



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

Agenda

JOINT MEETING OF THE BOARD OF DIRECTORS

for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

December 9, 2010

9:00 a.m.

James R. Mills Building
Board Meeting Room, 10th Floor
1255 Imperial Avenue, San Diego

This information will be made available in alternative formats upon request. To request an agenda in an alternative format, please call the Clerk of the Board at least five working days prior to the meeting to ensure availability. Assistive Listening Devices (ALDs) are available from the Clerk of the Board/Assistant Clerk of the Board prior to the meeting and are to be returned at the end of the meeting.

- | | <u>ACTION
RECOMMENDED</u> |
|---|-------------------------------|
| 1. <u>Roll Call</u> | |
| 2. <u>Approval of Minutes</u> - November 18, 2010 | Approve |
| 3. <u>Public Comments</u> - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please give your copies to the Clerk of the Board. | |

CONSENT ITEMS

- | | |
|---|---------|
| 6. <u>MTS: Investment Report - October 2010</u>
Action would receive a report for information. | Receive |
| 7. <u>MTS: Light Rail Vehicle (LRV) Tire Kits</u>
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L0983.0-11 with Siemens Industry, Inc. for LRV tire kits for up to a five-year period (two-year base period including 3 one-year option periods for a total of five years). | Approve |
| 8. <u>MTS: Taxicab Committee Member Election Results</u>
Action would approve appointing new members to the Taxicab Committee as stated in the results of the Taxicab Committee member election. | Approve |

Please turn off cell phones
during the meeting

1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490 • (619) 231-1466 • www.sdmts.com

Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.



CONSENT ITEMS - CONTINUED

- | | | |
|-----|---|---------|
| 9. | <u>MTS: Compass Card Controls - Audit Report</u>
Action would receive an internal audit report on Compass Card controls. | Receive |
| 10. | <u>MTS: Job Order Contract and CCTV Upgrade Work Order</u>
Action would authorize the CEO to: (1) enter into a Job Order Contract (JOC) (MTS Doc. No. PWL132.0-11) with Southland Electric, Inc.; and (2) negotiate and issue a work order with Southland Electric for CCTV System Upgrade Project construction services in an amount not to exceed \$500,000. | Approve |
| 11. | <u>MTS: Employee Benefits Broker/Consulting Services RFP - Contract Award</u>
Action would authorize the CEO to execute the following contracts for employee benefits broker/consulting services for up to a five-year period (three-year base with 2 one-year options):
1. MTS Doc. No. G1361.0-11 with Keenan & Associates for ongoing consulting services;
2. MTS Doc. No. G1362.0-11 with Keenan & Associates for advisory services;
3. MTS Doc. No. G1363.0-11 with Barney and Barney for advisory services; and
4. MTS Doc. No. G1364.0-11 with Rael & Letson for advisory services. | Approve |
| 12. | <u>MTS: In-Floor Jack Body Hoist Overhaul - Contract Award</u>
Action would authorize the CEO to execute MTS Doc. No. PWL129.0-11 with Industrial Millwright Services, Inc. for the procurement of goods, services, and parts necessary to rehabilitate two sets of light rail vehicle (LRV) in-floor jack body hoists. | Approve |
| 13. | <u>MTS: Unallocated Transportation Development Act Funds for Transit-Related Projects</u>
Action would approve the use of \$121,610 in unallocated TDA funds currently held by the County of San Diego for the City of Santee's Bus Stop Upgrade Project. | Approve |
| 14. | <u>MTS: Capital Improvement Program (CIP) Funding Transfers</u>
Action would approve the transfer of: (1) \$96,146 in State Transit Assistance (STA) funds to the San Ysidro Transit Center Project (CIP 10453) from the completed KMD Tile and Roof Repair Project (CIP 1114900); (2) \$111,182 in Transportation Development Act (TDA) funds to Miscellaneous Capital (CIP 11200) from the Blue Line Rehabilitation Project (11266); (3) \$500,000 in TDA funds from the New IT System Project (CIP 11307) to complete land procurement projects (CIPs 11303, 11305, and 11308); and (4) \$7,219,200 in Federal Formula 5307 funds (Y806) from the Kearny Mesa Land Procurement Project (CIP 11305) to fund the FY 12 CIP. | Approve |

CLOSED SESSION

- | | | |
|-----|--|--------------------|
| 24. | a. <u>MTS: CLOSED SESSION - PUBLIC EMPLOYEE APPOINTMENT (GENERAL COUNSEL)</u> Pursuant to California Government Code section 54957 | Possible
Action |
|-----|--|--------------------|

NOTICED PUBLIC HEARINGS

- | | |
|-----|-------|
| 25. | None. |
|-----|-------|

DISCUSSION ITEMS

30. MTS: Regional Transportation Plan Revenue-Constrained Scenarios (Sharon Cooney, Denis Desmond, and Dave Schumacher of SANDAG) Approve
Action would support the Hybrid Preferred Revenue-Constrained Scenario for use in the 2050 Regional Transportation Plan.
31. MTS: Siemens Light Rail Vehicle (LRV) Procurement - Contract Amendment (Wayne Terry) Approve
Action would: (1) authorize the CEO to execute MTS Doc. No. L0914.5-10 retrofitting MTS's existing fleet of SD 100s to be communications compatible; and (2) increase the total budget for the procurement of low-floor vehicles (LRVs) from \$236,000,000 to \$240,000,000 and amend the San Diego Association of Governments (SANDAG) LRV procurement funding Memorandum of Understanding (MOU).

REPORT ITEMS

45. MTS: Fiscal Year 2010 Comprehensive Annual Financial Report and Auditor Presentation of New Auditing Standards (Linda Musengo) Receive
Action would receive the Fiscal Year 2010 Comprehensive Annual Financial Report (CAFR).
46. MTS: Operations Budget Status Report for October 2010 (Mike Thompson) Receive
Action would receive a status report on MTS's operations budget for October 2010.
60. Chairman's Report Information
61. Audit Oversight Committee Chairman's Report Information
62. Chief Executive Officer's Report Information
63. Board Member Communications
64. Additional Public Comments Not on the Agenda
If the limit of 5 speakers is exceeded under No. 3 (Public Comments) on this agenda, additional speakers will be taken at this time. If you have a report to present, please furnish a copy to the Clerk of the Board. Subjects of previous hearings or agenda items may not again be addressed under Public Comments.
65. Next Meeting Date: January 20, 2011
66. Adjournment

JOINT MEETING OF THE BOARD OF DIRECTORS FOR THE
METROPOLITAN TRANSIT SYSTEM (MTS),
SAN DIEGO TRANSIT CORPORATION (SDTC), AND
SAN DIEGO TROLLEY, INC. (SDTI)
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

November 18, 2010

DRAFT MINUTES

1. Roll Call

Chairman Mathis called the Board meeting to order at 9:04 a.m. A roll call sheet listing Board member attendance is attached.

2. Approval of Minutes (taken out of order)

Mr. Ewin moved to approve the minutes of the October 28, 2010, MTS Board of Directors meeting. Ms. Hanson-Cox seconded the motion, and the vote was 10 to 0 in favor with Ms. England abstaining.

3. Public Comments

John Wood – Mr. Wood explained that he has been an advocate for subterranean grade crossings at the Lemon Grove Depot. He has seen the Regional Plan provided by the San Diego Association of Governments (SANDAG) proposing a rapid trolley through the Lemon Grove Station and is stating his preference for a subterranean crossing so that traffic will not be affected.

Clive Richard – Mr. Richard stated that he is a strong believer that people need to be aware of what the government is doing or else they will get into mischief. He explained that last month, he came to the Board meeting and was treated rudely when entering through the security screening. He further explained that once inside the building, he was accused of his costume not being pleasing, and he will not apologize and will not be judged for his appearance. He mentioned that he will rarely be attending Board meetings in the future.

4. MTS: Appointment of Ad Hoc Nominating Committee for Recommending Appointments to MTS Committees for 2011

Mr. Rindone moved to nominate Chairman Mathis, Mr. Roberts, and Mr. Ewin to the Ad Hoc Nominating Committee to make recommendations to the Board with respect to the appointment of members of the Board to serve on MTS and non-MTS committees for 2009. Chairman Mathis moved to nominate Mr. Rindone to the Ad Hoc Nominating Committee. There were no additional nominations from the floor.

The vote was 11 to 0 in favor with Chairman Mathis, Mr. Rindone, Mr. Roberts, and Mr. Ewin abstaining from voting for themselves.

CONSENT ITEMS:

6. MTS: San Diego and Arizona Eastern (SD&AE) Railway Company Quarterly Reports and Ratification of Actions Taken by the SD&AE Board of Directors at its Meeting on October 19, 2010

Action would: (1) receive the San Diego and Imperial Valley Railroad (SD&IV), Pacific Southwest Railway Museum Association (Museum), and Carrizo Gorge Railway, Inc. (Carrizo) quarterly reports; and (2) ratify actions taken by the San Diego and Arizona Eastern (SD&AE) Railway Company Board of Directors at its meeting on October 19, 2010.

7. MTS: Revisions to MTS Policy No. 41 (Signature Authority) and MTS Policy No. 52 (Procurement of Goods and Services)

Action would approve revisions to MTS Policy No. 41 (Signature Authority) and MTS Policy No. 52 (Procurement of Goods and Services).

8. MTS: Investment Report - September 2010

Action would receive a report for information.

9. MTS: Regional Transportation Improvement Program Amendment

Action would forward a recommendation to the San Diego Association of Governments' (SANDAG's) Board of Directors to adopt Resolution No. 10-25 approving the amendment of the Regional Transportation Improvement Program (RTIP) to remove the Transportation Development Credits and add the newly awarded Federal Transit Administration (FTA) Clean Fuels Grant in accordance with the fiscal year 2011 Capital Improvement Program recommendations.

10. MTS: Semiannual Uniform Report of Disadvantaged Business Enterprise Awards or Commitments and Payments

Action would receive the Semiannual Uniform Report of Disadvantaged Business Enterprise (DBE) Awards or Commitments and Payments.

11. MTS: Brake and Axle-Related Items - Contract Award

Action would authorize the CEO to execute multiple five-year contracts in response to MTS Doc. No. B0533.0-10 to the following contractors that were the lowest responsive, responsible bidders in their respective groups for brake and axle-related items: (1) Truck Trailer Transit/Axle Tech - Group A (Brake and Planetary Kits) MTS Doc. No. B0545.0-11; (2) Mohawk Mfg. & Supply Co. - Group B (Bendix Air Brake Parts) MTS Doc. No. B0546.0-11; (3) San Diego Friction Products, Inc. (Wetmore's) - Group C (Brake Drums and Rotors) MTS Doc. No. B0547.0-11; (4) North American Bus Industries - Group D (Brake Linings and Disc Brake Pads) MTS Doc. No. B0548.0-11; (5) New Flyer Industries, Inc. - Group E (Shocks) MTS Doc. No. B0549.0-11; and (6) Neopart, LLC - Group F (Air Suspension) MTS Doc. No. B0550.0-11.

12. MTS: Payroll and Human Resources Information System - Contract Award

Action would authorize the CEO to execute MTS Doc. No. G1355.0-11 with Automatic Data Processing (ADP) Incorporated to provide payroll and human resources services.

Action on Consent Items

Mr. Ewin moved to approve Consent Agenda Item Nos. 6, 7, 8, 9, 10, 11 and 12. Mr. Cunningham seconded the motion, and the vote was 11 to 0 in favor.

CLOSED SESSION:

24. Closed Session Items

The Board convened to Closed Session at 9:15 a.m.

- a. MTS: CLOSED SESSION - CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to California Government Code Section 54956.8;
Properties: 7490 and 7550 Copley Park Place, San Diego, California (Assessor Parcel Nos. 356-410-08 and 356-410-09);
Agency Negotiators: Tiffany Lorenzen, General Counsel; and Tim Allison, Manager of Real Estate Assets;
Negotiating Parties: RV Investment CA, LLC, RV Investment CA, LLC II;
Under Negotiation: Price and Terms of Payment

The Board reconvened to open session at 9:24 a.m.

Oral Report of Final Actions Taken in Closed Session

Ms. Lorenzen reported the following:

- a. The Board received a report from the General Counsel.

NOTICED PUBLIC HEARINGS:

25. None.

DISCUSSION ITEMS:

30. MTS: Hosted Text Messaging System - Contract Award

This item will come back to the Board for discussion in the future. The proposed vendor withdrew their offer.

REPORT ITEMS:

45. MTS: Regional Transportation Plan Revenue-Constrained Scenarios

Dave Schumacher and Carolina Gregor from SANDAG gave a presentation to the Board regarding the 2050 Regional Transportation Plan (RTP) revenue-constrained transit network scenarios. Mr. Schumacher gave a brief overview for the project time line and stated that the draft 2050 RTP will be completed in early 2011. He stated that the unconstrained multimodal network will cost about \$145 billion. He explained that there are four different scenarios developed based on revenue constraints of \$100-\$110 billion: Transit Emphasis, Rail/Freight Emphasis, Highway Emphasis, and Fusion. He further explained that the focuses of transit modes are: High-Speed and Commuter Rail, Coaster Rail, Light Rail Transit, Express Light Rail Transit, Bus Rapid Transit, Peak Bus Rapid Transit, Rapid Bus, Streetcar/Shuttle-Circulator, and High-Frequency Local Bus Services.

Mr. Schumacher explained that Express Light Rail Transit will enhance transit by skipping stops to cut down on trip time. He further explained that Peak Bus Rapid Transit will consist of fewer stations and stops in peak corridors, and Streetcar/Shuttle-Circulator would be localized in downtown and midtown community areas, and people surveyed have been very receptive to the idea.

Mr. Schumacher discussed the projects that are common to all scenarios, existing and baseline projects, such as double-tracking of the Coaster and Sprinter and projects from the unconstrained transit network, such as rapid bus and a San Marcos Circulator. He discussed the choices between major capital investments being the Downtown Trolley Tunnel, a Kearny Mesa Guideway, UTC Coaster Station and Tunnel, and new light rail transit projects. He stated that policy decisions are going to be needed because it is not possible to pay for all of the scenarios.

Mr. Schumacher discussed a summary of transit investments by network as noted below.

	Transit Emphasis	Rail/Freight Emphasis	Highway Emphasis	Fusion Emphasis
Major Capital Investments				
Downtown Trolley Tunnel	✓	✓		
Kearny Mesa Guideway	✓		✓	✓
UTC Coaster Station/Tunnel		✓		
Investments in New Routes				
Light Rail Transit	Large	Large	Small	Large
Bus Rapid Transit	Small	Small	Large	Small
Rapid Bus	Large	Small	Large	Small
Streetcars/Shuttles	Small	Small	Small	Large

Mr. Schumacher then discussed the next steps toward finalizing the 2050 RTP meeting with the SANDAG Transportation Committee on December 10 and then the SANDAG Board of Directors on December 17. He then asked for comments and feedback from Board members.

Ms. Emerald wanted to know if there would be enough money to build the light rail emphasis plan over the 40 years. Mr. Schumacher explained that there is expected to be sufficient

funding and that each plan model is configured with the amount of funding projected. Ms. Emerald asked for further clarification, the definition of a guideway. Mr. Schumacher explained that a guideway is a dedicated right-of-way bus lane. He mentioned that it is difficult for busses to get through the Hillcrest area and Mission Valley, and that there is heavy ridership in the area; having a guideway investment would provide shorter travel times making travel through those corridors more efficient. Ms. Emerald asked if opinion surveys would be conducted through cell phones so that younger residents can have input in the future of San Diego. Ms. Gregor responded that she has heard feedback several times that more outreach needs to be done to target younger residents, and once the draft RTP is completed, more outreach will be done before the plan is finalized. Ms. Emerald commented that the younger people are ultimately the ones who are going to be using the system and paying for it.

Chairman Mathis wanted the MTS Board to have a chance to comment on the plan. He stated that Mr. Schumacher's biggest problem is putting all of the input together to combine the best of all possibilities into a Fusion scenario. He mentioned that the RTP is subject to change and is going to be a work in progress, but that the starting point of the plan is a very important foundation for layering future plans.

Mr. Jablonski wanted to re-emphasize that the RTP represents a significant investment in transit, and that factors such as land-use policies need to be looked at in communities where major projects are focused so that projects planned will have the maximum impact. He mentioned that conversations have been very active and will continue to be active so that policies are made to ensure that the system that is built will be effective. He stated that a new document has been placed in front of each Board member that provides a comparative analysis from a project standpoint. He explained that many projects are common to all the scenarios and asked Board members to focus on the variable projects at the end of the project list so that they can begin to see the differences between the scenarios.

Mr. Schumacher explained the document to which Mr. Jablonski was referring. He explained that pages 18, 19 and 20 include projects that are common to all four scenarios, and page 21 is the beginning of the list for variable transit projects and includes the project name, dollar amount, project rankings, and which scenario(s) the projects included.

Mr. Rindone commented that 97% of all four of the RTP scenarios are identical. He mentioned that the funding variance for the different scenarios is \$3 billion. He thanked Mr. Schumacher and Ms. Gregor for meeting with him and Mayor Janney's subcommittee from the four South Bay cities and wanted to know if they had included viable options if the downtown tunnel is not built because the bottleneck for light rail continues downtown. Mr. Schumacher explained that the Blue Line frequency enhancements are listed on page 20 as project numbers 73 and 74; and stated that the project does not have the specific enhancements listed individually. Mr. Rindone recommended that the Blue Line frequency connection at the 12th and Imperial Transit Center should be included in the document and verbal comments.

Ms. Gregor briefly reviewed the revenue sources. She explained that some of the revenue sources have flexible spending, roughly 3.5% are considered flexible spending, but that does not necessarily mean that 97% of all projects are fixed. She mentioned that some projects are more expensive so the flexibility of the funds can go towards all different projects; i.e., more expensive and less expensive projects. Ms. Gregor stated that she is trying to get feedback as to specific types of projects stakeholders have an interest in, and she does not want people to become too fixated on the costs of the projects.

Ms. Lightner stated her concern that the environmental document for high speed rail alternative routes is not reflected in the unconstrained and constrained scenarios. She feels that a route from Qualcomm Stadium straight to the Border would be more cost effective than gerrymandering through downtown and eventually ending at the Border. She also stated concern that the RTP does not reflect any transit through the Highway 56 corridor as well as the Highway 52 corridor and favors as much rail as possible to offload the highways for the future. She then expressed her concern for maintenance costs on an ongoing basis as the width of highways is increased.

Mr. Schumacher stated that Highway 56 corridor does have arterial local bus service that would extend out. He stated that the east and west connections between the I-5 and I-15 are important and, based on modeling over the years, bus rapid transit will be implemented in 2013 extending across Mira Mesa Boulevard to Sorrento Mesa and UTC. He said that the long-range idea of extending light rail across there is a right-of-way reservation in the future Caroll Canyon Road area that ties into a smart growth center proposed by the City of San Diego. He explained that there will be rapid bus service to connect the Carmel Valley area, but service along the 56 corridor itself is not included because it does not model well due to land-use investments.

Ms. Lightner mentioned that the Pacific Highlands Ranch community is considered to be a smart growth area (and actually had a transit center planned) and she wanted to know how that area would be connected. Mr. Schumacher responded that are ongoing discussions with Pacific Highlands Ranch about how to accommodate them, and there has been talk of shuttles that would connect them to the Coaster and extended trolley lines. He stated that the RTP is re-evaluated every four years and, as new information is gathered, the plan can be adjusted. Ms. Lightner expressed her concern that given the employment centers located off Highway 56 at present and given potential growth, she cannot imagine that there is not transit planned for 2014.

Mr. Janney asked if the revenue for the constrained network includes the quality-of-life initiative. Ms. Gregor responded that there is a Quality of Life Stakeholders Work Group that is looking into additional local funding sources. She stated that reasonable revenue sources are identified and planned around. Mr. Janney listened to four mayors talk yesterday, and when it comes to developable land in the San Diego County, there is not enough transit planned in the eastern Chula Vista area. He feels that transit should be in place before the growth happens, and nothing exists today. Mr. Janney expressed concern about putting a transit line on the map so that future development can be planned around the line.

Mr. Gloria questioned if the MTS Board was going to be taking a position on any of the four scenarios presented. Chairman Mathis responded that in December when the RTP is finalized, the MTS Board will develop specific recommendations, but the item today is calling for comments that can be articulated to the SANDAG Board. Mr. Gloria feels that the MTS Board needs to be aggressive and have a voice because of the large amount of infrastructure investment. He would like input from staff to see what they feel are important inclusions into the RFP and hopes that everyone on the MTS Board can vote the same way. He has heard from his constituents that the transit fusion and streetcar model are important, and he would like the Board members to be armed with information and provide a direction that represents MTS.

Ms. Emerald agrees that the highway emphasis model is not the best approach and wants to change the culture and encourage people to use mass transit. She stated that her community is

concerned about the Highway 15 congestion and would propose that the high-speed and commuter rail be unbundled so that at least one could be provided. She feels that beginning in Temecula, there needs to be high-speed rail connecting to the Border and continuing along the 15. She thinks a reliable, comfortable transit system that gets people where they need to go is very important for the future and the quality of life for residents.

Mr. Ewin wants to keep East County residents out of gridlock. He wants to make note that policy makers need to keep in mind that it is not if we build it they will come, it is if we build it, can we afford to operate it. He hopes that the RTP will have something that will work for residents. Mr. Schumacher stated that the cost of operations will error on the side of the full cost of the system, including operations and maintenance.

