint Powers Authority including termination of the Sunol Smart Carpool Lane Joint Powers Agreement (Sunol JPA Agreement) and to take all actions necessary to effectuate the dissolution and transition of the I-680 Express Lanes operations in Alameda County to Alameda CTC which included the provision of satisfactory notice to the Santa Clara Valley Transportation Authority advising of Alameda CTC's election to continue to operate the I-680 Express Lanes in Alameda County pursuant to Section 14 of the Sunol JPA Agreement.

On February 12, 2024, the Authority's Board approved a Resolution of Termination which terminated the Sunol JPA Agreement, dissolved the Sunol Smart Carpool Lane Joint Powers Authority, conveyed all contracts and assets pertaining to the I-680 Express Lanes to Alameda CTC, and authorized the Executive Director to take all steps necessary to effectuate the dissolution and transition of the I-680 Express Lanes operations. Consequently, these financial statements reflect the final financial activities and financial position of the Authority as of and for the 11 months ending May 31, 2024.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those interested in the finances of the Sunol Smart Carpool Lane JPA. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Alameda CTC Finance Department at 1111 Broadway, Suite 800, Oakland, CA 94607.

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SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

STATEMENT OF NET POSITION

MAY 31, 2024

ASSETS

Current Assets

Cash and investments	\$ 13,463,439
Accounts receivable	587,465
Interest receivable	69,856
Prepaid items	18,629
Total Current Assets	<u>14,139,389</u>

Capital assets, net of accumulated depreciation

21,201,515

Total Assets

35,340,904

LIABILITIES

Current Liabilities

Accrued liabilities	<u>1,474,102</u>
Total Liabilities	<u>1,474,102</u>

NET POSITION

Net investment in capital assets	21,201,515
Unrestricted	<u>12,665,287</u>
Total Net Position	<u>\$ 33,866,802</u>

The accompanying notes are an integral part of these financial statements.

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE ELEVEN MONTHS ENDED MAY 31, 2024

OPERATING REVENUES

Toll revenue	\$ 10,546,972
Total operating revenue	<u>10,546,972</u>

OPERATING EXPENSES

Operations and maintenance	4,380,780
Depreciation expense	<u>2,209,718</u>
Total operating expenses	<u>6,590,498</u>
Operating Income	<u>3,956,474</u>

NONOPERATING REVENUES

Investment income	<u>282,232</u>
Total nonoperating revenues	<u>282,232</u>

Income before capital contributions	4,238,706
Capital contributions	<u>2,150,418</u>

Change in net position	6,389,124
Net Position - Beginning	<u>27,477,678</u>
Net Position - Ending	<u><u>\$ 33,866,802</u></u>

The accompanying notes are an integral part of these financial statements.

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE ELEVEN MONTHS ENDED MAY 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 10,332,024
Payments to suppliers for goods and services	(3,965,714)
Cash flows from operating activities	<u>6,366,310</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash receipts from interest income	<u>244,582</u>
Net change in cash and cash equivalents	6,610,892
Cash and cash equivalents - Beginning	<u>6,852,547</u>
Cash and cash equivalents - Ending	<u><u>\$ 13,463,439</u></u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 3,956,474
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	2,209,718
Changes in assets and liabilities:	
Increase in receivables	(214,948)
Increase in prepaid items	(18,629)
Increase in liabilities	433,695

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 6,366,310

SCHEDULE OF NONCASH CAPITAL ACTIVITIES

Contribution of capital assets	\$ 2,150,418
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NONCASH CAPITAL ACTIVITIES

\$ 2,150,418

The accompanying notes are an integral part of these financial statements.

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SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS MAY 31, 2024