Mr. Jablonski commented that staff will come back to the MTS Board at the December meeting and present their analysis of RTP recommendations so that the Board can take a position on it and the position can be presented to the SANDAG Board.

Action Taken

Ms. Emerald moved to receive a report for information. Ms. Hanson-Cox seconded the motion, and the vote was 12 to 0 in favor.

46. MTS: Catenary Replacement Project

Fred Byle, Superintendent of Maintenance, gave a brief overview of the Trolley Blue Line infrastructure construction. He explained that the contractor replacing the contact wire is HMS, and the project is expected to be completed in November 2011. The first weekend closure was October 29, 2010, and through last weekend, 21,366 linear feet has been replaced. He stated that work began at the San Ysidro Transit Center and will be completed in a northward direction. He explained that the contractor is entering into weekend number 4 of wire installation and, each weekend, the crew is completing more wire than the previous weekend. The work has been completed on time, and there have been no major issues. He showed a couple pictures of the crew performing weekend work, including the removal of old wire, new wire being pulled in, installation of droppers and hangers, and a test train shadowed by a catenary truck.

Sharon Cooney, Chief of Staff, discussed the bus-bridge functions that are being operated throughout weekend closures. She stated that 71,000 passengers have been carried over the first 3 weekend shutdowns. She explained that passenger ridership in the south area during the weekends is almost as much as it is on the weekdays. She explained that special event staff, security staff, and MTS ambassadors are at stations directing passengers. Ms. Cooney also explained that every Monday, staff will review the weekend bridge operations and look for improvements.

Chairman Mathis questioned if staff had received any complaints from passengers regarding the bus-bridge operations. Ms. Cooney responded that not one single complaint has been received and, in fact, passengers have responded favorably.

Mr. Ewin wanted to know if any copper or materials have been stolen. Mr. Byle responded that the materials are kept in secured facility, and the crew is with the materials during the weekend work, so there have not been any incidents of theft.

Action Taken

Ms. Emerald moved to receive a report for information and provide comments. Ms. Hanson-Cox seconded the motion, and the vote was 12 to 0 in favor.

47. MTS: Operations Budget Status Report for September 2010

Mike Thompson, Assistant Budget Manager, gave the Board a presentation on the operations budget status for September 2010. He stated that net-operating subsidy unfavorable variance totaled \$764,000. He explained that operations produced a \$1,408,000 unfavorable variance, and the administrative/other activities areas were favorable by \$644,000 for a total combined net operating variance of \$764,000 unfavorable. He explained that fare revenue variance compared to budget was 4.3% lower in ridership than expected, and ridership decreased 2.1% compared to the prior year.

Mr. Thompson explained the combined transit operations compared to budget with a personnel cost of \$541,000 unfavorable variance, a \$314,000 unfavorable variance for purchased transportation, and other outside services had a favorable variance of \$46,000. He explained that energy costs were \$112,000 unfavorable over budget due to critical peak-pricing events and, other expenses were favorable by \$116,000.

Mr. Thompson quickly touched on the on-going concerns of passenger levels. He explained that budgeted passenger levels were 82.6 million, the year-to-date is 21.1 million, and the projection is 81.7 million.

Ms. Emerald questioned the drop in ridership. Mr. Thompson stated that in September, ridership usually spikes due to kids going back to school, but that this year there was not a spike in ridership. He stated that the unemployment rate is also affecting the passenger levels. Mr. Jablonski commented that the trolleys will have passenger counters within a month and, once ridership numbers are evaluated, staff can make a better assessment of passenger levels and look for ways to stimulate ridership. Ms. Emerald mentioned that a promotion with the malls to ride free for holiday shopping might be an option to boost passenger levels. She commented that perhaps MTS needs to get creative and make partnerships to boost ridership.

Action Taken

Mr. Van Deventer moved to receive a report on MTS's operations budget status for September 2010. Mr. Ovrom seconded the motion, and the vote was 12 to 0 in favor.

60. Chairman's Report

There was no Chairman's report.

61. Audit Oversight Committee Chairman's Report

Mr. Ewin reported that the Board will receive a report on the Comprehensive Annual Financial Report at the next Board meeting.

62. Chief Executive Officer's Report

Mr. Jablonski reported that he returned from a trip to China yesterday. He was in China to look at its high-speed rail. He noted that China has made mass transit a priority on state and federal levels. He mentioned that the high-speed rail currently moves at 200 miles per hour, and new rail will move at 250 miles per hour. In Shanghai, the METRO carries 5.7 million people every day. He felt the visit was eye-opening and thanked the Board for allowing him to take the trip.

63. Board Member Communications

Mr. Rindone made a request that staff research electronic voting for Board members.

64. Additional Public Comments on Items Not on the Agenda

There were no additional public comments.

65. Next Meeting Date

The next regularly scheduled Board meeting is Thursday, December 9, 2010.

66. Adjournment

Chairman Mathis adjourned the meeting at 10:48 a.m.

Chairperson
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

Office of the Clerk of the Board
San Diego Metropolitan Transit System

Office of the General Counsel
San Diego Metropolitan Transit System

Attachment: Roll Call Sheet

h:\minutes - executive committee, board, and committees\minutes - 2010\minutes - board 11-18-10 Draft.docx

METROPOLITAN TRANSIT DEVELOPMENT BOARD
ROLL CALL

MEETING OF (DATE): November 18, 2010

CALL TO ORDER (TIME): 9:04 AM

RECESS: _____

RECONVENE: _____

CLOSED SESSION: 9:15 AM

RECONVENE: 9:24 AM

PUBLIC HEARING: _____

RECONVENE: _____

ORDINANCES ADOPTED: _____

ADJOURN: 10:48 AM

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
CUNNINGHAM	<input checked="" type="checkbox"/> (Boyack) <input type="checkbox"/>		
EWIN	<input checked="" type="checkbox"/> (Allan) <input type="checkbox"/>		
EMERALD	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>	9:14 AM	
GLORIA	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>	10:00 AM	
JANNEY	<input checked="" type="checkbox"/> (Bragg) <input type="checkbox"/>	9:06 AM	
LIGHTNER	<input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/>		
MATHIS	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>		
MCCLELLAN	<input type="checkbox"/> (Hanson-Cox) <input checked="" type="checkbox"/>		
OVROM	<input checked="" type="checkbox"/> (Denny) <input type="checkbox"/>		
RINDONE	<input checked="" type="checkbox"/> (Castaneda) <input type="checkbox"/>		
ROBERTS	<input type="checkbox"/> (Cox) <input type="checkbox"/>		
RYAN	<input type="checkbox"/> (B. Jones) <input type="checkbox"/>		
SELBY	<input type="checkbox"/> (England) <input checked="" type="checkbox"/>		
VAN DEVENTER	<input checked="" type="checkbox"/> (Zarate) <input type="checkbox"/>		
YOUNG	<input type="checkbox"/> (Faulconer) <input type="checkbox"/>		

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD: Valeria Vizkelati

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: [Signature]



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 6

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

December 9, 2010

SUBJECT:

MTS: INVESTMENT REPORT – OCTOBER 2010

RECOMMENDATION:

That the Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:


Attachment A comprises a report of MTS investments as of October 2010. The combined total of all investments has decreased by \$2 million in the current month attributable to capital asset expenditures totaling \$1.2 million and a contract settlement totaling \$742,000.

The first column provides details about investments restricted for capital improvement projects and debt service—the majority of which are related to the 1995 lease and leaseback transactions. The funds restricted for debt service are structured investments with fixed returns that will not vary with market fluctuations if held to maturity. These investments are held in trust and will not be liquidated in advance of the scheduled maturities.

The second column provides details about the unrestricted investments and reports the working capital for MTS operations, including employee payroll and vendors' goods and services.



During October, \$3 million was transferred to the short-term investment account at Local Agency Investment Fund.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Linda Musengo, 619.557.4531, Linda.Musengo@sdmts.com

DEC9-10.6.OCT INVESTMT RPT.LMUSENGO.doc

Attachment: A. October Investment Report

**San Diego Metropolitan Transit System
Investment Report
October 31, 2010**

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	Average rate of return
Cash and Cash Equivalents				
Bank of America - concentration sweep account	\$ 5,504,212	\$ 10,579,985	\$ 16,084,197	0.00%
Total Cash and Cash Equivalents	<u>5,504,212</u>	<u>10,579,985</u>	<u>16,084,197</u>	
Cash - Restricted for Capital Support				
US Bank - retention trust account	2,269,756		2,269,756	N/A *
Local Agency Investment Fund (LAIF) Proposition 1B TSGP grant funds	<u>5,221,234</u>		<u>5,221,234</u>	0.48%
Total Cash - Restricted for Capital Support	<u>7,490,991</u>	<u>-</u>	<u>7,490,991</u>	
Investments - Working Capital				
Local Agency Investment Fund (LAIF) San Diego County Investment Pool		31,405,758 28,600,950	31,405,758 28,600,950	0.48%
Total Investments - Working Capital	<u>-</u>	<u>60,006,707</u>	<u>60,006,707</u>	
Investments - Restricted for Debt Service				
US Bank - Treasury Strips - market value (Par value \$39,474,000)	37,464,705	-	37,464,705	
Rabobank - Payment Undertaking Agreement	<u>83,556,240</u>	<u>-</u>	<u>83,556,240</u>	7.69%
Total Investments Restricted for Debt Service	<u>121,020,945</u>	<u>-</u>	<u>121,020,945</u>	
Total cash and investments	<u>\$ 134,016,147</u>	<u>\$ 70,586,692</u>	<u>\$ 204,602,840</u>	

N/A* - Per trust agreements, interest earned on retention account is allocated to trust beneficiary (contractor)



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 7

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

CIP 11167-0200

December 9, 2010

SUBJECT:

MTS: LIGHT RAIL VEHICLE (LRV) TIRE KITS

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L0983.0-11 (in substantially the same format as Attachment A) with Siemens Industry, Inc., for LRV tire kits for up to a five-year period (two-year base period including 3 one-year option periods for a total of five years).

Budget Impact

The contract would be for a two-year base period and 3 one-year option periods for a total of five years. The entire expenditure at a total cost not to exceed \$2,459,403.00 would be funded under CIP 11167-0200.

DISCUSSION:

MTS Policy No. 52 governing procurement of goods and services requires a formal competitive bid process for procurements exceeding \$100,000. This solicitation was to obtain the LRV tires kits from a qualified company.

MTS's goal is to purchase an estimated quantity of 1,470 LRV tire kits for up to a five-year period. This agreement would provide LRV tire kits for the following Siemens' LRV models: U-2s, SD 100s, and SD70s.



On September 16, 2010, MTS solicited an Invitation for Bids (IFB) for Light Rail Vehicle (LRV) Tire Kits for up to a five-year period. On October 27, 2010, MTS received three bids (see Bid Summary - Attachment B). Siemens was found to be the lowest responsive, responsible bidder for the five-year period at \$2,459,403.00. Based on the comparison between the in-house cost estimate, current pricing, and Siemens' bid amount, MTS's cost savings would be approximately \$525,694.50 over the two-year base period, including 3 one-year option periods for a total of five years (see Cost Analysis – Attachment C).

Based on the results, Siemens did not meet the Buy America requirements for the S70 tire kits rubber blocks. Therefore, MTS has requested a general waiver according to 49 C.F.R., Section 661.5 (c) (2). Under the provision of Section 661.5 General Requirements, the administrator may waive the general requirements if the administrator finds that all of the components of the product must be of U.S. origin. A component is considered of U.S. origin if it is manufactured in the United States regardless of the origin of its subcomponents. Therefore, this part qualifies for a general waiver from the Federal Transit Administration (FTA).

MTS has applied for the general waiver from the FTA and expects to receive approval of this waiver in the next few weeks. Therefore, staff is requesting approval of this contract award for the LRV tire kits contingent upon the receipt of an FTA-approved waiver. Therefore, pursuant to MTS policy, staff recommends award of the contract to Siemens Industry, Inc.



Paul C. Jablonski
Chief Executive Officer

Staff Contact: Lee Summerlott, 619.595.4904, lee.summerlott@sdmts.com

LIGHTRAILVEHICLE(LRV)TIREKITS.UTC/RAS CONTRACT.KBENSON

Attachments: A. Draft MTS Doc. No. L0983.0-11
B. Bid Summary
C. Cost Analysis

DRAFT

STANDARD PROCUREMENT AGREEMENT

L0983.0-11
 CONTRACT NUMBER
 OPS 970.4/CIP 11167-0200
 FILE NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2010, in the State of California by and between San Diego Metropolitan Transit System, a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: Siemens Industry, Inc. Address: 7464 French Road
 Form of Business: Corporation Sacramento, CA 95828
 (Corporation, partnership, sole proprietor, etc.)
 Telephone: 916.681.3000

Authorized person to sign contracts: Juergen Wilder VP, General Manager, Rolling Stock
 Name Title

The attached Standard Conditions are part of this Agreement. The Contractor agrees to furnish to MTS services and materials, as follows:

Provide up to 1,470 light rail vehicle (LRV) tire kits, as stipulated in MTS's Invitation for Bids (IFB) in accordance with the Standard Procurement Agreement, including the Standard Conditions Procurement, Federal Requirements, Addendum No. 1, MTS's Response to Approved Equals and Clarifications/Questions, and Siemens' Bid Proposal (hereinafter "Contract Documents"). If there are any inconsistencies between the Contract Documents, the following order of precedence will govern the interpretation of this contract:

1. IFB, Addendum No. 1, Request for Approved Equals and Clarifications/Questions, and Siemens' Bid Proposal.
 2. Standard Procurement Agreement, including the Standard Conditions Procurement, and Federal Requirements.
- This contract shall remain in effect for up to a five-year period (two-year base with 3 one-year options--exercisable at MTS's sole discretion) effective January 1, 2011 through December 31, 2015. The total amount of this contract shall not exceed \$2,459,403.00.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM		CONTRACTOR AUTHORIZATION
By: _____ Chief Executive Officer		Firm: _____
Approved as to form:		By: _____ Signature
By: _____ Office of General Counsel		Title: _____
AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
\$2,459,403.00	CIP 11167-0200	FY 11

By: _____ Date
 Chief Financial Officer

(____ total pages, each bearing contract number)

DEC9-10.7.AttA.SIEMENS TIRE KITS.KBENSON.doc

Penn Machine	Siemens Industry	UTC/RAS
\$2,480,087.25	\$2,459,403.00	\$3,133,755.23

			Siemens Industry	
#	Description	Qty.	Unit Price	Total
1	LRV Tire Kits for Siemens U2s and SD-100 Vehicles	330	\$ 1,560.00	\$ 514,800.00
2	LRV Tire Kits for Siemens S-70 Vehicles	0		\$ -
3	Sub-Total:			\$514,800.00
4	California Sales Tax 8.75% (if applicable):			\$45,045.00
5	Freight Charges (if applicable):			\$0.00
6	Total Amount – Year One (1):			\$559,845.00

			Siemens Industry	
#	Description	Qty.	Unit Price	Total
Year Two (2) – July 1, 2011 – June 30, 2012				
1	LRV Tire Kits for Siemens U2s and SD-100 Vehicles	234	\$ 1,540.00	\$ 360,360.00
2	LRV Tire Kits for Siemens S-70 Vehicles	72	\$ 1,565.00	\$ 112,680.00
3	Sub-Total:			\$473,040.00
4	California Sales Tax 8.75% (if applicable):			\$41,391.00
5	Freight Charges (if applicable):			\$0.00
6	Total Amount – Year Two (2):			\$514,431.00

			Siemens Industry	
#	Description	Qty.	Unit Price	Total
Year Three (3) - Option Yr. 1 – July 1, 2012 – June 30, 2013				
1	LRV Tire Kits for Siemens U2s and SD-100 Vehicles	204	\$ 1,520.00	\$ 310,080.00
2	LRV Tire Kits for Siemens S-70 Vehicles	90	\$ 1,600.00	\$ 144,000.00
3	Sub-Total:			\$454,080.00
4	California Sales Tax 8.75% (if applicable):			\$39,732.00
5	Freight Charges (if applicable):			\$0.00
6	Total Amount – Year Three (3):			\$493,812.00

			Siemens Industry	
#	Description	Qty.	Unit Price	Total
Year Four (4) - Option Yr. 2 – July 1, 2013 – June 30, 2014				
1	LRV Tire Kits for Siemens U2s and SD-100 Vehicles	168	\$ 1,500.00	\$ 252,000.00
2	LRV Tire Kits for Siemens S-70 Vehicles	108	\$ 1,580.00	\$ 170,640.00
3	Sub-Total:			\$422,640.00
4	California Sales Tax 8.75% (if applicable):			\$36,981.00
5	Freight Charges (if applicable):			\$0.00
6	Total Amount – Year Four (4):			\$459,621.00

			Siemens Industry	
#	Description	Qty.	Unit Price	Total
Year Five (5) - Option Yr. 3 – July 1, 2014 – June 30, 2015				
1	LRV Tire Kits for Siemens U2s and SD-100 Vehicles	192	\$ 1,490.00	\$ 286,080.00
2	LRV Tire Kits for Siemens S-70 Vehicles	72	\$ 1,540.00	\$ 110,880.00
3	Sub-Total:			\$396,960.00
4	California Sales Tax 8.75% (if applicable):			\$34,734.00
5	Freight Charges (if applicable):			\$0.00
6	Total Amount – Year Five (5):			\$431,694.00

	<u>Siemens Average Bid Price</u>	<u>Current Purchase Price</u>	<u>Total Savings Per Tire Kit</u>
<u>Siemens Average Cost per Tire:</u>			
U2 and SD-100 Average/Tire Kits:	\$ 1,522.00	\$ 1,825.00	\$ 303.00
S70 Average/Tire Kit:	\$ 1,571.25	\$ 2,109.00	\$ 537.75

<u>Total Savings per Tire Kit:</u>	<u>Est. Quantities</u>
U2 and SD-100 Average/Tire Kits:	1128 \$ 341,784.00
S70 Average/Tire Kit:	342 \$ 183,910.50
<u>Total Savings:</u>	<u>1470 \$ 525,694.50</u>



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 8

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

December 9, 2010

SUBJECT:

MTS: TAXICAB COMMITTEE MEMBER ELECTION RESULTS

RECOMMENDATION:

That the Board of Directors approve appointing new members to the Taxicab Committee as stated in the results of the Taxicab Committee member election.

Budget Impact

None.

DISCUSSION:

On October 28, 2010, ballots (Attachment A) were mailed to all current taxicab permit holders, and completed ballots were received until 4:00 p.m. on November 11, 2010.

MTS staff, including the MTS Internal Auditor, and the Vote Validation Subcommittee, which was comprised of current Taxicab Committee members Houshang Nahavandian, Anthony Palmeri, Nasser Tehrani, and Margo Tanguay, met on November 17, 2010, to confirm the validity of the ballots and count the votes. Ms. Cheri Chester was originally selected but did not attend. There was no alternate for Ms. Chester. Mr. Akbar Majid was unable to attend, and he requested that Mr. Anthony Palmeri attend in his place (Attachment B). His request was approved by Mr. John Scott.



Based on the current Taxicab Committee Guidelines, eight seats are available for taxicab permit holders. Five seats are designated for representation of permit holders of four or more taxicabs, and three seats are designated for representation of permit holders of three or less taxicabs. Accordingly, staff and subcommittee findings determined that the following permit holders received the most votes in their category and are eligible for appointment by the MTS Board to the Taxicab Committee for the next three-year term beginning with the first meeting in 2011 (to be determined) and ending in December 2013.

Category One - Permit Holders of Four or More Permits (Top Five Vote Recipients):

NAME	VOTES
Antonio Hueso	80
Houshang Nahavandian	73
George Abraham	71
Alex Gebreselassie	57
Amir Aghassi	45

Category Two - Permit Holders of One to Three Permits (Top Three Vote Recipients):

NAME	VOTES
Akbar Majid	102
Kamran Hamidi	40
Cameron Haratian	29

In addition, current representatives from the San Diego Convention and Visitor's Bureau (ConVis), Greater San Diego Chamber of Commerce, San Diego County Regional Airport Authority (SDCRAA), San Diego Convention Center, San Diego Travelers Aid Society, and two members from the hotel/motel industry have been contacted to participate for the next term on the Taxicab Committee.

Upon Board approval, the winners of each category will be notified.



Paul G. Jablonski
Chief Executive Officer

Key Staff Contact: John A. Scott, 619.595.7034, john.scott@sdmts.com

DEC9-10.8.TAXI ELECTION RESULTS.JSCOTT.doc

Attachments: A. Taxicab Committee 2011 Member Election Ballot
B. Akbar Majid E-mail Request for Alternate Participation Dated 11/11/10

John Scott

From: Akbar Majid [amajid@driveu.com]
Sent: Thursday, November 11, 2010 12:48 PM
To: John Scott
Cc: Anthony Palmeri
Subject: Subcommittee meeting

Hello John,

This to inform you that I volunteered for the subcommittee meeting to tally and validate the votes for the Taxicab Advisory Committee. Unfortunately, on November 17, 2010 I will be out of town and will not attend the meeting. I have requested from Mr. Anthony Palmeri representative of Travelers Aid Society to attend the meeting on my behalf.

Should you have any questions, please telephone me.

Thank you,

Akbar Majid



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 9

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

December 9, 2010

SUBJECT:

MTS: COMPASS CARD CONTROLS – AUDIT REPORT

RECOMMENDATION:


That the Board of Directors receive an internal audit report on Compass Card controls.

Budget Impact

None.

DISCUSSION:

During July 2010, the MTS Internal Auditor and San Diego Association of Governments (SANDAG) Internal Auditor performed a joint risk assessment of the Compass Card procedures at both MTS and SANDAG. As a result of this review, the MTS Internal Auditor issued four recommendations for Management's consideration. Management has reviewed the recommendations and is taking action to address the issues noted.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Mark Abbey, 619.557.4573, Mark.Abbey@sdmts.com

DEC9-10.9.COMPASS CARD AUDIT RPT.MABBEY.doc

Attachment: A. Audit Report on Compass Card Controls **(Board Only)**

1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490 • (619) 231-1466 • www.sdmts.com

Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.





Att. A, AI 9,
12/9/10

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Memorandum

DATE: October 28, 2010

LEG 492

TO: Cliff Telfer

FROM: Mark Abbey

SUBJECT: COMPASS CARD RISK ASSESSMENT

EXECUTIVE SUMMARY

MTS and the San Diego Association of Governments (SANDAG) internal auditors performed a joint risk assessment of the potential fraud risks associated with the Compass Card process at both SANDAG and MTS.

Audit Objectives and Scope

The objective of the review was to assess the adequacy of internal controls over the Compass Card process at both SANDAG and MTS. Interviews were conducted of appropriate personnel, and risks were assessed by the auditors using a risk-matrix approach, which is shown in the two attached exhibits. James Dreisbach-Towle (SANDAG) and Bill Burke (MTS Security Director) assisted with the review.

Observations and Recommendations

The two attached exhibits show the risks examined, the existing control techniques used by the agencies in mitigating these risks, and our assessments of the controls and potential control weaknesses. Exhibit 1 is a risk assessment performed by the SANDAG internal auditor of key SANDAG Compass Card processes. Exhibit 2 is a risk assessment performed for MTS of the key Compass Card processes.

The following are my recommendations for addressing the control weaknesses found at MTS:

1. The MTS Rail Division and The Transit Store should establish an inventory record of Compass Cards and ensure that all card numbers are accounted for properly. Written standard operations procedures (SOP) should also be developed to ensure that procedures are followed consistently.
2. MTS should establish an SOP for employee Compass Cards to ensure that all cards are collected and cancelled when an employee terminates employment.
3. In order to further reduce the risk of credit card charge-backs, MTS should consider options such as "velocity checks," not accepting credit cards after a certain time of day, or even accepting only debit cards at TVMs.

1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490 • (619) 231-1466 • www.sdmts.com

Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.



Serious consideration should be given to restricting or eliminating the [REDACTED]. If a decision is made to continue use of the [REDACTED], strong controls should be in place over the [REDACTED], including daily monitoring of short-fare reports. This is critical in the event that MTS transitions to selling day passes on Compass Cards. [REDACTED]

DETAILED OBSERVATIONS AND RECOMMENDATIONS

SANDAG Issues

The SANDAG internal auditor concluded that SANDAG has adequate controls and procedures in place for its Compass Card Back Office operations. While these procedures are generally in place, the auditor did identify two areas that need to be further strengthened. SANDAG is aware of these issues and has taken corrective action to improve its controls. In addition, the auditor mentioned that it would be a business decision as to whether MTS wanted to invest in additional safeguards to reduce the risk of counterfeiting Compass Cards. Efforts are being made to further reduce the risk of credit card charge-backs by investigating the use of "velocity checks." Exhibit 1 also noted that the auditor reviewed PCI compliance and made recommendations to enhance existing controls. SANDAG has already taken steps to improve the controls and plans to continue with additional improvements.

MTS Issues

1. Inventory Controls in the Rail Division and The Transit Store

Currently, cards are not subject to numerical control when received from SANDAG. SANDAG did not have the capability of sending the cards to MTS in numerical sequence, which has resulted in the risk of cards being lost.

SANDAG has commenced sending MTS a new sequence of Compass Cards in numerical order, which will give MTS the opportunity to implement an inventory control record over the cards. Inventory records of card numbers should be established at BOTH the Rail Division and The Transit Store immediately. Any missing cards can then be identified and cancelled.

Recommendation

The MTS Rail Division and The Transit Store should establish an inventory record of Compass Cards and ensure that all cards are accounted for properly. A written SOP should also be developed so that procedures are followed consistently.

Transit Store Response

We agree. Now that new cards will arrive in numerical order as they are received from SANDAG, The Transit Store will maintain a proper inventory of the cards. The SOP will be updated to reflect the implementation of this process.

MTS Rail Division Response

The Rail Division has established an SOP governing numerical control over Compass Cards and is controlling the supply of Compass Cards numerically.

2. Employee Compass Cards

Several MTS employees have Compass Cards. The risk exists that these cards could be used by unauthorized individuals—especially since most employees use their MTS IDs when riding the system. An SOP should be established at MTS that ensures that all Compass Cards are collected and cancelled when these employees terminate employment.

Recommendation

MTS should establish an SOP for employee Compass Cards to ensure that all cards are collected and cancelled when an employee terminates employment.

Human Resources Department Response

The Human Resources Department has added “Compass Card Deactivation” to its “Separation of Employment” checklist.

3. Credit Card Charge-Backs

Currently, MTS TVMs accept both credit and debit cards for fare payment. Because ID is not required at the TVMs, some stolen credit cards have been used to purchase fare media. The risk of fraud is not the same for debit cards since a PIN number is required. Losses have been averaging \$2,000 to 3,000 per month. The MTS Finance Department monitors credit card usage and often rejects cards that appear suspicious due to high-dollar-amount purchases. Further controls over this area should be considered.

Recommendation

In order to further reduce the risk of credit card charge-backs, MTS should consider options, such as “velocity checks,” i.e.; monitoring the number of times a card is used, not accepting credit cards after a certain time of day, or even accepting only debit cards at TVMs.

Management Response

MTS management agrees with the recommendation and is considering the use of velocity checks to monitor credit card use.

4. Control Over Bus Fareboxes

The [REDACTED] is still being used by bus operators to facilitate instances where customers have short fares. As a result, continuous monitoring of [REDACTED] is required to ensure that this practice is not being abused. When and if MTS transitions to putting day passes onto Compass Cards, the risk of abuse of the [REDACTED] will increase. In LAMTA, fraud occurred when a number of individuals used the bus [REDACTED] to load numerous day passes onto Smart Cards without payment, and the cards were later sold on the street. Thousands of Smart Cards were distributed to bus operators without adequate controls or review of control reports, and thousands of dollars were lost.

In order to prevent a similar occurrence at MTS, controls over the use of the [REDACTED] and the distribution of Compass Cards is essential.

Recommendations

Serious consideration should be given to restricting or eliminating the use of the [REDACTED].

If a decision is made to continue use of the [REDACTED], strong controls should be in place, including daily monitoring of short-fare reports, which is critical in the event that MTS transitions to selling day passes on Compass Cards.

In NO EVENT should bus operators be given Compass Cards for distribution to customers.

Management Response

MTS management agrees with the recommendations and is considering restricting or eliminating the use of the [REDACTED].

MTS management agrees that in no circumstance will bus operators be given Compass Cards for distribution to customers.

Attachments: Exhibit 1 **(Board Only)**
 Exhibit 2

cc: Paul Jablonski, Tiffany Lorenzen, Cliff Telfer, Bill Burke, Sharon Cooney - MTS
James Dreisbach-Towle, Steve Castillo - SANDAG
Claire Spielberg - SDTC



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 10

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

December 9, 2010

SUBJECT:

MTS: JOB ORDER CONTRACT AND CCTV UPGRADE WORK ORDER

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to:

1. enter into a Job Order Contract (JOC) (MTS Doc. No. PWL132.0-11) with Southland Electric, Inc. (in substantially the same form as Attachment A); and
2. negotiate and issue a work order with Southland Electric for CCTV System Upgrade Project construction services in an amount not to exceed \$500,000.

Budget Impact

The total JOC contract amount would not exceed \$2,000,000. As individual work orders are written, they would be encumbered from each project's funding source. \$500,000 for the CCTV system upgrade work order would come from Capital Improvement Project (CIP) 11223-0800 (Station CCTV Phase II).

DISCUSSION:

The JOC is a procurement process under which public agencies generate a contract specification that defines various work categories, identifies unit costs (including labor and materials for each of those categories), and invites competitive bids. This process allows for the inclusion of a large number of individual construction projects within a single competitively bid contract. It also provides an on-call contractor ready to perform

1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490 • (619) 231-1466 • www.sdmts.com




Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.

a series of projects for competitively bid prices without having to conduct numerous formal procurements for each project. This process works very well for small construction projects, repetitive maintenance, and repair work and saves staff time and costs.

SANDAG recently awarded three JOC contracts with differing work disciplines. The JOC contract language permits other agencies to piggyback on the JOC contract. MTS is proposing to enter into an MTS JOC with Southland Electric for total cost not to exceed \$2,000,000. Piggybacking on other agencies' JOC contracts is common practice. In the past, MTS and SANDAG have piggybacked on the County of San Diego's JOC contract and as a result have completed some of the high-priority and time-sensitive projects. Attachment B is a proposed MOU that would allow MTS to piggyback on any of SANDAG's JOC contracts.

Upon approval of the JOC with Southland Electric, MTS will negotiate and issue a work order to Southland Electric for a high-priority closed-circuit television (CCTV) upgrade project. In 2008, MTS received a Transit Security Grant Program grant of \$1,500,000 to add CCTV systems to improve the security of MTS's operations. The grant expires on April 30, 2011. Several station CCTV systems and other building security improvement projects have been completed utilizing these funds. With the remaining funds of approximately \$500,000, MTS would upgrade earlier CCTV equipment installs and bring them to current standards. Since the time to accomplish this work prior to the expiration of the grant is very short, utilizing the JOC contract would permit the completion of work in a timely manner.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contacts: Russ Desai, 619.595.4908, Rushikesh.Desai@sdmts.com
Bill Burke, 619.595.4947, Bill.Burke@sdmts.com
Michael Diana, 619.595.1021, Michael.Diana@sdmts.com

DEC9-10.10.JOC & CCTV UPGRADE.MYNIGUEZ.doc

Attachments: A. JOC Contract MTS Doc. No. PWL132.0-11
B. MTS-SANDAG MOU G1357.0-11

DRAFT

STANDARD SERVICES AGREEMENT

PWL132.0-11
 CONTRACT NUMBER

FILE NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2010, in the State of California by and between San Diego Metropolitan Transit System, a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: Southland Electric, Inc. Address: 4950 Greencraig Lane
 Form of Business: Corporation San Diego, CA 92123
 (Corporation, partnership, sole proprietor, etc.)
 Telephone: (858) 634-5050

Authorized person to sign contracts: Mark Peterson President
 Name Title

The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS services and materials, summarized as follows:

Provide Job Order Construction (JOC) services as described in SANDAG JOC No.5001337 in accordance with the Standard Conditions Services, Federal Requirements, Transportation Security Administration (TSA) Contract Provisions, Contract Pricing, and SANDAG JOC No. 5001337 (hereinafter "Contract Documents"). If there are inconsistencies between the Contract Documents, the following order of precedence will govern the interpretation of this contract:

1. SANDAG JOC No. 5001337
2. Contract Pricing
3. Standard Conditions Services, Federal Requirements, Transportation Security Administration (TSA) Contract Provisions

The total cost of this contract shall not exceed \$2,000,000.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM	CONTRACTOR AUTHORIZATION
By: _____ Chief Executive Officer	Firm: _____
Approved as to form:	By: _____ Signature
By: _____ Office of General Counsel	Title: _____

AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
\$To be encumbered on JOC		
By: _____ Chief Financial Officer	Date _____	

(___ total pages, each bearing contract number)

**MEMORANDUM OF UNDERSTANDING
NUMBER 5001571
BETWEEN THE SAN DIEGO ASSOCIATION OF GOVERNMENTS SERVICE BUREAU
AND THE SAN DIEGO METROPOLITAN TRANSIT SYTEM
REGARDING JOB ORDER CONTRACTING (JOC) AUTHORIZATION**

This Memorandum of Understanding ("MOU") is made and entered into effective as of this 29th day of November, 2010, by and between the San Diego Association of Governments ("SANDAG"), acting through its Service Bureau, and the San Diego Metropolitan Transit System ("MTS").

RECITALS

The following recitals are a substantive part of this Agreement:

WHEREAS, SANDAG has executed a series of competitively bid Job Order Contracts (JOCs) for various construction work categories; and

WHEREAS, SANDAG has made these JOC contracts available to other public agencies through its Service Bureau under the "Public Agency Participation (Piggybacking)" provision (hereinafter referred to as "Piggyback Provision") in the Special Provisions of its Invitations for Bid; and

WHEREAS, MTS desires the option to utilize the terms negotiated in one or more of SANDAG's available executed JOC contracts, as authorized in the Piggyback Provision, to contract for various JOC services on an as needed basis through the issuance of JOC Job Orders as approved and executed by the JOC Contractor and MTS; and

WHEREAS, "piggyback" contracting agreements between governmental agencies are authorized by the State of California Public Contract Code sections 10298 and 10299 and the Federal Transit Administration Procurement Circular 4220.1E, paragraph 7.e under certain prescribed criteria as more fully set forth on Exhibit A attached hereto; and

WHEREAS, the parties wish to memorialize their agreement in this MOU to carry out the purposes set forth above;

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises set forth herein, the parties agree as follows:

MTS AGREES:

1. To compensate and reimburse SANDAG for its administration costs and expenses associated with such JOC services on the basis of invoices submitted for each completed and accepted JOC Job Order Authorization. The compensation, paid by MTS to SANDAG, shall be a six and seventy-five hundredths percent (6.75%) fee charged on the amount of each JOC Job Order at the time of issuance of the Job Order Authorization (Notice to Proceed) by MTS. This fee shall cover all of SANDAG's administration costs and expenses and MTS shall not be liable for any additional fees or payments therefore.
-

2. That the Piggyback Provision, which is attached hereto as Exhibit A, is incorporated into this MOU by reference.
3. MTS will provide Contract Management, Inspection and Job Order Acceptance documentation to the Contractor and notification to SANDAG of completion of the Job Order.
4. MTS shall be responsible for making all payments directly to any contractor to which MTS issues a Job Order ("MTS Contractor") and for obtaining any proof of bonding or insurance it needs from the Contractor.
5. MTS shall be responsible for approval and acceptance of all Contractor work.
6. All disputes on MTS-issued Job Orders shall be resolved by MTS and the Contractor. SANDAG is not responsible for any disputes that may arise from the work performed under an MTS JOC Job Order.
7. Neither SANDAG nor its directors, officers, employees, or agents thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by MTS under or in connection with any work, authority or jurisdiction delegated to MTS under this MOU. It is understood and agreed that, pursuant to Government Code Section 895.4, MTS shall fully defend, indemnify and save harmless SANDAG, its directors, officers, employees or agents from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined in Government Code Section 810.8) occurring by reason of anything done or omitted to be done by MTS under or in connection with any work, authority or jurisdiction delegated to MTS under this MOU.

SANDAG AGREES:

8. To authorize MTS to utilize, at the six and seventy-five hundredths percent (6.75%) fee specified above, SANDAG's various executed JOC contracts to enable MTS to contract for and procure JOC services on an as needed basis as determined by MTS to be in its best interests.
9. To process any JOC Job Orders from MTS as expeditiously as possible.
10. To invoice MTS for each JOC Job/Work Order issued by MTS against SANDAG's JOC contract in the amount of six and seventy-five hundredth percent (6.75%) of each JOC Job Order. All invoices shall be sent to:

Russ Desai
MTS
1255 Imperial Avenue, Suite 900
San Diego, CA 92101

For prompt payment all invoices must reference MTS's Job Order number.

11. That either SANDAG or Gordian Group will provide, at no additional cost, advice and training to MTS staff, regarding the implementation and management of the JOC system and process. The scope and extent of said services provided to MTS shall be by mutual agreement on a project by project basis.

12. Neither MTS nor any director, officer, or employee thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by SANDAG under or in connection with any work, authority or jurisdiction delegated to SANDAG under this MOU. It is understood and agreed that, pursuant to Government Code Section 895.4, SANDAG shall fully defend, indemnify and save harmless MTS, its directors, officers, and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined in Government Code Section 810.8) occurring by reason of anything done or omitted to be done by SANDAG under or in connection with any work, authority or jurisdiction delegated to SANDAG under this MOU.

THE PARTIES MUTUALLY AGREE:

13. That all obligations of MTS under the terms of this MOU are subject to the appropriation of the required resources by MTS and the approval of the MTS Board of Directors.
14. MTS shall provide SANDAG with a written Preliminary JOC Job Authorization, for any JOC services MTS desires to procure. SANDAG will evaluate the Preliminary JOC Job Order Authorization request and initiate a Job Order against the JOC Contract using the Gordian Group Progen® software system. MTS, with assistance from SANDAG when necessary, will define the specific scope of work with the Contractor. MTS will provide Contract Management and shall be responsible for providing a Project Manager responsible for developing the scope, technical and schedule requirements and independent cost estimate for each Job Order request. The Project Manager will also be responsible for coordinating the Joint Scope Meeting with the Contractor, and completing JOC Proposal reviews and negotiations with the Contractor and issuing the Notice to Proceed.
15. This MOU is made between MTS and SANDAG and not for the benefit of any third party. There are no parties to this MOU, express or implied, other than MTS and SANDAG.
16. Any notice required or permitted under this MOU may be personally served on the other party, by the party giving notice, or may be served by certified mail, return receipt requested, to the following addresses:

For SANDAG

401 B Street, Suite 800
San Diego, CA 92101
Attn: Mr. Ralph Tharp,
Contract Administrator

For MTS

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101
Attn: Office of General Counsel

17. This MOU shall terminate five years from the effective date of this MOU as referenced above, unless extended by written agreement of both parties. This agreement may be terminated by either party by 60 (sixty) day written notice. The MOU termination date shall not affect the termination date of active JOC Job Orders.
18. The indemnification provisions of this MOU shall survive termination of the MOU.
19. This MOU shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this MOU, the action shall be brought in a state or federal court situated in San Diego County, State of California.

20. All terms, conditions, and provisions hereof shall inure to and shall bind each of the parties hereto, and each of their respective heirs, executors, administrators, successors, and assigns.
21. For purposes of this MOU, the relationship of the parties is that of independent entities and not as agents of each other or as joint ventures or partners. The parties shall maintain sole and exclusive control over their personnel, agents, consultants, and operations.
22. No alteration or variation of the terms of this MOU shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein shall be binding on any of the parties hereto.
23. Nothing in the provisions of this MOU is intended to create duties or obligations to or rights in third parties to this MOU or affect the legal liability of the parties to this MOU to third parties.
24. This MOU may be executed in any number of identical counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument when each party has signed one such counterpart
25. SANDAG shall not be a direct or indirect party to the resulting contract between the Contractor and MTS and assumes no responsibility or liability for any contractual and/or financial obligations of MTS nor any other liability whatsoever that may result.

IN WITNESS WHEREOF, the Parties hereto have executed this MOU effective on the day and year first above written.

SANDAG

**SAN DIEGO METROPOLITAN TRANSIT
SYSTEM**

JIM LINTHICUM
Director, Mobility Management and
Project Implementation

Paul C. Jablonski
Chief Executive Officer

KURT KRONINGER
Director, Technical Services

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Office of General Counsel

Office of General Counsel

EXHIBIT A

7-7.06 PUBLIC AGENCY PARTICIPATION ("PIGGYBACKING")

SANDAG may authorize, upon request, any governmental entity described in paragraph 7.3.1 of SANDAG Board Policy No.024 (hereafter "Authorized User") to procure services within the scope of the Contract awarded pursuant to this bid solicitation through either a partial assignment of this Contract or through a separate contract based on the same terms and conditions of this Contract between the Contractor and the Authorized User.

A. Partial Assignment

SANDAG may assign a portion of this Contract to any Authorized User with or without the consent of the Contractor. Any such assignment shall be honored by the Contractor in accordance with all terms and conditions of this contract, including without limitation application of the Adjustment Factor to the pricing set forth in the Construction Task Catalog. The issuance of a Job Order by an Authorized User pursuant to this provision shall constitute an express assumption of all contractual obligations, covenants, conditions and terms of the Contract. A breach of the Contract by any particular Authorized User shall neither constitute nor be deemed a breach of the Contract as a whole which shall remain in full force and effect, and shall not affect the validity of the Contract nor the obligations of the Contractor thereunder respecting SANDAG. SANDAG specifically and expressly disclaims any and all liability for any breach by an Authorized User other than SANDAG and each such Authorized User and Contractor guarantee to save SANDAG, its officers, agents and employees harmless from any liability that may be or is imposed by the Authorized User's failure to perform in accordance with its obligations under the Contract.

B. Separate Agreement

SANDAG may grant authorization for Authorized Users to utilize this Contract to procure a separate Job Order Contract for the services specified herein under the following conditions. Under such authorization, Authorized Users may enter into one or more contracts with Contractor for the JOC construction services specified in this Contract using the same terms, conditions, and unit pricing set forth in this Contract, including the Adjustment Factor, if such other agencies determine that it is in their best interest to do so. Should Authorized Users elect to utilize this Contract as the basis for the procurement of a separate Job Order Contract, SANDAG shall not be a direct or indirect party to the resulting contract between the Contractor and the Authorized User and assumes no responsibility or liability for any contractual and/or financial obligations of said Authorized Users nor any other liability whatsoever that may result.