NOTE 1 – REPORTING ENTITY

The Sunol Smart Carpool Lane Joint Powers Authority (the Authority) is a joint powers authority, organized in February 2006 pursuant to a joint powers agreement (Agreement) among the Alameda County Congestion Management Agency (ACCMA), the Alameda County Transportation Improvement Authority (ACTIA), and the Santa Clara Valley Transportation Authority (VTA). As of July 1, 2010, ACCMA and ACTIA were succeeded by Alameda County Transportation Commission (Alameda CTC) which has all of the powers and responsibilities of the former agencies. The Agreement was entered into pursuant to the Government Code of the State of California, commencing with Section 6500. The Authority was formed to plan, design, construct, and administer the operations of a value pricing high-occupancy vehicle program on the Sunol Grade segment of Interstate 680 in Alameda and Santa Clara Counties. Members of the Authority's Board of Directors (Board) are elected officials representing Alameda and Santa Clara Counties. The Interstate 680 (I-680) Express Lane is located along a 14-mile stretch of I-680 in the southbound direction from State Route 84 (SR84) south of Pleasanton to State Route 237 in Milpitas, California and has been in operation since September 2010, and along a nine-mile stretch of I-680 in the northbound direction from South Grimmer Blvd. in Fremont, California to SR-84 which became operational on March 31, 2023.

In September 2023, the Governor signed legislation amending Section 149.5 of the Streets and Highways Code to authorize both Alameda CTC and VTA to operate the I-680 Express Lanes separately, and independent of the Authority, in their respective counties.

On January 8, 2024, Alameda CTC adopted a resolution authorizing the Executive Director to take actions related to the dissolution of the Sunol Smart Carpool Lane Joint Powers Authority including termination of the Sunol Smart Carpool Lane Joint Powers Agreement (Sunol JPA Agreement) and to take all actions necessary to effectuate the dissolution and transition of the I-680 Express Lanes operations in Alameda County to Alameda CTC which included the provision of satisfactory notice to the Santa Clara Valley Transportation Authority advising of Alameda CTC's election to continue to operate the I-680 Express Lanes in Alameda County pursuant to Section 14 of the Sunol JPA Agreement.

On February 12, 2024, the Authority's Board approved a Resolution of Termination which terminated the Sunol JPA Agreement, dissolved the Sunol Smart Carpool Lane Joint Powers Authority, conveyed all contracts and assets pertaining to the I-680 Express Lanes to Alameda CTC, and authorized the Executive Director to take all steps necessary to effectuate the dissolution and transition of the I-680 Express Lanes operations.

NOTE 2 – MANAGING AGENCY

Alameda CTC was the managing agency of the Authority. From inception of the Authority in 2006, through its dissolution on May 1, 2024, Alameda CTC provided all administrative support including office space, staff time, accounting, insurance, legal counsel, and JPA support costs. Alameda CTC ceased funding these administrative support costs on behalf of the Authority as of July 1, 2012. Accordingly, all of the Authority's operating costs are included in the Statement of Revenues, Expenses, and Changes in Net Position.

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

MAY 31, 2024

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

All activities of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental agencies. With this measurement focus, all assets and liabilities associated with operations are included on the Statement of Net Position. Revenues are reported when earned and expenses are reported when the related liabilities are incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenue of the Authority is the collection of toll revenue.

Operating expenses of the Authority are made up of operations and maintenance costs and depreciation. Since inception of the Authority, Alameda CTC as the managing agency provided administrative support and subsidized operations and maintenance costs of the Sunol Smart Carpool Lane through its I-680 Southbound HOT Lane Project. As of July 1, 2012, the managing agency no longer funded the Authority's administrative support costs. Accordingly, these costs as well as all other operations and maintenance costs incurred by the Authority have been included in the Statement of Revenues, Expenses, and Changes in Net Position since July 1, 2012.

The Authority adheres to accounting principles issued by the Governmental Accounting Standards Board (GASB).

Revenue Recognition

The Authority recognizes toll revenue at the time the toll lane is used, net of funds for invalid transactions, equipment malfunctions, and other various issues.

Net Position

Net position is reported in the following categories:

- Net investment in capital assets – This category includes all capital assets net of accumulated depreciation. The Authority has no capital related debt.
- Unrestricted – This category represents net position of the Authority that is not restricted for any project or other purpose.

State law requires net toll revenues to be used only for construction of high-occupancy vehicle facilities, other transportation improvements within the tolling corridor, and the improvement of transit services within the corridor from which the revenue was generated. For fiscal year 2023-24, the Board approved \$1 million of net position for maintenance reserves to be used for costs such as the replacement of toll equipment (including hardware and software) and roadway rehabilitation. In addition, the Board approved \$8 million of net position as an operational risk reserve designed to ensure the financial stability of the agency. The Board has set a target of \$20 million to be accumulated in this operational risk reserve, depending on available net operating surplus, which would be eligible to be spent on unforeseen risks or a catastrophic type failure, such as a pandemic significantly affecting traffic in the lanes or an overall failure of toll system equipment.