If one or more Authorized User(s) desire to utilize this Contract for the purposes described in this subsection and if the Contractor elects to provide their offered JOC services to such Authorized User(s), then the Contractor must make its offered construction services and Construction Task Catalog@ pricing, including the applicable Adjustment Factor, available to such Authorized User(s) in accordance with the Job Order Contracting procedures defined in these Special Provisions. The Contract value capacity of this Contract does not reflect any usage by such Authorized Users, and any procurement of JOC services by other public agencies under this Contract shall not diminish, limit, or impact SANDAG's own Contract capacity value for the JOC services specified herein.

Prior to performing JOC services for any Authorized User pursuant to this subsection, the Contractor shall advise said public agencies that they must first contact the SANDAG Contract Administrator regarding SANDAG's piggyback contract administration fee and Gordian Group licensing fee that the Authorized User will be required to pay SANDAG for utilizing this option. Additionally, the Contractor shall be required to notify SANDAG's Contract Administrator of any agency utilizing this Contract under this option.



Att. A, AI 8, 12/9/10

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

METROPOLITAN TRANSIT SYSTEM
2011 TAXICAB COMMITTEE ELECTION BALLOT
TERM: 2011-2013

«Permit_Holder_Name»
«Business_Name»
«Mailing_Address1»
«Mailing_City», «Mailing_State» «Mailing_Zip_»

YOU ARE ENTITLED TO «Total Taxi Permits» VOTE(S). The following is a list of authorized candidates for the Metropolitan Transit System (MTS) Taxicab Committee. You may vote for more than one candidate. Place the number of votes you are casting next to the name of each permit holder for whom you are voting. Please be sure that the total number of votes you cast on this form does not add up to more than the number you are entitled to, as stated above. Ballots with excess votes will be voided and will not be counted in the election. When you have finished making your selection, please sign and date the form below. **Ballots not signed by the permit holder will be considered not valid and will be voided.**

CATEGORY ONE CANDIDATES
(Holder of four (4) or more permits)

CATEGORY TWO CANDIDATES
(Holder of three (3) or fewer permits)

NOMINEE NAME	COMPANY NAME	# VOTES
GEORGE ABRAHAM	ERITREAN CAB	
AMIR AGHASSI	NICE CAB	
FATA ARGHAND	VARIOUS	
ALEX GEBRESELASSIE	VARIOUS	
GARY GHILE	VARIOUS	
AMINI HAMID	JAZZY CAB	
ANTONIO HUESO	USA CAB	
ALFREDO HUESO	USA CAB	
HOUSHANG NAHAVANDIAN	AMERICAN CAB	
CYRUS NAHAVANDIAN	BEST CAB	
CRAIG ROWE	RED CAB	
MARYAM SAFA	K2 CAB	

NOMINEE NAME	COMPANY NAME	# VOTES
ILYAS ABDIKADIR	BLACK WHITE CAB	
KAMRAN HAMIDI	V.I.P TAXI	
CAMERON HARATIAN	P. B. CAB	
AKBAR MAJID	YELLOW CAB	
VINCENT ORTIZ	MURRIETA'S CAB	
NASSER TEHRANI	VARIOUS	
YACoub YOUNAN	Y B CAB	
TOTAL NUMBER VOTES:		

By my signature below, I certify that I am the taxicab permit holder named above or an authorized officer of the corporation or MTS authorized LLC member, and that I am casting only the number of votes to which I am entitled. I also understand that casting more votes than those permitted will automatically cancel all of my votes.

Signature: _____

Date: _____

DSUNDH/Taxicab
Taxicab Committee/2011 Election
F-BALLOT



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 11

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

December 9, 2010

SUBJECT:

MTS: EMPLOYEE BENEFITS BROKER/CONSULTING SERVICES RFP – CONTRACT
AWARD

RECOMMENDATION:

Action would authorize the Chief Executive Officer (CEO) to execute the following contracts for employee benefits broker/consulting services for up to a five-year period (three-year base period with 2 one-year options):

1. MTS Doc. No. G1361.0-11 with Keenan & Associates for ongoing consulting services;
2. MTS Doc. No. G1362.0-11 with Keenan & Associates for advisory services;
3. MTS Doc. No. G1363.0-11 with Barney and Barney for advisory services; and
4. MTS Doc. No. G1364.0-11 with Rael & Letson for advisory services.

Budget Impact

1. Ongoing Consulting Services: The total contract amount for ongoing consulting services would not exceed \$446,050 and would be funded under the Fringe Allocation budget 903-52310.



1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490 • (619) 231-1466 • www.sdmts.com

Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.

2. Advisory Services: It is estimated that the total spending for Advisory Services would not exceed \$177,650¹ among all of the contractors during the term of the agreement and would be funded under Human Resources operating budget 711-53110.

DISCUSSION:

MTS Policy No. 52 governing procurement of goods and services requires a formal competitive bid process for procurements exceeding \$100,000. The current MTS Human Resources medical insurance review services contract will expire on December 31, 2010.

On July 30, 2010, MTS issued a Request for Proposals (RFP) for Employee Benefits Broker/Consulting Services for up to a five-year period (five-year base with 2 one-year options) to secure a multiyear contract for two types of broker/consulting services below to provide a high-quality and cost-effective employee benefits program.

1. Ongoing Consulting Services: Work performed under this category would be performed on a lump-sum, firm, fixed price per annum.
2. Advisory Services: Work performed under this category shall be performed as needed on a firm, fixed, fully burdened hourly labor rate per specific skill set of labor category.

On November 22, 2010, MTS received four proposals. The proposals were found to meet the minimum requirements established in the RFP and were found to be responsive and responsible.

The proposals were evaluated by a committee consisting of representatives from MTS Human Resources, Finance, and Procurement Departments. While considering the primary objectives of the RFP, the committee evaluated the proposals in each category using the following four criteria and their relative weights of importance:

- | | |
|--|------------|
| 1. Qualifications and Experience of the Firm or Individual | 10 Points |
| 2. Proposed Staffing, Firm Organization, and Management Plan | 10 Points |
| 3. Work Plan | 40 Points |
| 4. Cost and Price | 40 Points |
| Total: | 100 Points |

This process resulted in the following scoring:

Proposers' Scoring (ONGOING CONSULTING) *	Total Score (Total Possible Score: 100)
Keenan & Associates *	94.75
Rael & Letson	81
Barney and Barney	78.85
Willis	38.5

¹ Each contract has a not-to-exceed amount of \$177,650 to allow staff the flexibility of using one or all three vendors depending upon pricing for each piece of work. Staff will be responsible for ensuring that the total budget of \$177,650 for the services is not exceeded.

It was the unanimous finding of the evaluation committee that the proposal submitted by Keenan & Associates for the Ongoing Consulting Services category (*) represented to be the most advantageous and of greatest value to MTS. This finding was based on the procurement objectives, the evaluation criterion contained in the RFP, and a consideration of both technical and price factors.

Proposers' Scoring (ADVISORY SERVICES) **	Total Score (Total Possible Score: 100)
Keenan & Associates **	95.75
Barney and Barney **	69.95
Rael & Letson **	63.7
Willis	38.5

The evaluation committee intends to award the Advisory Services (**) category to the list of consultants below on an as-needed basis. MTS has determined that these firms best meet the requirements set forth in the RFP and, based upon a consideration of both technical and price factors, MTS has found their offers to be the most advantageous and of the greatest value to MTS.

1. Keenan and Associates (MTS Doc. No. G1362.0-11)
2. Barney and Barney (MTS Doc. No. G1363.0-11)
3. Rael & Letson (MTS Doc. No. G1364.0-11)

Therefore, pursuant to MTS policy, staff recommends award of contracts to the above-mentioned contractors.



Paul C. Jablonski
Chief Executive Officer

Staff Contact: Brendan Shannon, 619.595.4569, brendan.shannon@sdmts.com

DEC9-10.11.BENEFITS BROKER SVCS.CAQUINO.doc

- Attachments:
- A. MTS Doc. No. G1361.0-11 – Keenan & Associates
 - B. MTS Doc. No. G1362.0-11 – Keenan & Associates
 - C. MTS Doc. No. G1363.0-11 – Barney and Barney
 - D. MTS Doc. No. G1364.0-11 – Rael & Letson
 - E. Cost Summary

STANDARD SERVICES AGREEMENT

DRAFT

G1361.0-11
 CONTRACT NUMBER
 ADM 150.3
 FILE NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2011, in the state of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: Keenan & Associates Address: 901 Calle Amanecer, Suite 200

Form of Business: Corporation San Clemente, CA 92673
 (Corporation, partnership, sole proprietor, etc.)

Telephone: 800.338.5247

Authorized person to sign contracts: Renée Wingert Assistant Vice President
 Name Title

The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS services and materials, as follows:

Provide ongoing consulting services as stipulated in MTS's Request for Proposals (RFP) for Employee Benefits Broker/Consulting Services, including MTS's Responses to Questions/Clarifications; and in accordance with the Standard Services Agreement, including the Standard Conditions Services, Federal Requirements, Keenan & Associates' original proposal dated 9/22/10 and Revised Proposal dated 10/21/10. If there are inconsistencies between the Contract Documents, the following order of precedence will govern the interpretation of this contract:

1. MTS's Employee Benefits Broker/Consulting Services RFP, MTS's Responses to Questions/Clarifications;
2. Standard Services Agreement (including the Standard Conditions Services) and Federal Requirements; and
3. Keenan & Associates' original proposal dated 9/22/10, and Revised Proposal dated 10/21/10.

This contract shall remain in effect for up to a five-year period [three base years with two 1-year options exercisable at MTS's sole discretion], effective January 1, 2011, through December 31, 2015. Payment terms shall be net 30 days from invoice date. The total amount for this contract (including options) shall not exceed \$446,050.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM	CONTRACTOR AUTHORIZATION
By: _____ Chief Executive Officer	Firm: _____
Approved as to form:	By: _____ Signature
By: _____ Office of General Counsel	Title: _____

AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
\$ 84,000 – Yr. 1		
\$ 84,000 – Yr. 2		
\$ 88,200 – Yr. 3		
\$ 92,610 – Yr. 4 (Option Yr. I)		
\$ 97,240 – Yr. 5 (Option Yr. II)		
\$446,050 – Total (Yrs. 1-5)	903-52310	11-16

By: _____
 Chief Financial Officer Date

STANDARD SERVICES AGREEMENT

DRAFT

G1362.0-11
 CONTRACT NUMBER
 ADM 150.3
 FILE NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2011, in the state of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: Keenan & AssociatesAddress: 901 Calle Amanecer, Suite 200Form of Business: Corporation
(Corporation, partnership, sole proprietor, etc.)San Clemente, CA 92673Telephone: 800.338.5247

Authorized person to sign contracts: Renée Wingert Assistant Vice President
 Name Title

The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS services and materials, as follows:

Provide advisory services on an as-needed basis as stipulated in MTS's Request for Proposals (RFP) for Employee Benefits Broker/Consulting Services, including MTS's Responses to Questions/Clarifications; and in accordance with the Standard Services Agreement, including the Standard Conditions Services, Federal Requirements, Keenan & Associates' original proposal dated 9/22/10 and Revised Proposal dated 10/21/10. If there are inconsistencies between the Contract Documents, the following order of precedence will govern the interpretation of this contract:

1. MTS's Employee Benefits Broker/Consulting Services RFP, MTS's Responses to Questions/Clarifications;
2. Standard Services Agreement (including the Standard Conditions Services) and Federal Requirements; and
3. Keenan & Associates' original proposal dated 9/22/10, and Revised Proposal dated 10/21/10.

The rates below for Advisory Services are firm, fixed, fully burdened hourly labor rates per specific skill set of labor category:

LABOR CATEGORIES	AVG. HOURS PER YEAR	YEAR 1	YEAR 2	YEAR 3	YEAR 4 (Option Yr. I)	YEAR 5 (Option Yr. II)
Account Principal	20	\$ 250.00	\$ 250.00	\$ 260.00	\$ 270.00	\$ 275.00
Project Manager	35	\$ 150.00	\$ 150.00	\$ 155.00	\$ 160.00	\$ 165.00
Communication Specialist	10	\$ 150.00	\$ 150.00	\$ 155.00	\$ 160.00	\$ 165.00
Actuary	10	\$ 225.00	\$ 225.00	\$ 230.00	\$ 235.00	\$ 240.00
Legislative Compliance Specialist	5	\$ 200.00	\$ 200.00	\$ 205.00	\$ 210.00	\$ 215.00
Technical Support	10	\$ 150.00	\$ 150.00	\$ 155.00	\$ 160.00	\$ 165.00
Administrative Support	50	\$ 80.00	\$ 80.00	\$ 80.00	\$ 85.00	\$ 85.00
Accounting and Financial	20	\$ 110.00	\$ 110.00	\$ 115.00	\$ 120.00	\$ 125.00
Other – Municipal Practice Leader	-	\$ 300.00	\$ 300.00	\$ 310.00	\$ 315.00	\$ 325.00
Other – Assistance with Disease Management Program	-	\$ 225.00	\$ 225.00	\$ 230.00	\$ 235.00	\$ 240.00

This contract shall remain in effect for up to a five-year period [three base years with two 1-year options exercisable at MTS's sole discretion], effective January 1, 2011, through December 31, 2015. Payment terms shall be net 30 days from invoice date. The total amount for this contract (including options) shall not exceed \$177,650.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

CONTRACTOR AUTHORIZATION

By: _____
Chief Executive Officer

Approved as to form:

By: _____
Office of General Counsel

Firm: _____

By: _____
Signature

Title: _____

<u>AMOUNT ENCUMBERED</u>	<u>BUDGET ITEM</u>	<u>FISCAL YEAR</u>
<u>\$177,650</u>	<u>711-53110</u>	<u>11-16</u>

By: _____
Chief Financial Officer

_____ Date

DEC9-10.11.AttB.G1362.0-11.KEENAN.CAQUINO.doc

STANDARD SERVICES AGREEMENT

DRAFT

G1363.0-11
 CONTRACT NUMBER
 ADM 150.3
 FILE NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2011, in the state of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: Barney and Barney Address: 9171 Towne Centre Dr., Suite 500

Form of Business: Corporation San Diego, CA 92122
 (Corporation, partnership, sole proprietor, etc.)

Telephone: 858.457.3414

Authorized person to sign contracts: Steve Finden Principal
 Name Title

The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS services and materials, as follows:

Provide advisory services based on an "as needed" basis as stipulated in MTS's Request for Proposals (RFP) for Employee Benefits Broker/Consulting Services, including MTS's Responses to Questions/Clarifications; and in accordance with the Standard Services Agreement, including the Standard Conditions Services, Federal Requirements, Barney and Barney's original proposal dated 9/22/10 and Revised Proposal dated 10/20/10. If there are inconsistencies between the Contract Documents, the following order of precedence will govern the interpretation of this contract:

1. MTS's Employee Benefits Broker/Consulting Services RFP, MTS's Responses to Questions/Clarifications;
2. Standard Services Agreement (including the Standard Conditions Services) and Federal Requirements; and
3. Barney and Barney's original proposal dated 9/22/10, and Revised Proposal dated 10/20/10.

The rates below for Advisory Services are firm, fixed, fully burdened hourly labor rates per specific skill set of labor category:

LABOR CATEGORIES	AVG. HOURS PER YEAR	YEAR 1	YEAR 2	YEAR 3	YEAR 4 (Option Yr. I)	YEAR 5 (Option Yr. II)
Account Principal	20	\$ 400.00	\$ 400.00	\$ 400.00	\$ 410.00	\$ 410.00
Project Manager	35	\$ 275.00	\$ 275.00	\$ 275.00	\$ 280.00	\$ 280.00
Communication Specialist	10	\$ 75.00	\$ 75.00	\$ 75.00	\$ 80.00	\$ 80.00
Actuary	10	\$ 300.00	\$ 300.00	\$ 300.00	\$ 310.00	\$ 310.00
Legislative Compliance Specialist	5	\$ 300.00	\$ 300.00	\$ 300.00	\$ 310.00	\$ 310.00
Technical Support	10	\$ 150.00	\$ 150.00	\$ 150.00	\$ 155.00	\$ 155.00
Administrative Support	50	\$ 75.00	\$ 75.00	\$ 75.00	\$ 80.00	\$ 80.00
Accounting and Financial	20	\$ 275.00	\$ 275.00	\$ 275.00	\$ 280.00	\$ 280.00

This contract shall remain in effect for up to a five-year period [three base years with two 1-year options exercisable at MTS's sole discretion], effective January 1, 2011, through December 31, 2015. Payment terms shall be net 30 days from invoice date. The total amount for this contract (including options) shall not exceed \$177,650.

STANDARD SERVICES AGREEMENT

DRAFT

G1364.0-11
 CONTRACT NUMBER
 ADM 150.3
 FILE NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2011, in the state of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: Rael & Letson Address: 419 Occidental Avenue South, Suite 304

Form of Business: Corporation Seattle, WA 98104
 (Corporation, partnership, sole proprietor, etc.)

Telephone: 204.445.1853

Authorized person to sign contracts: Tom Byrne Consultant
 Name Title

The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS services and materials, as follows:

Provide advisory services based on an "as needed" basis as stipulated in MTS's Request for Proposals (RFP) for Employee Benefits Broker/Consulting Services, including MTS's Responses to Questions/Clarifications; and in accordance with the Standard Services Agreement, including the Standard Conditions Services, Federal Requirements, Rael & Letson's original proposal dated 9/22/10 and Revised Proposal dated 10/21/10. If there are inconsistencies between the Contract Documents, the following order of precedence will govern the interpretation of this contract:

1. MTS's Employee Benefits Broker/Consulting Services RFP, MTS's Responses to Questions/Clarifications;
2. Standard Services Agreement (including the Standard Conditions Services) and Federal Requirements; and
3. Rael & Letson's original proposal dated 9/22/10 and Revised Proposal dated 10/21/10.

The rates below for Advisory Services are firm fixed fully burdened hourly labor rates per specific skill set of labor category:

LABOR CATEGORIES	AVG. HOURS PER YEAR	YEAR 1	YEAR 2	YEAR 3	YEAR 4 (Option Yr. I)	YEAR 5 (Option Yr. II)
Account Principal	20	\$ 325.00	\$ 335.00	\$ 350.00	\$ 365.00	\$ 380.00
Project Manager	35	\$ 275.00	\$ 285.00	\$ 295.00	\$ 305.00	\$ 320.00
Communication Specialist	10	\$ 200.00	\$ 205.00	\$ 215.00	\$ 225.00	\$ 235.00
Actuary	10	\$ 250.00	\$ 260.00	\$ 270.00	\$ 280.00	\$ 290.00
Legislative Compliance Specialist	5	\$ 200.00	\$ 205.00	\$ 215.00	\$ 225.00	\$ 235.00
Technical Support	10	\$ 175.00	\$ 180.00	\$ 185.00	\$ 195.00	\$ 205.00
Administrative Support	50	\$ 75.00	\$ 80.00	\$ 85.00	\$ 90.00	\$ 95.00
Accounting and Financial	20	\$ 200.00	\$ 205.00	\$ 215.00	\$ 225.00	\$ 235.00

This contract shall remain in effect for up to a five (5) year period [three (3) base years with two 1-year options, exercisable at MTS' sole discretion], effective January 1, 2011 through December 31, 2015. Payment terms shall be net 30 days from invoice date. Total amount for this contract (including options) shall not exceed \$177,650.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM	CONTRACTOR AUTHORIZATION
By: _____ Chief Executive Officer	Firm: _____
Approved as to form:	By: _____ Signature
By: _____ Office of General Counsel	Title: _____

AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
\$177,650	711-53110	11-16

By: _____
Chief Financial Officer

Date _____



Att. E, AI 11, 12/9/10

Purchasing Department
1255 Imperial Ave., Suite 1000
San Diego, CA 92101
619.231.1466 FAX 619.696.7084

COST SUMMARY

EMPLOYEE BENEFITS BROKER/CONSULTING RFP MTS DOC. NO. G1324.0-10

ONGOING CONSULTING SERVICES *	
COMPANY NAME	TOTAL COST
Rael & Letson	\$ 432,800.00
Keenan & Associates *	\$ 446,050.00
Barney and Barney	\$ 545,500.00
Willis	\$ 941,600.00

Ongoing Consulting Services:

*Keenan & Associates' proposal is the most advantageous and of greatest value to MTS in this category.

ADVISORY SERVICES **	
COMPANY NAME	TOTAL COST
Keenan & Associates **	\$ 147,260.00
Willis	\$ 155,365.00
Rael & Letson **	\$ 168,500.00
Barney and Barney **	\$ 170,075.00

Advisory Services

**Keenan & Associates', Rael & Letson's, and Barney and Barney's offers were found to be the most advantageous and of greatest value to MTS in this category.

DEC9-10.11.AttE.COST SUMMARY.BENEFITS BROKER.CAQUINO.doc



Metropolitan Transit System (MTS) is comprised of the Metropolitan Transit Development Board (MTDB) a California public agency, San Diego Transit Corp., and San Diego Trolley, Inc., in cooperation with Chula Vista Transit and National City Transit. MTS is Taxicab Administrator for eight cities. MTDB is owner of the San Diego and Arizona Eastern Railway Company. MTDB Member Agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 12

JOINT MEETING OF THE BOARD OF DIRECTORS
of the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

CIP 11287

December 9, 2010

SUBJECT:

MTS: IN-FLOOR JACK BODY HOIST OVERHAUL - CONTRACT AWARD

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. PWL129.0-11 (in substantially the same form as Attachment A) with Industrial Millwright Services, Inc. for the procurement of goods, services, and parts necessary to rehabilitate two sets of light rail vehicle (LRV) in-floor jack body hoists.

Budget Impact

This project would be federally funded under CIP 11287 (Light Rail Vehicle In-Floor Jack Body Hoist Overhaul) not to exceed \$399,949.44.


DISCUSSION:

MTS Policy No. 52 governing procurement of goods and services requires a formal competitive bid process for procurements exceeding \$100,000.

On October 6, 2010, MTS advertised this solicitation in four newspaper publications for maximum exposure and competition. This project consists of the procurement of parts and services necessary to rehabilitate, commission, and program eight existing LRV in-floor jack body hoists on tracks C4 and C5 in Building C of the LRV Maintenance Facility.



A total of two responsive bids were received on November 15, 2010 (see Bid Summary - Attachment B). Industrial Millwright Services, Inc. was the lowest responsive, responsible bidder. Staff conducted a cost comparison, found the cost to be 8% lower than the in-house estimate of \$423,447.50, and determined Industrial Millwright Services, Inc.'s pricing to be fair and reasonable. Therefore, pursuant to MTS policy, staff recommends award of MTS Doc. No. PWL129.0-11 to Industrial Millwright Services, Inc. for rehabilitation of LRV in-floor jack body hoist overhauls for a total not-to-exceed amount of \$399,949.44.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contacts: Lee Summerlott, 619.595.4904, Lee.Summerlott@sdmts.com
Marco Yniguez, 619.557.4576, Marco.Yniguez@sdmts.com

DEC9-10.12.JACK BODY HOIST OVERHAUL.MYNIGUEZ.doc

Attachments: A. Draft MTS Doc. No. PWL129.0-11
B. Bid Summary

STANDARD PROCUREMENT AGREEMENT

DRAFT

PWL129.0-11
 CONTRACT NUMBER
 CIP 11287
 FILE NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2010, in the State of California by and between San Diego Metropolitan Transit System, a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: Industrial Millwright Services, Inc. Address: 2021 Schumac Lane
 Form of Business: Corporation Bedford, TX 76022
 (Corporation, partnership, sole proprietor, etc.)
 Telephone: 817.540.2424

Authorized person to sign contracts: Sue Pipkin President
 Name Title

The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS services and materials, as follows:

Provide materials, installation, integration, and commissioning of the existing in-floor jack body hoist on tracks C4 and C5 in Building C at 1535 Newton Avenue, San Diego, CA 92113 as stipulated in MTS's Invitation for Bids (IFB) Overhaul of In-Floor Jack Body Hoist Projects, MTS Doc. No. PWL129.0-11, including Addendum No. 1, in accordance with the Standard Procurement Agreement, including the Standard Conditions Procurement, Federal Requirements, MTS Safety Department SOP (SAF 016-03), and the contractor's bid dated November 11, 2010. If there are any inconsistencies between the IFB, Addendum No. 1, Standard Procurement Agreement including the Standard Conditions Procurement, and Federal Requirements, the following order of precedence will govern the interpretation of this contract:

1. MTS's Invitation for Bids (IFB) Overhaul of In-Floor Jack Body Hoist Project, Addendum No. 1.
2. Contractor's Bid Proposal dated November 11, 2010, and MTS Safety Department's SOP (SAF 016-03)
3. Standard Procurement Agreement, including the Standard Conditions Procurement, and Federal Requirements.

This contract shall remain in effect until completion of this project. Total contract expenditure shall not exceed \$399,949.44. Price includes all materials, labor, freight, and sales tax. Payment terms shall be net 30 days from invoice approval date.

The Contractor shall pay prevailing wages as required by the Federal Davis-Bacon Act.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM	CONTRACTOR AUTHORIZATION
By: _____ Chief Executive Officer	Firm: _____
Approved as to form:	By: _____ Signature
By: _____ Office of General Counsel	Title: _____

AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
\$399, 949.44	CIP 11287	2011

By: _____
Chief Financial Officer Date

(__ total pages, each bearing contract number)

BID SUMMARY
IN-FLOOR JACK BODY HOIST OVERHAUL

Item #	Description	Quantity	Industrial Millwright Services**		Peterson Hydraulics, Inc.	
			Unit price	Extended Price	Unit price	Extended Price
1	In-Floor Jack Rehabilitation Parts for Track C-4 and C-5	2 Sets	\$ 108,042.33	\$ 216,084.66		\$ 272,928.15
2	Lubricant and Special Oils		L/S	\$ 6,850.00	L/S	\$ 11,400.00
3	Installation Labor (non-taxable)		L/S	\$ 157,508.00	L/S	\$ 131,614.90
			Subtotal	\$ 380,442.66		\$ 415,943.05
			CA Sales Tax 8.75% (Lines 1 and 2)	\$ 19,506.78		\$ 24,878.71
			Grand Total	\$ 399,949.44		\$ 440,821.76

**Lowest responsible, responsive bidder.

Att. B, AI 12,
12/9/10



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 13

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

December 9, 2010

SUBJECT:

**MTS: UNALLOCATED TRANSPORTATION DEVELOPMENT ACT FUNDS FOR
TRANSIT-RELATED PROJECTS**

RECOMMENDATION:

That the Board of Directors approve the use of \$121,610 in unallocated TDA funds currently held by the County of San Diego for the City of Santee's Bus Stop Upgrade Project.

Budget Impact

The use of unallocated TDA funds set aside by the County for transit-related projects in various jurisdictions would have no impact on MTS's operating or capital budgets. The total available unallocated TDA held for the benefit of the City of Santee would be reduced by \$121,610 resulting in a remaining balance of \$256,661 held by the County for future transit-related projects pending Board approval.

DISCUSSION:

On October 12, 2010, MTS received a request from the City of Santee requesting the use of \$121,610 of the unallocated TDA held by the County to implement a Bus Stop Upgrade Project. The project would upgrade five bus stops that currently contain a bus stop sign and bus bench. Each bus stop would contain a new bus shelter, bench, combination trash/recycling receptacle, and new concrete slab. These improvements would benefit the riders of MTS bus Routes 832, 834, and 870.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Lisa Fowler, 619.557.4510, lisa.fowler@sdmts.com

DEC9-10.13.TDA FOR TRANSIT PROJECTS.LFOWLER.doc

Attachment: A. Map of Proposed Shelter Location



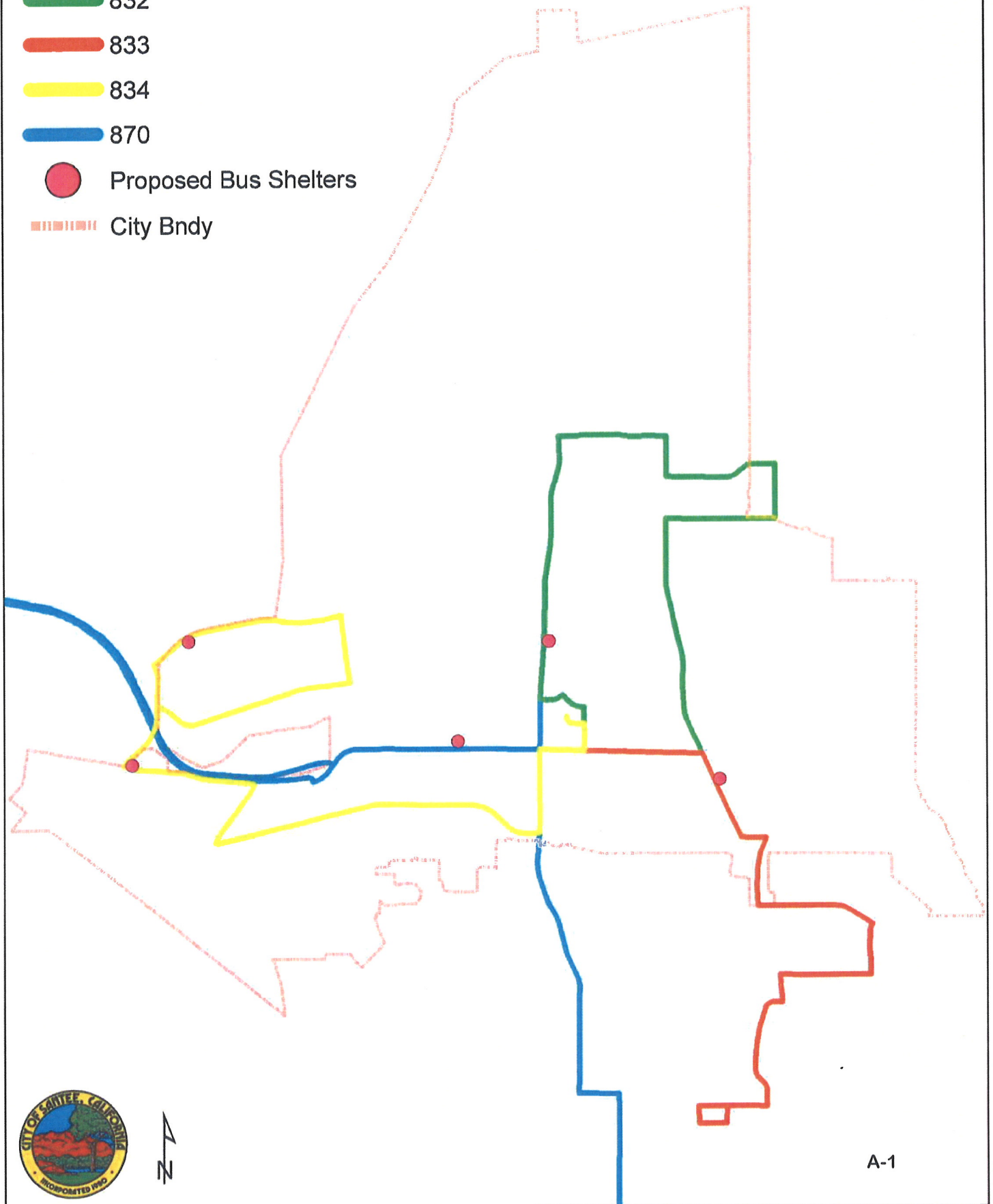
1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490 • (619) 231-1466 • www.sdmts.com

Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.

MTDB Bus Routes

Att. A, AI 13, 12/9/10

- 832
- 833
- 834
- 870
- Proposed Bus Shelters
- City Bndy





1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 14

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

December 9, 2010

SUBJECT:

MTS: CAPITAL IMPROVEMENT PROGRAM (CIP) FUNDING TRANSFERS

RECOMMENDATION:

That the Board of Directors approve the transfer of:

1. \$96,146 in State Transit Assistance (STA) funds to the San Ysidro Transit Center Project (CIP 10453) from the completed KMD Tile and Roof Repair Project (CIP 1114900);
2. \$111,182 in Transportation Development Act (TDA) funds to Miscellaneous Capital (CIP 11200) from the Blue Line Rehabilitation Project (11266);
3. \$500,000 in TDA funds from the New IT System Project (CIP 11307) to complete land procurement projects (CIPs 11303, 11305, and 11308); and
4. \$7,219,200 in Federal Formula 5307 funds (Y806) from the Kearny Mesa Land Procurement Project (CIP 11305) to fund the FY 12 CIP.

Budget Impact

The cumulative transfer amount of \$7,926,528 would contribute to the completion and timely closure of capital projects.



DISCUSSION:

On October 1, 2010, the San Diego Association of Governments (SANDAG) notified MTS staff of the remaining balance of STA funds available in CIP 114900 (KMD Tile and Roof Repair Project). Staff recommends that the total \$96,146 in STA funds be used to fund a deficit in CIP 10453 (San Ysidro Transit Center) that has been the result of recently completed litigation.

On October 20, 2010, MTS staff determined that \$111,182 in TDA set aside as matching funds for the Federal 5309 Blue Line Rehabilitation Project earmark was no longer necessary due to the current amount of nonfederal funding allocated to the project. As a result, staff recommends transferring this excess funding to CIP 11200 (Miscellaneous Capital) to fund urgent capital needs.

In order to complete the PG Auto Parts, Kearny Mesa, and Imperial Avenue Land Procurement Projects (CIPs 11303, 11305, and 11308) using nonfederal funds, \$500,000 in TDA must be transferred from CIP 11307 (New IT System). The \$500,000 in TDA would be allocated to each project as follows:

<u>Project #</u>	<u>Description</u>	<u>TDA Transfers</u>
11307	New IT System	(500,000)
11303	PG Auto Parts Land	71,574
11305	Kearny Mesa Land	406,096
11308	Imperial Avenue Land	22,330

Consequently, the \$7,219,200 in Federal Formula 5307 funds (Y806) remaining in the Kearny Mesa Land Procurement Project would be used to fund the FY 12 CIP.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Lisa Fowler, 619.557.4510, lisa.fowler@sdmts.com

DEC9-10.14.CIP FUNDING TRANSFERS.LFOWLER.doc



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 45

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

ADM 110.12

December 9, 2010

SUBJECT:

MTS: FISCAL YEAR 2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT AND
AUDITOR PRESENTATION OF NEW AUDITING STANDARDS (LINDA MUSENGO)

RECOMMENDATION:

That the Board of Directors receive the Fiscal Year 2010 Comprehensive Annual
Financial Report (CAFR).

Budget Impact

None at this time.

DISCUSSION:

MTS staff and auditors Caporicci & Larson will present the Fiscal Year 2010 CAFR.
Minor differences to the draft presented earlier will be discussed.

Gary Caporicci of Caporicci & Larson will present a brief overview of Statements on
Auditing Standards No. 115 – No. 120 issued by the American Institute of Certified
Public Accountants (AICPA) Auditing Standards Board during the past year.

- SAS No. 115 (which replaces SAS No. 112) - Communicating Internal Control-Related Matters Identified in an Audit
- SAS No. 116 - Interim Financial Information
- SAS No. 117 - Compliance Audits



1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490 • (619) 231-1466 • www.sdmts.com

Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.

- SAS No. 118 - Other Information in Documents Containing Audited Financial Statement
- SAS No. 119 - Supplementary Information in Relation to the Financial Statements as a Whole
- SAS No. 120 - Required Supplementary Information



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Cliff Telfer, 619.557.4532, cliff.telfer@sdmts.com

DEC9-10.45.CAFR & AUDITING STANDARDS.LMUSENGO.doc

Attachment: A. Comprehensive Annual Financial Report (**Board Only Due to Volume**)



**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
SAN DIEGO, CALIFORNIA**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2010 AND 2009**



San Diego Metropolitan Transit System

San Diego, California

***Comprehensive Annual Financial Report and
Independent Auditors' Report***

For the years ended June 30, 2010 and 2009

PREPARED BY SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINANCE DEPARTMENT

San Diego Metropolitan Transit System

Table of Contents

	Page
Introductory Section (Unaudited):	
Letter of Transmittal	
Listing of Board of Directors and Management	
Executive Level Organization Chart	
Certificate of Achievement for Excellence in Financial Reporting - GFOA	
Financial Section:	
Independent Auditors' Report	
Management's Discussion and Analysis	
(Required Supplementary Information) (Unaudited)	
Basic Financial Statements:	
Statements of Net Assets	
Statements of Revenues, Expenses and Changes in Net Assets	
Statements of Cash Flows	
Notes to Basic Financial Statements	
Required Supplementary Information (Unaudited):	
Schedule of Funding Progress of Defined Pension Plans	
Schedule of Funding Progress of Other Postemployment Benefits Plans	
Supplementary Information:	
Combining Schedule of Net Assets	
Combining Schedule of Revenues, Expenses, and Changes in Net Assets	
Combining Schedule of Cash Flows	
Schedules of Revenues, Expenses and Changes in Net Assets - Budget and Actual:	
Combined Operations	
General Operations:	
General Fund	
Taxicab Administration	
San Diego & Arizona Eastern Railway	
Contract Services	
San Diego Transit Corporation	
San Diego Trolley, Inc.	
 Independent Auditors' Report on Compliance and on Internal Control	
Over Financial Reporting Based On An Audit of Financial Statements	
Performed In Accordance With <i>Government Auditing Standards</i>	

San Diego Metropolitan Transit System

Table of Contents

Page

Statistical Section (Unaudited):

Financial Trends:

Net Assets by Component

Changes in Net Assets

Revenue Capacity:

Operating Revenue by Source

Fare Structure

Farebox Recovery Percentages

Debt Capacity:

Ratio of Outstanding Debt by Type

Demographic and Economic Statistics:

Regional Population and Personal Income Statistics

Full-time and Part-time Employees by Function

Ten Largest Employers

Operating Information:

Operating Indicators by Function

Service Performance Data

Capital Asset Statistics by Function

Ridership

Operating Subsidy

INTRODUCTORY SECTION

Board of Directors and Transit Riders
San Diego Metropolitan Transit System

The comprehensive annual financial report of the San Diego Metropolitan Transit System (MTS) for the fiscal years ended June 30, 2010 and 2009 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. The MTS Board of Directors has established an Audit Oversight Committee to provide an additional level of scrutiny to the preparation of the annual financial report. Management of MTS is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of MTS are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

State statutes require an annual audit by independent certified public accountants. The firm of Caporicci & Larson, Inc. (A Subsidiary of Marcum LLP) Certified Public Accountants, has been retained to meet this requirement. The goal of the independent audit was to provide reasonable assurance that the financial statements of MTS for the fiscal years ended June 30, 2010 and 2009 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that MTS' financial statements for the fiscal years ended June 30, 2010 and 2009 are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit also was designed to meet the requirements of a broader, federally mandated "Single Audit" to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements required the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The reports related specifically to the Single Audit are issued under separate cover.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the 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 MD&A can be found immediately following the report of the independent auditors.

REPORTING ENTITY

The San Diego Metropolitan Transit System was created effective January 26, 1976 to provide the policy setting and overall management coordination of the public transportation system in the San Diego metropolitan service area. This service area encompasses approximately 2.3 million people residing in a 570 square mile area of San Diego County, including the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, Santee, and San Diego and the unincorporated area of the County of San Diego. A number of fixed-route operating entities provide the service and have banded together to form a federation of transit service providers called the Metropolitan Transit System (MTS). The purpose of the MTS is to provide coordinated routes, fares, and transfers among the different operating entities.

MTS' mission statement, adopted by the board of directors, is to enhance the personal mobility of San Diego metropolitan area residents and visitors by:

- Obtaining maximum benefit for every dollar spent.
- Being the community's major public transportation advocate.
- Increasing public transportation usage per capita.
- Taking a customer-oriented approach.
- Offering high-quality public transportation services.
- Responding to the community's socioeconomic interests.

California law establishes the San Diego Association of Governments (SANDAG) as the planning agency for San Diego County. The responsibility and decision-making for all transportation-related planning, programming and development activities occurs within SANDAG's nine-member Transportation Committee. Approved transportation plans and programs are subsequently executed by SANDAG staff. Within this structure MTS and the North County Transit District (NCTD) focus primarily on operating activities.

MTS is effectively an umbrella agency. MTS owns the assets of San Diego Trolley, Inc. (SDTI) and San Diego Transit Corporation (SDTC), the area's two largest transit operators. These two transit units were formed under California law as not-for-profit public corporations and function as operating subsidiaries of MTS. SDTI and SDTC are considered component units and are blended component units for financial reporting purposes. SDTI operates three Light Rail Transit (LRT) routes, the Blue Line from the Mission San Diego Station to San Ysidro at the International Border, the Orange Line from the Imperial and 12th Bayside Platform through Centre City and then east to Santee, and the Mission Valley Extension, known as the Green Line. SDTI operates on a total of 54.3 miles of track. SDTC operates 25 routes with an active fleet of 236 buses.

The relationship between MTS and the transit operating subsidiaries, SDTI and SDTC, is formally established through operating agreements and MTS-adopted corporate policies. These agreements and corporate policies specify the roles and responsibilities of each of the organizations and outline the procedures in numerous functional areas including auditing and budgeting, fare setting, marketing and public information, revenue-producing advertising, service contracts, and programming of federal, state and local subsidies. The MTS Board of Directors has the policy-setting responsibility for the operation

and development of MTS' transit operating subsidiaries as well as for the planning and approval of capital expenditures by or on behalf of these entities. The day-to-day operating functions, labor matters and maintenance of facilities are managed by the individual transit operators. MTS has centralized and consolidated Planning, Human Resources, Finance, and Purchasing for MTS and all subsidiaries.

In addition to the bus routes operated by SDTC, MTS is financially accountable for the operation of certain other bus routes. MTS contracts with an outside party for the operation of these bus routes. The contracts require full operation and maintenance of the bus services. These contract services are accounted for in the Other Contracted Services Fund for financial reporting purposes. Effective July 1, 2002, the responsibility for operating the County Transit System (CTS) was transferred from the County of San Diego to MTS. CTS operating services are combined with the Other Contracted Services Enterprise Fund for financial reporting purposes.

MTS owns the San Diego and Arizona Eastern Railway Company (SD&AE), a not-for-profit railroad holding company entrusted with assets which include 108 miles of rail line and over 2,000 acres of property. MTS has a contract with the San Diego and Imperial Valley Railway Co. (SDIV) for the operation of freight rail services over the SD&AE rail line. MTS provides no subsidy to SDIV, but does receive a portion of its gross revenue. SD&AE is considered a component unit and a blended component unit for financial reporting purposes.