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

MAY 31, 2024

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalent

The Authority considers all highly liquid investments to be cash equivalents. As such, the Authority's investment in the Local Agency Investment Fund (LAIF) is considered to be a cash equivalent because withdrawals from the LAIF pool are available on an amortized cost basis which is substantially the same as the fair value reported in the financial statements.

Estimates

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

NOTE 4 – CASH AND INVESTMENTS

The Authority had \$4,273,914 cash in the bank and \$9,189,525 invested with LAIF for total cash and investments of \$13,463,439 as of May 31, 2024. The Authority's investment policy follows the investment policy of its managing agency, Alameda CTC.

Cash held in banks is entirely collateralized by the bank holding the deposit. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110 percent of the deposit or first trust deed mortgage notes with a value of 150 percent of the deposit as collateral for all municipal deposits. This collateral remains with the institution, but is considered to be held in the name of the investment pool and places the Authority, which is a participant in the investment pool, ahead of general creditors of the institution.

LAIF is a State of California external investment pool which is regulated by California Government Code §16429 under the oversight of the Treasurer of the State of California. The pool is not registered with the Securities and Exchange Commission. The fair value of the Authority's investments in the pool is reported in the accompanying financial statement at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by LAIF, which is recorded on the amortized cost basis. LAIF transactions are restricted to 15 transactions per month with a minimum transaction amount of \$5,000 and increments of \$1,000 thereafter. LAIF is not rated.

Custodial credit risk is the risk that in the event a financial institution or counterparty fails, the Authority would not be able to recover the value of its deposits and investments. At May 31, 2024, the Federal Depository Insurance Corporation insured the Authority's cash deposits up to \$250,000 and the financial institution's trust department collateralized the remainder of the Authority's deposits in the Authority's name.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments are not exposed to custodial credit risk.

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS MAY 31, 2024

NOTE 4 – CASH AND INVESTMENTS (Continued)

Fair Value Measurements – The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments in the LAIF are uncategorized because deposits to and from the investment pool are made on the basis of \$1 and not at fair value.

NOTE 5 – CAPITAL ASSTS

Equipment costing \$5,000 or more and having a useful life of more than one year is reported in the Statement of Net Position at historical cost. Capital assets are depreciated using the straight-line method over estimated useful lives of five to twenty years.

Capital asset balances for the eleven months ended May 31, 2024, and activity, are as follows:

	June 30, 2023	Additions	Deletions	May 31, 2024
Toll revenue equipment	\$ 22,179,187	\$ 2,150,418	\$ -	\$ 24,329,605
Accumulated depreciation	(918,372)	(2,209,718)	-	(3,128,090)
Net book value	<u>\$ 21,260,815</u>	<u>\$ (59,300)</u>	<u>\$ -</u>	<u>\$ 21,201,515</u>

NOTE 6 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The following is a list of insurance covering operations:

Type of coverage	Deductible	Limits
General liability		
Bodily injury	\$ 5,000	\$ 10,000,000 per occurrence
Property damage	5,000	10,000,000 per occurrence
Employee and public officials errors & omissions	5,000	10,000,000 per occurrence
Public officials personal	500	500,000 per occurrence/annual aggregate
Employment practices liability	5,000	10,000,000 per occurrence
Employment benefits	5,000	10,000,000 per occurrence
Employee and public officials dishonesty	-	1,000,000 per occurrence
Auto liability		
Auto bodily injury	5,000	10,000,000 per occurrence
Auto property damage	5,000	10,000,000 per occurrence
Uninsured motorists	5,000	1,000,000 per occurrence
Property		
Property	5,000	1,000,000,000 per occurrence
Boiler and machinery	5,000	100,000,000 per occurrence
Flood	500,000	10,000,000 per occurrence/annual aggregate
Pollution	5,000	2,000,000 per occurrence/annual aggregate
Cyber	50,000	2,000,000 per occurrence/annual aggregate
Catastrophic loss	500,000	1,000,000,000 per occurrence
Excess liability	-	5,000,000 per occurrence/other aggregate

There are no claims in excess of insured amounts during the past three years.

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