MTS also is financially accountable for the operation of Taxicab Administration services, which includes regulating the issuance of taxi and jitney service permits in the Cities of San Diego, El Cajon, Imperial Beach, Lemon Grove, National City, Poway, and Santee.

The MTS Board of Directors is comprised of 15 members with four appointed from the San Diego City Council, one appointed from the San Diego County Board of Supervisors, one appointed from each city council of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, and Santee, and one member of the public elected by other Board members to serve as Chairman.

NATIONAL RECOGNITION

In July 2009, MTS received notification that the agency had been selected as the Outstanding Transit Agency of the Year by the American Public Transportation Association (APTA). This is the highest honor bestowed on transit agencies by the industry association. Competing in the same category with MTS were the largest transit systems in North America, including New York, Los Angeles, Chicago, and Washington, D.C. APTA looked at three-year trends in numerous categories such as ridership, safety, operating revenue and costs, performance, and customer service to determine the winner of the award. MTS was honored at an official award ceremony during the APTA Annual Conference in October.

ECONOMIC CONDITION AND OUTLOOK

San Diego has shown some limited signs of recovery from the economic downturn that has affected all parts of nation since 2008. The tourism industry has outpaced projections and the construction industry has shown a slight increase in activity in 2010. San Diego's gross regional product (GRP), the total value of the region's economy, has been estimated to reach \$174 billion in 2009 and \$182 billion in 2010, increasing from the \$168 billion recorded in 2008. It is expected that gains in employment, consumer

spending and related sales tax revenues will lag behind other indicators. MTS ridership in 2010 showed continued sensitivity to high unemployment which resulted in a decrease in total riders from 2009

The principal local source of operating subsidy for MTS' transit programs is Transportation Development Act (TDA) funding. One-fourth percent of the local sales tax in each California county is dedicated to transportation purposes.

On a local level, area voters approved a one-half cent transportation sales tax in 1987, called TransNet. One-third of the sales tax proceeds is allocated for transit purposes which is further divided between MTS and North County Transit District (MTS' counterpart in North San Diego County) based on the proportion of the population within the area of each jurisdiction. Prior to FY 2004, 80% of the transit TransNet funds had to be used for expansion of the light rail system. The remaining 20% could be used for operations after funding a reduced price pass program for seniors, disabled, and youth, which is capped at \$5.5 million. As a result of operating budget pressures, the ratio was changed in June 2003 so that up to 40% of the TransNet program can be used for operations (increased from 20%). The original TransNet sales tax expired in 2008, and a reauthorization measure was approved by voters in November 2004 extending the TransNet sales tax for 40 additional years.

Long-term financial planning

The long-term goal of MTS is to fund operations solely with recurring revenues. As the economy has contracted, sales tax receipts throughout California have declined, which has had a predictable negative effect on the subsidy revenue available to MTS from both TDA and TransNet funds. MTS has responded to the decline in expected subsidy revenue with a number of judicious actions designed to reduce costs and generate additional revenue. These include service and fare adjustments, reductions in management personnel and benefits, increased advertising and real property revenues, and agency-wide efforts at traditional cost-saving measures.

Major Initiatives

In addition to the challenge of aligning operating costs with recurring revenues, MTS is also challenged with rebuilding the capital program in order to replace aging infrastructure. The 5-year bus procurement program will continue in 2011. During 2010 MTS began its program to upgrade the Blue Line Trolley and replace 57 trolley cars. Finally, plans to extend trolley service up the I-5 corridor from Old Town to La Jolla are proceeding and funding sources are being identified. It is expected that the 4-year project will begin by the end of 2013.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MTS for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This is the fourth consecutive year and the fifteenth year overall that MTS has been the recipient of this award. MTS submitted a CAFR that was deemed to be easily readable, well-organized, and compliant with generally accepted accounting principles and applicable legal requirements. MTS strives to accomplish this level of proficiency with the preparation of each year's CAFR.

Acknowledgments

The staff of the finance and administration department are to be commended for their efficient and dedicated service to the production of this report. In addition, we express our appreciation for the assistance and cooperation provided by management and staff in all departments throughout the organization.

November 30, 2010

San Diego Metropolitan Transit System

Listing of Board of Directors and Management

BOARD OF DIRECTORS

Members	Board position (elected position)
Harry Mathis	Chairman, since 1/06
Jerry Rindone	Vice Chairman, since 7/91 (Representative, City of Chula Vista)
Jim Cunningham	Board Member, since 12/09 (Councilmember, City of Poway)
Marti Emerald	Board Member, since 1/10 (Councilmember, City of San Diego)
Ernest Ewin	Board Member, since 3/05 (Councilmember, City of La Mesa)
Todd Gloria	Board Member, since 1/09 (Councilmember, City of San Diego)
Jim Janney	Board Member, since 5/09 (Mayor, City of Imperial Beach)
Sherri Lightner	Board Member, since 1/09 (Councilmember, City of San Diego)
Bob McClellan	Board Member, since 4/08 (Councilmember, City of El Cajon)
Al Ovrom, Jr.	Board Member, since 12/08, (Councilmember, City of Coronado)
Ron Roberts	Board Member, since 12/89 (Supervisor, County Board of Supervisors)
Hal Ryan	Board Member, since 1/04 (Councilmember, City of Santee)
Jerry Selby	Board Member, since 1/09 (Councilmember, City of Lemon Grove)
Jess Van Deventer	Board Member, since 9/09 (Councilmember, National City)
Tony Young	Board Member, since 1/05 (Councilmember, City of San Diego)

Board Committee Membership

<u>Executive Committee</u>	<u>Accessible Services Advisory Committee</u>	<u>Ad Hoc Airport Regional Policy Committee</u>	<u>Ad Hoc Public Security Committee</u>
Harry Mathis, Chair Sherri Lightner Jerry Rindone Ron Roberts Jerry Selby	Thomas Clabby, Chair (Former Board Member)	Harry Mathis	Tony Young, Chair Ernie Ewin Harry Mathis Al Ovrom
<u>Audit Oversight Committee</u>	<u>Budget Development Committee</u>	<u>Joint Committee on Regional Transit</u>	<u>Los Angeles-San Diego Rail Corridor Agency</u>
Ernie Ewin, Chair Sherri Lightner Harry Mathis Jerry Rindone Ron Roberts Jerry Selby	Jerry Rindone, Chair Harry Mathis Bob McClellan Ron Roberts Tony Young	Ernie Ewin Harry Mathis Bob McClellan	Jerry Rindone
<u>SANDAG Board</u>	<u>SANDAG Regional Planning Committee</u>	<u>SANDAG Transportation Committee</u>	<u>Taxicab Committee</u>
Harry Mathis	Al Ovrom	Harry Mathis	Todd Gloria, Chair

San Diego Metropolitan Transit System

Listing of Board of Directors and Management

MTS MANAGEMENT

Staff

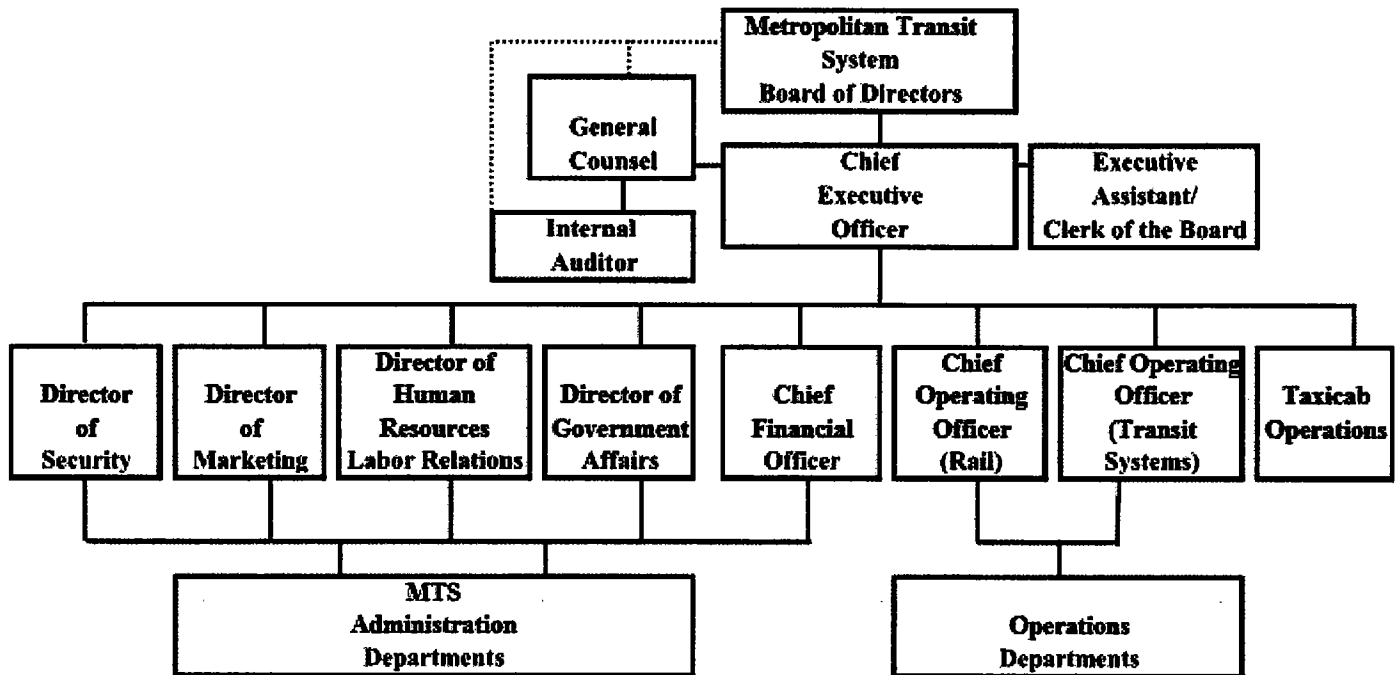
Paul Jablonski
Tiffany Lorenzen
Cliff Telfer
Claire Spielberg
E. Wayne Terry
Sharon Cooney
Robert Schupp
Jeff Stumbo
Bill Burke

Position

Chief Executive Officer
General Counsel
Chief Financial Officer
Chief Operating Officer, Transit Systems
Chief Operating Officer, Rail
Director, Government Affairs
Director, Marketing and Communications
Director, Human Resources and Labor Relations
Director, Security

San Diego Metropolitan Transit System

Executive Level Organization Chart



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

Presented to

**San Diego Metropolitan
Transit System, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the San Diego Metropolitan Transit System
San Diego, California

We have audited the accompanying basic financial statements of the San Diego Metropolitan Transit System (MTS), as of and for the year ended June 30, 2010, as listed in the table of contents. These basic financial statements are the responsibility of MTS' management. Our responsibility is to express an opinion on these financial statements based on our audit. The MTS' 2009 basic financial statements were audited by Caporicci & Larson, CPAs, whose operations became a wholly owned subsidiary of Marcum LLP through merger as of October 1, 2010, and whose report dated November 3, 2009, expressed an unqualified opinion on those basic financial statements.

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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we expressed no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of MTS as of June 30, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, MTS' implemented Statements of Governmental Accounting Standards No. 51, *Accounting and Financial Reporting for Intangible Assets*, and No. 53, *Accounting and Financial Reporting for Derivate Instruments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010, on our consideration of the MTS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Directors
of the San Diego Metropolitan Transit System
San Diego, California

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, Schedule of Funding Progress of Defined Benefit Pension Plans and Schedule of Funding Progress of Other Postemployment Benefits Plans, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming opinions on the MTS' basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the Introductory and Statistical Sections.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

San Diego, California
November 30, 2010

San Diego Metropolitan Transit System

Management's Discussion and Analysis

June 30, 2010 and 2009

The following discussion and analysis of the financial performance of the San Diego Metropolitan Transit System (MTS) is intended to provide an overview of MTS' financial activities for the fiscal years ended June 30, 2010 and 2009. This information should be used in conjunction with the Letter of Transmittal, which can be found on pages 1 through 6 of this report.

Financial Highlights

- Net assets, as reported in the statement of net assets, totaled \$1,258 million as of June 30, 2010, \$1,250 million as of June 30, 2009 and \$1,266 million as of June 30, 2008. Of this amount, \$180 million was unrestricted as of June 30, 2010, \$175 million was unrestricted as of June 30, 2009, and \$186 million was unrestricted as of June 30, 2008. Total net assets increased by \$8 million in the current year and decreased by \$16 million in the prior year. The current year increase is largely attributable to an increase in TransNet funding for capital projects.

For the year ended June 30, 2010, the combined farebox recovery ratio (the measure of the ability to recover operating costs through fare revenue) for San Diego Trolley, Inc., San Diego Transit Corporation, and MTS Contracted Services was 39.70% compared to 42.71% for the year ended June 30, 2009 and 38.46% for the year ended June 30, 2008. A number of factors have contributed to this decrease, principally \$8.8 million in current year amortization of the net pension asset.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to MTS' financial statements. MTS' financial statements comprise two components: 1) financial statements and, 2) notes to financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

Financial statements. The financial statements are designed to provide readers with a broad overview of MTS' finances, in a manner similar to a private-sector business. In fiscal year 2010, MTS presents comparative statements for FY 2010 and FY 2009.

The *statement of net assets* presents information on all of MTS' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of MTS is improving or deteriorating.

The *statement of revenues, expenses and changes in net assets* presents information showing how the net assets changed during the most recent fiscal year. All changes in net assets 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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *statement of cash flows* presents information showing the sources and uses of cash related to operating activities, noncapital financing activities, capital and related financing activities and investing activities. In addition, the statement provides information about significant non-cash investing, capital and financing activities.

San Diego Metropolitan Transit System

Management's Discussion and Analysis

June 30, 2010 and 2009

Since MTS' primary function is to provide transportation services to the region's citizens and recover costs through user fees and charges, the financial statements include business-type activities. In addition, the financial statements include not only MTS itself (*known as the primary government*), but also two legally separate transit operators and one legally separate freight railway, for which MTS is financially accountable: San Diego and Arizona Eastern Railway Company (SD&AE).

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

Other information. In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning MTS' progress in funding its obligation to provide pension and other post-employment benefits to its employees.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of MTS, assets exceeded liabilities by \$ 1,258 million at the close of the most recent fiscal year and \$1,250 million at the end of FY 2009.

The largest portion of MTS' net assets reflects the investment in capital assets, net of related debt. Most of the investment in capital assets is comprised of trolley system assets, buses, and construction-in-progress totaling \$86 million, of which the largest projects under construction include the procurement of 57 light rail vehicles, \$49 million; residual costs for the Mission Valley East Trolley project, \$10 million; the Bus Rapid Transit Project, \$11 million; and land acquisitions and expansions totaling \$11 million. Prior year construction-in-progress totaled \$42 million, of which the largest projects were residual costs for the Mission Valley East Trolley project and the San Ysidro Transit Center project, \$14 million; the Bus Rapid Transit project, \$11 million; trolley refurbishing projects, \$3.8 million; and the bus purchase program, \$2 million. The capital assets that are represented by construction-in-progress will be used to provide services to citizens; consequently, these assets are not available for future spending. In FY 2010 MTS transferred completed projects worth \$43.6 million to SDTC, SDTI, and Other Contracted Services. In FY 2009 MTS transferred completed projects worth \$97 million to SDTC, SDTI, Other Contracted Services and other governments.

The balance in unrestricted assets increased by \$5 million during the current year and decreased \$11 million in the prior year.

San Diego Metropolitan Transit System

Management's Discussion and Analysis

June 30, 2010 and 2009

	June 30, 2010	June 30, 2009	Change	June 30, 2008	Change
Current and other assets	\$ 300,276,165	\$ 321,192,470	\$ (20,916,305)	\$ 344,003,642	\$ (22,811,172)
Capital assets	1,204,818,407	1,203,656,117	1,162,290	1,210,312,975	(6,656,858)
Total assets	<u>1,505,094,572</u>	<u>1,524,848,587</u>	<u>(19,754,015)</u>	<u>1,554,316,617</u>	<u>(29,468,030)</u>
Long-term liabilities outstanding	213,421,810	230,400,972	(16,979,162)	234,980,747	(4,579,775)
Other liabilities	33,788,351	44,298,723	(10,510,372)	53,759,365	(9,460,642)
Total liabilities	<u>247,210,161</u>	<u>274,699,695</u>	<u>(27,489,534)</u>	<u>288,740,112</u>	<u>(14,040,417)</u>
Net assets:					
Invested in capital assets, net of related debt	1,078,178,383	1,075,104,676	3,073,707	1,079,967,043	(4,862,367)
Unrestricted	179,706,028	175,044,216	4,661,812	185,609,462	(10,565,246)
Total net assets	<u>\$ 1,257,884,411</u>	<u>\$ 1,250,148,892</u>	<u>\$ 7,735,519</u>	<u>\$ 1,265,576,505</u>	<u>\$ (15,427,613)</u>

Decreases in operating revenue are attributable to the affects of the continuing high unemployment on ridership. Capital and operating grants and contributions continue to be a major portion of the revenue used to fund transit operations and capital projects. Variances between FY 2010 and FY 2009 are attributable to an increase in TransNet funding for capital projects, which is partially offset by the elimination of State Transit Assistance (STA) in the current year and a decrease in TDA funding due to decreased sales tax revenue.

	June 30, 2010	June 30, 2009	Change	June 30, 2008	Change
Revenues:					
Operating revenues:					
Charges for services	\$ 85,078,266	\$ 86,185,653	\$ (1,107,387)	\$ 77,120,758	\$ 9,064,895
Other operating revenue	4,264,061	4,874,700	(610,639)	3,671,549	1,203,151
Nonoperating revenues:					
Federal revenue	67,575,804	68,171,984	(596,180)	47,889,694	20,282,290
Transportation Development Act	64,977,093	75,517,474	(10,540,381)	79,271,656	(3,754,182)
State Transit Assistance	-	9,121,443	(9,121,443)	14,622,782	(5,501,339)
State revenue - other	6,230,977	4,092,420	2,138,557	41,158,739	(37,066,319)
TransNet funds	84,460,840	19,039,223	65,421,617	16,968,565	2,070,658
Other nonoperating revenue	10,900,482	11,914,503	(1,014,021)	14,449,815	(2,535,312)
Total revenues	<u>323,487,523</u>	<u>278,917,400</u>	<u>44,570,123</u>	<u>295,153,558</u>	<u>(16,236,158)</u>
Expenses:					
Operating expenses	313,084,786	284,154,997	28,929,789	297,857,331	(13,702,334)
Nonoperating expenses	13,777,062	11,858,487	1,918,575	11,131,184	727,303
Total expenses	<u>326,861,848</u>	<u>296,013,484</u>	<u>30,848,364</u>	<u>308,988,515</u>	<u>(12,975,031)</u>
Increase (decrease) in net assets before capital contributions	(3,374,325)	(17,096,084)	13,721,759	(13,834,957)	(3,261,127)
Capital contributions	<u>11,109,844</u>	<u>1,668,471</u>	<u>9,441,373</u>	<u>18,491,897</u>	<u>(16,823,426)</u>
Increase in net assets	7,735,519	(15,427,613)	23,163,132	4,656,940	(20,084,553)
Net assets - beginning of year	1,250,148,892	1,265,576,505	(15,427,613)	1,260,919,565	4,656,940
Net assets - end of year	<u>\$ 1,257,884,411</u>	<u>\$ 1,250,148,892</u>	<u>\$ 7,735,519</u>	<u>\$ 1,265,576,505</u>	<u>\$ (15,427,613)</u>

San Diego Metropolitan Transit System

Management's Discussion and Analysis

June 30, 2010 and 2009

Capital Asset and Debt Administration

Capital assets. MTS' investment in capital assets net of depreciation as of June 30, 2010 and 2009 amounted to \$1,205 million and \$1,204 million. This investment in capital assets includes land, buildings, vehicles, equipment, and construction-in-progress. Major capital asset events during the current fiscal year included the following:

- MTS has begun a multi-year program to acquire 57 light rail vehicles for a total cost of \$49 million in the current year.
- 73 new buses were added to the fleet at Other Contracted Services for a total cost of \$31 million, while 92 buses were retired.
- Completed capital projects totaling \$11.1 million were transferred from SANDAG and other governments to MTS and its component units during FY 2010.

CAPITAL ASSETS

(Net of depreciation)

	2010	2009	2008
Land	\$ 221,853,921	\$ 221,853,921	\$ 221,853,921
Buildings	648,756,302	684,533,624	720,488,895
Vehicles	203,196,464	205,194,290	172,200,068
Equipment & other	45,174,474	49,710,233	24,659,028
Construction-in-progress	85,837,246	42,364,049	71,111,063
Total	<u>\$ 1,204,818,407</u>	<u>\$ 1,203,656,117</u>	<u>\$ 1,210,312,975</u>

Additional information on MTS' capital assets can be found in Note 3 to the financial statements.

Long-term debt. At the end of the current fiscal year, MTS has two capital lease obligations outstanding in the amounts of \$6.6 million and \$44,000. In addition, MTS has two finance obligations outstanding relating to a lease/leaseback transaction entered into in 1995 and Pension Obligation Bonds issued in fiscal year 2005 and fiscal year 2010, for a total obligation of \$181.1 million. In connection with the lease/leaseback transaction, MTS placed funds on deposit, which, together with the interest earned on the deposits, will be sufficient to cover the amounts due under the finance obligation. The pension obligation bonds were issued in fiscal 2005 for \$77.5 million to make a contribution to the SDTC retirement plan and reduce its unfunded liability. During the current year, MTS retired 14% and refunded 41% of the bonds outstanding.

San Diego Metropolitan Transit System

Management's Discussion and Analysis

June 30, 2010 and 2009

Bond Ratings

Standard & Poor's Ratings Services provided an underlying rating for the Pension Obligation Bonds at A in 2009. Additional information on MTS' long-term debt can be found in Note 10 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of MTS' finances for all those with an interest in the government's finances. If you have questions concerning any of the information provided in this report or need additional financial information, visit our website at www.sdmts.com or direct inquiries to the Controller, MTS, 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101.

BASIC FINANCIAL STATEMENTS

San Diego Metropolitan Transit System

Statements of Net Assets

June 30, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 44,246,852	\$ 20,658,670
Investments restricted for debt service payable within one year	1,447,266	1,343,918
Accounts and other receivables	7,765,988	6,943,252
Due from other governments	57,225,348	56,943,694
Materials and supplies inventory	10,443,264	8,635,642
Prepaid expenses and other current assets	2,076,453	2,019,619
Total current assets	123,205,171	96,544,795
Noncurrent assets:		
Cash and certificates of deposit restricted for capital support	4,805,538	8,302,976
Investments in bonds	-	35,630,000
Investments restricted for debt service and capital projects	118,050,149	116,511,426
Contracts receivable	977,171	-
Unamortized bond issuance cost	527,498	1,077,635
Capital assets (net of accumulated depreciation)	1,204,818,407	1,203,656,117
Net pension assets	52,710,638	63,125,638
Total noncurrent assets	1,381,889,401	1,428,303,792
Total assets	1,505,094,572	1,524,848,587

See Accompanying Notes to Basic Financial Statements

San Diego Metropolitan Transit System

Statements of Net Assets

June 30, 2010 and 2009

	2010	2009
Liabilities		
Current liabilities:		
Accounts payable	8,784,564	7,670,701
Due to other governments	2,402,740	5,873,172
Unearned revenue	2,394,449	1,943,100
Accrued expenses	7,224,191	12,544,342
Retentions payable	27,115	59,944
Due within one year:		
Bond premium	25,148	25,148
Compensated absences payable	6,635,173	6,669,442
Accrued damage, injury, and employee claims	2,577,359	5,986,457
Long-term debt	2,270,346	2,182,499
Long-term debt payable from restricted assets	1,447,266	1,343,918
Total current liabilities	33,788,351	44,298,723
Noncurrent liabilities:		
Retentions payable from restricted assets	2,257,200	5,603,327
Long-term debt payable from restricted assets	118,050,149	116,511,426
Bond premium	211,661	236,809
Compensated absences payable, due in more than one year	5,703,396	5,404,973
Accrued damage, injury, and employee claims, due in more than one year	12,065,641	14,519,033
Accrued other post employment benefits	9,111,500	8,046,806
Long-term debt, due in more than one year	66,022,263	80,078,598
Total noncurrent liabilities	213,421,810	230,400,972
Total liabilities	247,210,161	274,699,695
Net Assets		
Invested in capital assets, net of related debt	1,078,178,383	1,075,104,676
Unrestricted	179,706,028	175,044,216
Total net assets	\$ 1,257,884,411	\$ 1,250,148,892

See Accompanying Notes to Basic Financial Statements

San Diego Metropolitan Transit System

Statements of Revenues, Expenses, and Change in Net Assets

For the Years Ended June 30, 2010 and 2009

	2010	2009
Operating revenues:		
Passenger revenue	\$ 84,167,615	\$ 85,192,330
Advertising	782,986	924,522
Charter	127,665	68,801
Miscellaneous operating revenues	4,264,061	4,874,700
Total operating revenues	89,342,327	91,060,353
Operating expenses:		
Personnel costs	99,096,444	100,357,799
Outside services	63,573,977	65,139,831
Transit operations funding	3,758,340	3,003,698
Materials and supplies	6,680,355	7,190,088
Energy costs	22,892,291	25,283,357
Risk management	4,858,835	4,074,104
Miscellaneous operating expenses	3,571,062	2,052,140
Amortization of net pension asset	10,415,000	1,555,000
Depreciation	98,238,482	75,498,980
Total operating expenses	313,084,786	284,154,997
Operating income (loss)	(223,742,459)	(193,094,644)
Public support and nonoperating revenues:		
Federal revenue	67,575,804	68,171,984
Transportation Development Act (TDA) funds	64,977,093	75,517,474
State Transit Assistance (STA) funds	-	9,121,443
State revenue - other	6,230,977	4,092,420
TransNet funds	84,460,840	19,039,223
Other local subsidies	1,261,520	1,036,246
Investment earnings	9,708,051	10,584,251
Interest expense	(12,702,198)	(11,153,556)
Gain (loss) on disposal of assets	(69,089)	294,006
Other expenses	(289,006)	(641,552)
Amortization of bond issuance costs	(785,858)	(63,379)
Total public support and nonoperating revenues (expenses)	220,368,134	175,998,560
Income (loss) before contributed capital	(3,374,325)	(17,096,084)
Contributed capital	11,109,844	1,668,471
Change in net assets	7,735,519	(15,427,613)
Net assets, beginning of year	1,250,148,892	1,265,576,505
Net assets, end of year	\$ 1,257,884,411	\$ 1,250,148,892

See Accompanying Notes to Basic Financial Statements

San Diego Metropolitan Transit System
Statements of Revenues, Expenses, and Change in Net Assets
For the Years Ended June 30, 2010 and 2009

San Diego Metropolitan Transit System

Statements of Cash Flows

For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Receipts from customers and users	\$ 91,129,342	\$ 94,845,273
Payments to suppliers	(124,472,708)	(119,137,921)
Payments to employees	(98,438,088)	(95,038,104)
Payments for damage and injury	(753,488)	(384,116)
Net cash provided (used) by operating activities	(132,534,942)	(119,714,868)
Cash flows from noncapital financing activities:		
Public support funds received	222,661,836	167,249,716
Net cash provided (used) by noncapital financing activities	222,661,836	167,249,716
Cash flows from capital and related financing activities:		
Debt service costs	(17,758,341)	(7,423,231)
Property acquisition	(88,668,849)	(67,781,859)
Property disposal	281,507	467,937
Net cash provided (used) by capital financing activities	(106,145,683)	(74,737,153)
Cash flows from investing activities:		
Interest received on investments	479,533	2,485,239
Investments liquidated	35,630,000	-
Investments purchased	-	(35,630,000)
Net cash provided (used) by investing activities	36,109,533	(33,144,761)
Net increase (decrease) in cash and cash equivalents	20,090,744	(60,347,066)
Cash and cash equivalents, beginning of year	28,961,646	89,308,712
Cash and cash equivalents, end of year	\$ 49,052,390	\$ 28,961,646
Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 44,246,852	\$ 20,658,670
Cash and certificates of deposit restricted for capital support	4,805,538	8,302,976
Total cash and cash equivalents	\$ 49,052,390	\$ 28,961,646

See Accompanying Notes to Basic Financial Statements.

San Diego Metropolitan Transit System

Statements of Cash Flows

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Income (Loss) To		
Net Cash Provided (Used) By Operating Activities		
Operating income (loss)	\$ (223,742,459)	\$ (193,094,660)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	108,653,482	77,053,980
(Increase) decrease in:		
Accounts and other receivables	385,322	5,416,054
Materials and supplies inventory	(1,807,622)	(348,008)
Prepaid and other current assets	(56,834)	(468,416)
Increase (decrease) in:		
Accounts payable	(10,981,249)	(11,844,816)
Accrued expenses	(7,481,779)	(136,020)
Unearned revenue	451,349	666,116
Accrued OPEB liability	1,064,694	4,136,084
Compensated absences payable	264,154	(675,182)
Accrued damage, injury and employee claims	716,000	(420,000)
Total adjustments	<u>91,207,517</u>	<u>73,379,792</u>
Net cash provided (used) by operating activities	<u>\$ (132,534,942)</u>	<u>\$ (119,714,868)</u>
Noncash investing, capital and financing activities:		
Contribution of capital assets from SANDAG	\$ 8,889,863	\$ 14,854,517
Contribution of capital assets to other governments	-	(13,186,046)
Contributions/adjustments of capital assets from other governments	<u>2,219,986</u>	<u>-</u>
Total contributions of capital assets	<u>\$ 11,109,849</u>	<u>\$ 1,668,471</u>
Increase in fair value of investments	<u>\$ 3,058,937</u>	<u>\$ 2,639,274</u>

See Accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

Table of Contents

Note 1.	Summary of Significant Accounting Policies
	a. Reporting Entity
	b. Financial Statements.....
	c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....
	d. Use of Restricted/Unrestricted Net Assets
	e. Cash, Cash Equivalents, and Investments
	f. Materials and Supplies Inventory
	g. Prepaid Items and Other Assets.....
	h. Capital Assets
	i. Construction-in-Progress
	j. Net Pension Asset.....
	k. Compensated Absences
	l. Long-Term Obligations.....
	m. Refunding of Debt
	n. Use of Estimates
	o. Implementation of New GASB Pronouncements.....
Note 2.	Cash, Cash Equivalents, and Investments.....
Note 3.	Accounts Receivable
	a. Accounts and other receivables
	b. Due from other governments.....
Note 4.	Inventory
Note 5.	Capital Assets
Note 6.	Net Pension Asset.....
Note 7.	Due to other governments.....
Note 8.	Unearned revenue.....
Note 9.	Commodity Swap
Note 10	Long-Term Debt
	a. Summary
	b. Capital Leases.....
	c. Finance Obligations.....
	1995 LRV Lease/Leaseback
	Pension Obligation Bonds
Note 11.	Risk Management
Note 12.	Contingencies
Note 13.	Post-Employment Health Care Benefits.....
Note 14.	Employee Retirement Systems
	a. MTS and SDTI.....
	b. SDTC
Note 15.	Other Required Individual Fund Disclosures.....
Note 16.	Subsequent Events

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

(1) Summary of Significant Accounting Policies

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

(a) *Reporting Entity*

MTS (formerly San Diego Metropolitan Transit Development Board) was formed on January 26, 1976 by passage of California Senate Bill 101 to plan, construct, and operate (or let contracts to operate) exclusive public mass transit guideways in the urbanized south coastal area of San Diego County. MTS has certain responsibilities for near-term transportation planning and administration of federal and state transportation funds within the area under its jurisdiction. The Board of Directors of MTS consists of 15 members composed of four appointees from the San Diego City Council; one appointee each from the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, and Santee; one appointee from the San Diego County Board of Supervisors; and a chairman elected by the other 14 members.

On January 1, 2003, California Senate Bill 1703 (SB 1703) became effective. SB 1703 required the consolidation of the planning and programming functions of MTS and the North San Diego County Transit District (NCTD) into the San Diego Association of Governments (SANDAG) in an initial transfer to take place prior to July 1, 2003. SB 1703 also required the consolidation of the project development and construction functions of MTS and NCTD into SANDAG in a subsequent transfer to take place prior to January 30, 2004. The initial transfer occurred on July 1, 2003, and the subsequent transfer occurred on October 13, 2003. With these actions, employees were transferred from MTS and NCTD to SANDAG, and certain planning, development, and construction functions were also transferred. As a result, MTS' activities since the consolidation have been focused on operating public transit systems in the urbanized area identified above. In addition to the consolidation required by SB 1703, MTS dissolved the independent Board of Directors of San Diego Transit Corporation (SDTC) and Board of Directors of San Diego Trolley, Inc. (SDTI). MTS now acts as the Board of Directors for all three agencies, MTS, SDTC, and SDTI. Beginning in FY 2004, SDTC and SDTI are presented as blended component units.

These basic financial statements present MTS and its legally separate component units, entities for which MTS is considered to be financially accountable. Because MTS appoints a majority of the component units' boards of directors, the boards are substantively the same, and MTS is able to impose its will on the component units, MTS presents blended component units. Blended component units, although legally separate entities, are, in substance, part of MTS' operations.

Included within the reporting entity as blended component units:

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

San Diego Transit Corporation: On July 1, 1985, MTS purchased the assets used by and acquired sole ownership of San Diego Transit Corporation (SDTC) from the City of San Diego for \$1. SDTC has entered into an operating agreement with MTS to operate a public transportation bus system in the City of San Diego and certain regional routes within MTS' jurisdictions. The current agreement, which was approved in December, 2006, will expire June 30, 2010. SDTC continues to provide local service to a number of adjoining cities under pre-existing contracts. Purchases or construction of bus capital items are made by MTS with whom title remains, and are contributed to SDTC upon completion of a project or when individually purchased by MTS. SDTC's assets, liabilities, net assets, revenues, and expenses are included in MTS' financial statements as a blended component unit. This agency has the same governing board as MTS and provides services directly to the public.

San Diego Trolley, Inc.: San Diego Trolley, Inc. (SDTI) was organized by MTS in August 1980. SDTI was created to operate and maintain the Light Rail Transit (LRT) system pursuant to an operating agreement with MTS. The current agreement, which was approved in December, 2006, will expire June 30, 2010. Purchases or construction of LRT capital items are made by MTS with whom title remains, and are contributed to SDTI upon completion of a project or when individually purchased by MTS. SDTI's assets, liabilities, net assets, revenues, and expenses are included in MTS' financial statements as a blended component unit. This agency has the same governing board as MTS and provides services directly to the public.

San Diego and Arizona Eastern Railway Company: MTS purchased the San Diego and Arizona Eastern Railway Company (SD&AE) in 1979. SDTI operates on a portion of the line and private operators provide freight service on a portion of the line. Purchases of capital items are made by MTS with whom title remains, and are contributed to SD&AE when purchased by MTS. SD&AE's assets, liabilities, net assets, revenues, and expenses are included in MTS' financial statements as a blended component unit. This agency has a separate governing board, which is appointed by MTS. Separate financial reports are not available.

(b) ***Financial Statements***

The Financial Statements (i.e., the statement of net assets, the statement of revenues, expenses and changes in net assets, and statement of cash flows) report information on all of the activities of the primary government and its component units. Interfund activity has been eliminated from these statements. The statement of revenues, expenses, and changes in net assets demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Financial Statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by MTS.

MTS receives funding primarily from the following revenue sources:

Passenger Revenue

Passenger fares make up approximately 36 percent of MTS' \$231 million operating budget.

Other Operating Revenues

MTS receives a variety of operating revenues that are not received directly from passenger fares. The sources of these revenues are advertising, interest income, rental and land management income, income related to Taxicab administration, income from the SD&AE, and other miscellaneous income.

Non Operating Revenues

MTS receives subsidies that are derived from federal, state and local tax revenues. MTS does not levy or collect any tax funds, but receives allocated portions of tax funds through federal, state and local granting agencies.

Federal Transit Administration (FTA)

FTA revenues are funded by a federal gas tax and revenues of the federal general fund. MTS receives Section 5307 and Section 5309 grants which are earmarked for capital assistance and preventive maintenance. In addition, MTS also receives Section 5311, Section 5311F, and Job Access Reverse Commute (JARC) grants which are used for operations. Finally, in the current year MTS has received funds from the American Recovery and Reinvestment Act of 2009 (ARRA). MTS has not received notification that funds from this program will be available in future years.

Transit Security Grant Program (TSGP)

The Transit Security Grant Program (TSGP) is administered by the Department of Homeland Security (DHS). The program provides funds to owners and operators of transit systems to protect critical surface transportation infrastructure and the traveling public from acts of terrorism, major disasters, and other emergencies.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

Compressed Natural Gas Rebate

Refunds on nontaxable uses of fuel are issued by the IRS. Authorization to continue the refund program has expired and is awaiting congressional action to continue in future years.

Transportation Development Act (TDA)

TDA provides funding for public transit operators. This state fund is one quarter of a percent of the 8.75 percent sales tax assessed in the region. SANDAG is responsible for apportionment of these funds within the San Diego region. Due to the current economic climate, the collection of sales tax has decreased, and as a result the TDA funds available for disbursement have decreased as well.

State Transit Assistance (STA)

STA funding comes from the Public Transportation Act (PTA) which derives its revenue from the state sales tax on gasoline. These funds are designated as discretionary or formula. The former is appropriated by the legislature. The latter is a formula based upon population and fares generated. The California state budget has been severely impacted as a result of the current economic crisis. STA funds were not available in fiscal year 2010, but the State of California released STA funds in fiscal year 2011 in accordance with a State Supreme Court ruling. STA funds are anticipated in future years.

Proposition 1B Revenue (Prop 1B)

The California Public Transportation Modernization, Improvement and Service Enhancement Act of 2006, approved by the voters as Proposition 1B (Prop 1B), in November 2006 authorizes the issuance of \$19.9 billion in general obligation bonds for the purpose of improving highway safety, traffic reduction, air quality, and port security.

Other State Revenue

MediCal provides further funding support specifically tied to several ADA Paratransit routes to aid patients in their transportation to medical appointments.

TransNet

TransNet funds are derived from the Proposition A one-half cent local transportation sales tax which was approved by area voters in November 1987. The original ordinance expired in 2008, but has been extended to 2048 by subsequent voter approval. The ordinance allocated one-third of the sales tax proceeds for transit purposes, which are further divided between MTS and North County Transit District (NCTD) based on the proportion of the population with the area of each jurisdiction. TransNet funds are also apportioned by SANDAG.

Other Local Subsidies

The City of San Diego provides Maintenance of Effort funds to aid ADA efforts. In addition, SANDAG provides funds for the operation of certain express bus routes and NCTD provides partial subsidy for the Sorrento Valley Coaster Connection.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

MTS has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

(d) *Use of Restricted/Unrestricted Net Assets*

When both restricted and unrestricted resources are available for use, it is MTS' policy to use restricted resources first, then unrestricted resources as they are needed.

(e) *Cash, Cash Equivalents, and Investments*

Investments of pooled cash consist primarily of bankers' acceptances, certificates of deposit, pooled investment funds, liquidity funds, governmental bonds, and commercial paper. Investments are stated at fair value which is based on quoted market price. Money market investments and participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost, which approximates fair value.

For purposes of the statement of cash flows, all highly liquid temporary investments purchased with a maturity of three months or less are considered cash equivalents.

MTS participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and assets-backed securities are subject to market risk and to change in interest rates. The reported value of the pool is the same as the fair value of the pool shares.

During the current year MTS began its participation in the San Diego County Investment Pool, which is a local government investment pool managed by the County Treasurer's Office on behalf of the Investment Pool participants.

Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

(f) *Materials and Supplies Inventory*

Inventories are valued at the weighted average unit cost.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

(g) Prepaid Items and Other Assets

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

(h) Capital Assets

Capital assets include land and right-of-way, buildings and infrastructure assets, vehicles, and equipment. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are recorded as assets. Legal title of all SDTC property and equipment was transferred from the City of San Diego to MTS effective with MTS' purchase of SDTC on July 1, 1985. SDTC has recorded these assets at net book value in order to reflect SDTC's custodial accountability for the assets. Legal title of all County Transit System (CTS) property and equipment was transferred from the County of San Diego to MTS effective with MTS' acquisition of CTS on July 1, 2002. MTS has recorded these assets at net book value.

Under the operating agreements between MTS and SDTC and SDTI, SDTC and SDTI are required to pay a license fee to MTS for the use of certain capital assets. Due to SDTC's and SDTI's continued shortage of operating funds sufficient to cover recurring expenditures, the payment of these fees is considered remote, and therefore, these amounts were not recorded in the accompanying basic financial statements. Buildings, vehicles, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and structures	20 to 30
Vehicles and buses	5 to 25
Equipment and other capital assets	3 to 10
Capital leases	3 to 40

(i) Construction-in-Progress

Costs incurred for construction associated with the bus and LRT systems are capitalized as construction-in-progress until such time as they are complete and operational. Upon completion, they are contributed to SDTC and SDTI to reflect their custodial accountability for the assets. Depreciation commences at the time of contribution. Assets acquired through capital leases are capitalized.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

(j) Net Pension Asset

A pension asset is created when an employer pays into a retirement plan amounts in excess of its annual required contribution (ARC). The ARC is an actuarially calculated amount that is sufficient to fund future costs and extinguish any existing unfunded actuarial accrued liability (UAAL). In October 2004, MTS made a payment of \$76,282,336 to SDTC Retirement Plan from the proceeds of the issuance of pension obligation bonds, of which \$69,050,638 was to reduce SDTC's UAAL as calculated at that time. The prepaid Net Pension Asset will be amortized over the life of the bonds as the principal is paid.

(k) Compensated Absences

It is MTS' policy to permit employees to accumulate earned but unused personal leave time, which includes both vacation and sick pay benefits. All personal leave time is accrued when incurred.

(l) Long-Term Obligations

Long-term obligations are reported as liabilities. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Long-term debt is reported net of the applicable bond premium or discount. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

(m) Refunding of Debt

Gains or losses occurring from advance refunding of debt of the governmental funds have been deferred and are being amortized into expense using the straight-line method over the original remaining life of the old debt or the life of the new debt, whichever is less.

(n) Use of Estimates

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

(o) Implementation of New GASB Pronouncements

In fiscal year 2010, MTS adopted the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

GASB Statement No. 51 establishes accounting and reporting requirements for intangible assets in order to reduce inconsistencies that arise when determining whether and when intangible assets should be considered capital assets for financial reporting purposes, thereby enhancing the comparability of the accounting and reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts.

(2) Cash, Cash Equivalents, and Investments

A summary of cash and investments at June 30, 2010 and 2009:

	2010	2009
Cash and equivalents	\$ 44,246,852	\$ 20,658,670
Cash and certificates of deposit restricted for capital support	4,805,538	8,302,976
Investments restricted for debt service and capital projects - Current	1,447,266	1,343,918
Investments restricted for debt service and capital projects - Noncurrent	118,050,149	116,511,426
Investment in SDTC Pension Obligation Bonds	-	35,630,000
Total cash and investments	<u>\$ 168,549,805</u>	<u>\$ 182,446,990</u>

Cash, cash equivalents, and investments consisted as follows on June 30, 2010 and 2009:

Investment type	Fair value	
	2010	2009
Cash and equivalents:		
Demand deposits	\$ 17,689,497	\$ 12,651,906
Retention Trust Account	2,257,200	5,603,327
San Diego County Investment Pool	18,515,759	-
State of California - Local Agency Investment Fund	10,589,934	10,706,413
Total cash and cash equivalents	<u>49,052,390</u>	<u>28,961,646</u>
Investments:		
U.S. Treasuries	35,941,175	32,903,799
SDTC Pension Obligation Bonds	-	35,630,000
Bank Investment Contract	83,556,240	84,951,545
Total investments	<u>119,497,415</u>	<u>153,485,344</u>
Total cash, cash equivalents, and investments	<u>\$ 168,549,805</u>	<u>\$ 182,446,990</u>

At year end the carrying amount of demand deposits was \$17,689,498 and the bank balance was \$18,230,525 compared to \$12,651,906 and \$13,251,711 in the previous year, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in MTS' name as discussed below.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

All cash accounts in MTS, including SDTC and SDTI, are pooled and swept nightly to a concentration account. Funds required to be held by fiscal agents under the provisions of bond indentures are not included in the pooled cash account.

Investments

Under the provisions of MTS' investment policy and in accordance with California Government Code, MTS is authorized to invest or deposit in the following:

- Securities of the U.S. Government, its agencies and instrumentalities
- Obligations of the State of California or any local agency within the state rated A or higher by Standard and Poor's Corporation or Moody's Investor Services, Inc.
- Repurchase agreements
- Bankers' acceptances
- Commercial paper rated A or higher by Standard and Poor's Corporation or Moody's Investor Services, Inc.
- Medium-term corporate notes rated A or higher by Standard and Poor's Corporation or Moody's Investor Services, Inc.
- Negotiable certificates of deposit
- Local Agency Investment Fund (LAIF) established by the State Treasurer
- San Diego County Pooled Money Fund
- Passbook savings or money market demand deposits with an FDIC, SIPC, or SAIF insured financial institution

San Diego County Investment Pool

The San Diego County Investment Pool is a local government investment pool managed by the County Treasurer's Office on behalf of Investment Pool participants. Depositors in the Investment Pool include both mandatory participants, those agencies required by law to deposit their funds with the County Treasurer's Office, and voluntary participants, agencies that place their funds in the Investment Pool as an investment option. Voluntary participants, including cities, fire districts, and various special districts accounted for approximately 5.4% of the Investment Pool as of June 30, 2010.

Pursuant to Section 27130-27137 of the California Government Code, the County Board of Supervisors has established the Treasurer's Oversight Committee ("TOC") that monitors and reviews the Investment Policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five members of the public having expertise in, or an academic background in public finance.

To mitigate credit risk, the Investment Pool's Investment Policy, which is more restrictive than the Government Code, places a minimum standard on the ratings of investments held in the Investment Pool. Investments in securities other than those guaranteed by the U.S. Treasury or Government Sponsored Enterprises must have a credit rating of no less than "A" for long-term or A1 for short-term. Non-rated securities include sweep accounts, collateralized certificates of deposit and repurchase agreements. Sweep accounts and collateralized certificates of deposit must be FDIC insured and collateralized with securities held by a named agent of the depository. Repurchase agreements are

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

collateralized by securities, authorized by the California Government Code Section 53601, having fair market value of 102% or greater than the amount of the repurchase agreement. The investment pool does not hold any investments in structured notes or asset-backed securities.

As of June 30, 2010, MTS had \$18,515,759 invested in the San Diego County Investment Pool.

Local Agency Investment Funds

MTS' investments with Local Agency Investment Fund (LAIF) include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- Structured Notes - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

As of June 30, 2010, MTS had \$10,589,934 invested in LAIF which had invested 5.42% of the pool investment funds in Structured Notes and Asset-Backed Securities compared to \$10,706,413 and 14.71% at June 30, 2009.

Investment in SDTC Pension Obligation Bonds

During fiscal year 2009, MTS purchased 92% of the outstanding variable rate pension obligation bonds (POBs) issued by San Diego Transit Corp. for \$35,630,000. This action was necessary because the credit rating of the company insuring the bonds was degraded to a point that required MTS to repurchase the bonds. During fiscal year 2010 the variable rate bonds were refunded and the MTS investment in the pension obligation bonds was liquidated. Interest in the amount of \$364,000 earned by MTS from the bond investment is included in interest income recorded in the Statement of Revenues, Expenses and Changes in Net Assets. Interest expense in the amount of \$351,000 paid by SDTC related to the variable rate bonds is included in interest expense recorded in the Statement of Revenues, Expenses and Changes in Net Assets. Interest income of \$1,385,457 and interest expense of \$1,632,454 were recorded in fiscal year 2009.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, MTS' investment policy limits investments to a maximum of five years unless otherwise approved by the Board. The investment instruments with maturities beyond five years are held for scheduled repayment of long-term debt. Maturities are scheduled to permit MTS to meet all projected obligations.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

Credit Risk

MTS' investment policy limits investments in commercial paper and negotiable certificates of deposit to instruments rated A or better by Standard and Poor's or Moody's Investor Services, Inc. In the current year, MTS does not hold investments in commercial papers or certificates of deposit. Other investment instruments, including deposits in LAIF; San Diego County Investment Pool; US Government taxable bonds; and a bank investment contract, are not susceptible to ratings.

Concentration of Credit Risk

The investment policy limits the amount of the percentage of the portfolio that can be invested by the type of investment for certain types of investments. MTS is in compliance with investment type percentages of the total portfolio of the investment policy.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the broker or dealer to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The California Government Code requires California banks and savings and loan associations to secure the MTS' cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in MTS' name.

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

Summary of Investments to Maturity

Investments held by MTS grouped by maturity date at June 30, 2010 and 2009, are shown below:

<u>Maturity</u>	<u>2010</u>	<u>2009</u>
Current to one year	\$ 49,052,391	\$ 28,961,646
One to five years	19,648,875	-
Five to ten years	16,292,299	32,903,799
Ten to twenty years	83,556,240	84,951,545
Twenty to thirty years	-	35,630,000
Total	<u>\$ 168,549,805</u>	<u>\$ 182,446,990</u>

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

(3) Accounts Receivable

(a) *Accounts and other receivables*

As of June 30, 2010 and 2009, the net realizable accounts and other receivables consisted of the following:

	2010	2009
Pension plan receivable	\$ 3,425,086	\$ 2,040,674
Interest receivable	3,126,008	3,165,353
Miscellaneous trade receivables	885,694	1,477,215
Advertising receivable	329,200	260,010
Total accounts and other receivables	<u>\$ 7,765,988</u>	<u>\$ 6,943,252</u>

(b) *Due from other governments*

As of June 30, 2010 and 2009, amounts due from other governments consisted of the following:

	2010	2009
FTA grant funds	\$ 36,794,127	\$ 38,784,808
<i>TransNet</i> - Due from SANDAG	10,100,000	-
SANDAG - Pass Sales	5,256,681	6,950,879
County of San Diego - MediCal	3,356,441	2,534,623
US Treasury Dept. - CNG tax rebate	11,018	3,100,680
City of Chula Vista	833,163	1,213,874
SANDAG project reimbursements	661,609	1,239,297
North County Transit District	121,016	85,737
City of San Diego	79,422	109,188
Department of Homeland Security	11,871	932,460
STA funds	-	1,992,148
Total due from other governments	<u>\$ 57,225,348</u>	<u>\$ 56,943,694</u>

(4) Inventory

At June 30, 2010 and 2009, inventory consists of the following repair and maintenance parts for revenue vehicles:

	2010	2009
San Diego Transit Corp.	\$ 2,069,707	\$ 1,936,983
San Diego Trolley, Inc.	8,373,557	6,698,659
	<u>\$10,443,264</u>	<u>\$ 8,635,642</u>

Increases in the inventory at San Diego Trolley are attributable to purchase of parts for vehicles that are no longer under warranty.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

(5) Capital Assets

MTS converted \$45 million in capital assets from CIP to assets in service compared to \$97 million in FY 2009. Capital asset additions totaling \$11.1 million were contributed by SANDAG and other governments, including \$28 thousand to MTS General Operations, \$4.6 million to Other Contracted Services, \$148 thousand to SDTC, and \$6.4 million to SDTI. In FY 2009, the contributions from SANDAG and other governments totaled \$14.9 million.

A summary of changes in capital assets is as follows:

	Balance, July 1, 2009	Additions	Deletions	Reclassifications and Transfers	Balance, June 30, 2010
Capital assets, not depreciated					
Land and right-of-way	\$ 221,853,921	\$ -	\$ -	\$ -	\$ 221,853,921
Construction-in-progress	42,364,049	88,809,749	(45,336,551)	-	85,837,247
Total capital assets, not depreciated	264,217,970	88,809,749	(45,336,551)	-	307,691,168
Capital assets, depreciated:					
Buildings and structures	1,180,759,035	11,853,491	(2,888,613)	-	1,189,723,913
Buses and Vehicles	421,315,115	42,942,484	(32,947,068)	152,786	431,463,317
Equipment and other	77,461,176	2,846,534	(1,308,757)	(152,786)	78,846,167
Capital lease property	12,437,839	-	-	-	12,437,839
Total capital assets, depreciated	1,691,973,165	57,642,509	(37,144,438)	-	1,712,471,236
Less accumulated depreciation for:					
Buildings and structures	(500,663,195)	(47,081,217)	2,809,120	-	(544,935,292)
Buses and vehicles	(216,120,825)	(43,539,919)	31,394,425	(534)	(228,266,853)
Equipment and other	(27,750,943)	(7,170,300)	1,225,958	534	(33,694,751)
Capital lease property	(8,000,055)	(447,046)	-	-	(8,447,101)
Total accumulated depreciation	(752,535,018)	(98,238,482)	35,429,503	-	(815,343,997)
Total capital assets, depreciated, net	939,438,147	(40,595,973)	(1,714,935)	-	897,127,239
Total capital assets	\$ 1,203,656,117	\$ 48,213,776	\$ (47,051,486)	\$ -	\$ 1,204,818,407

Depreciation expense for capital assets for the years ended June 30, 2010 and 2009 was comprised of the following:

	2010	2009
General operations	\$ 1,264,931	\$ 1,082,167
Other contracted services	10,304,987	6,931,670
San Diego Transit Corporation	13,803,216	11,739,095
San Diego Trolley, Inc.	72,865,348	55,746,048
Total	<u>\$ 98,238,482</u>	<u>\$ 75,498,980</u>

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

(6) Net Pension Asset

In August 2004, MTS issued the 2004 Taxable Pension Obligation Bonds to fund 85% of the SDTC's unfunded accrued actuarial liability (UAAL) and the normal cost reimbursement for the fiscal year 2005. As a result, the Pension Obligation Bonds of \$77,490,000 were sold and \$76,282,336 was deposited into the pension plan in October 2004. Of this amount \$7,231,698 was funded for the FY 2005 contribution and \$69,050,638 was funded for prior year unfunded accrued actuarial liability.

As of June 30, 2010, the Net Pension Asset amounted to \$52,710,638, and current year amortization was \$10,415,000 compared to \$63,125,638 and \$1,555,000 in FY09. The current year amortization was higher due to the additional \$8.8 million principal payment made in FY10 (see note 10c).

(7) Due to other governments

At June 30, 2010 and 2009, amounts due to other governments consisted of the following:

	2010	2009
County of San Diego - MediCal	\$ 1,120,910	\$ 1,120,909
SANDAG - Pass Sales	500,508	1,214,872
SANDAG - STA funds for construction projects in process	450,040	2,256,240
City of Lemon Grove - TDA Funds	121,170	121,170
City of San Diego - Shared Revenue	94,704	254,161
SANDAG - CIP Reimbursement	75,123	132,328
City of Coronado - TDA Funds	20,600	20,600
FTA	17,077	-
North County Transit District	2,608	26,357
State Board of Equalization	-	493,902
SANDAG - Subsidy Revenue	-	117,054
City of El Cajon - TDA Funds	-	90,883
SANDAG - RTMS Site Lease	-	24,696
Total due to other governments	<u>\$ 2,402,740</u>	<u>\$ 5,873,172</u>

(8) Unearned revenue

At June 30, 2010 and 2009 unearned revenue consisted of the following:

	2010	2009
Fare media payments received in advance	\$ 1,074,483	\$ 15,048
Advertising revenue received in advance	610,200	813,600
County funds for 4S Ranch	476,977	666,803
Lease payments received in advance	221,389	426,017
Local grant funds - Balboa Park	11,400	-
Land management deposits	-	21,632
	<u>\$ 2,394,449</u>	<u>\$ 1,943,100</u>

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

(9) Commodity Swap

On August 1, 2009, MTS entered into a commodity swap agreement with Barclays Bank PLC in an effort to better manage costs and remove market volatility related to the acquisition of natural gas for fueling its bus fleet. Under the terms of the agreement, MTS purchased natural gas at market prices from British Petroleum and Barclays Bank guaranteed that the total price paid by MTS would be equal to \$4.35 MMBTU as fixed in the contract.

Type	Objective	Notional Quantity	Effective Date	Matures	Terms
Fuel Contract	Hedge natural gas market price change	668,000 MMBTU	8/1/2009	6/30/2010	Pay fixed price \$4.35 per MMBTU

During the period of the agreement MTS paid \$3,018,003 to British Petroleum for natural gas purchases and paid an additional \$36,620 to Barclays Bank under the terms of the pricing guarantee.

Instrument	Amount Paid at June 30, 2010	Fair Value at June 30, 2010		Notional Quantity
	Amount (000s)	Classification	Amount (000s)	
Commodity Forward	\$ 3,055	Derivative instrument	\$ 3,018	668,000 MMBTU

While the commodity swap was not successful in reducing the total cost of natural gas, it did shield MTS from seasonal price variances. MTS has solicited bids for a new contract to be effective in the coming year.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

(10) Long-Term Debt

(a) Summary

The following is a summary of changes in long-term obligations for the year ended June 30, 2010:

	Balance at July 1, 2009	Additions and net increase	Reductions and net decrease	Balance at June 30, 2010	Amount due within one year	Amount due in more than one year
MTS:						
Capital lease obligations	\$ 7,258,798	\$ -	\$ (567,499)	\$ 6,691,299	\$ 585,346	\$ 6,105,953
Finance obligation	121,292,644	-	(1,343,918)	119,948,726	1,447,266	118,501,460
Deferred amounts for issuance premium	261,957	-	(25,148)	236,809	25,148	211,661
Compensated absences payable	762,733	857,091	(807,671)	812,153	381,712	430,441
Accrued damage, injury, and employee claims	6,842,490	64,000	(6,578,490)	328,000	328,000	-
Accrued other post employment benefits	1,784,063	518,437	(128,700)	2,173,800	-	2,173,800
Total MTS	138,202,685	1,439,528	(9,451,426)	130,190,787	2,767,472	127,423,315
San Diego Transit Corporation:						
Pension Obligation Bonds	71,565,000	30,000,000	(40,415,000)	61,150,000	1,685,000	59,465,000
Compensated absences payable	8,571,367	3,955,843	(3,748,945)	8,778,265	3,748,944	5,029,321
Accrued damage, injury, and employee claims	9,895,000	2,113,635	(1,719,635)	10,289,000	1,719,634	8,569,366
Accrued other post employment benefits	1,995,059	1,389,941	(1,173,200)	2,211,800	-	2,211,800
Total SDTC	92,026,426	37,459,419	(47,056,780)	82,429,065	7,153,578	75,275,487
San Diego Trolley, Inc.:						
Compensated absences payable	2,740,314	2,802,534	(2,794,698)	2,748,150	2,504,517	243,633
Accrued damage, injury, and employee claims	3,768,000	787,725	(529,725)	4,026,000	529,725	3,496,275
Accrued other post employment benefits	4,267,684	711,016	(252,800)	4,725,900	-	4,725,900
Total SDTI	10,775,998	4,301,275	(3,577,223)	11,500,050	3,034,242	8,465,808
Total	\$ 241,005,109	\$ 43,200,222	\$ (60,085,429)	\$ 224,119,902	\$ 12,955,292	\$ 211,164,610
Reconciliation to Statement of Net Assets:						
Due within one year:						
Bond premium					\$ 25,148	
Compensated absences payable					6,635,173	
Accrued damage, injury, and employee claims					2,577,359	
Long-term debt					2,270,346	
Long-term debt payable from restricted assets					1,447,266	
					<u>\$ 12,955,292</u>	
Noncurrent liabilities:						
Long-term debt payable from restricted assets						\$ 118,050,149
Bond premium						211,661
Compensated absences payable						5,703,395
Accrued damage, injury and employee claims						12,065,641
Accrued other post employment benefits						9,111,500
Long-term debt						66,022,264
						<u>\$ 211,164,610</u>

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

(b) Capital Leases

The County of San Diego (the County) has a master lease agreement with the MTS Joint Powers Agency (Agency) for the lease of the MTS Tower building. MTS entered into a sublease agreement with the County for a portion (27.61%) of the MTS Tower building. The sublease is classified as a capital lease because 27.61% of the title transfers to MTS at the end of the County's master lease. The master lease terminates on November 1, 2086; however, the County has the option to terminate the agreement on November 1, 2041 and each tenth anniversary thereafter.

In February 2006, MTS entered into a lease agreement with Toshiba America Information Systems for the acquisition of telecommunications equipment. The lease is classified as a capital lease because title to the equipment will transfer to MTS when the lease terminates in January 2011.

The assets acquired through capital leases are as follows:

	2010	2009
Building – MTS Tower	\$ 12,091,981	\$ 12,091,981
Toshiba telecommunications equipment	345,858	345,858
Less accumulated depreciation	(8,447,100)	(8,000,054)
Total	<u>\$ 3,990,739</u>	<u>\$ 4,437,785</u>

The following is a summary of future minimum payments under capital leases as of June 30, 2010:

	Tower lease payments	Toshiba equipment lease payments	Total lease payments
Year ending June 30:			
2011	\$ 864,123	\$ 44,812	\$ 908,935
2012	833,028	-	833,028
2013	851,210	-	851,210
2014	839,372	-	839,372
2015	852,061	-	852,061
2016-2020	4,213,959	-	4,213,959
Total minimum lease payments	8,453,753	44,812	8,498,565
Less amount representing interest	(1,806,644)	(622)	(1,807,266)
Present value of minimum lease payments	<u>\$ 6,647,109</u>	<u>\$ 44,190</u>	<u>\$ 6,691,299</u>

At June 30, 2010, the future minimum payments were \$6,691,298

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

(c) Finance Obligations

The following is a summary of changes in finance obligations for the year ended June 30, 2010:

	Balance at July 1, 2009	Additions and net increases	Reductions and net decreases	Balance at June 30, 2010	Amount due within one year	Amount due in more than one year
1995 LRV Lease/Leaseback	\$ 121,292,644	\$ -	\$ (1,343,918)	\$ 119,948,726	\$ 1,447,266	\$ 118,501,460
Pension Obligation Bonds	71,565,000	30,000,000	(40,415,000)	61,150,000	1,685,000	59,465,000
Total Finance Obligations	<u>\$ 192,857,644</u>	<u>\$ 30,000,000</u>	<u>\$ (41,758,918)</u>	<u>\$ 181,098,726</u>	<u>\$ 3,132,266</u>	<u>\$ 177,966,460</u>

1995 LRV Lease/Leaseback

In fiscal year 1996, MTS entered into a master lease to lease 52 light rail vehicles to an investor and then simultaneously entered into a sublease agreement to lease them back. MTS received prepayments of the master lease from the investor of approximately \$102.7 million, of which it used approximately \$90.7 million to place two investments which will be used to make the interest and principal payments on the finance obligation. MTS placed \$78.8 million in a fixed rate deposit and invested \$11.9 million in government zero-coupon bonds. The interest earned on the deposit, together with the principal amount of the deposit and the maturities of the zero-coupon bonds are sufficient to cover the amounts due under the finance obligation. As of June 30, 2010, the remaining future obligations total \$119,948,727.

Year ending June 30:	Principal	Interest	Total
2011	\$ 1,447,266	\$ 6,133,498	\$ 7,580,764
2012	1,558,561	6,017,948	7,576,509
2013	1,678,414	5,893,512	7,571,926
2014	1,807,484	5,759,506	7,566,990
2015	21,361,390	5,689,623	27,051,013
2016-2020	41,758,165	24,268,424	66,026,589
2021-2025	48,977,502	10,671,664	59,649,166
2026	1,359,944	52,580	1,412,524
	<u>\$ 119,948,726</u>	<u>\$ 64,486,755</u>	<u>\$ 184,435,481</u>

For the above lease transaction, MTS is obligated to insure and maintain the equipment. The lease agreement also provide for MTS' right to continued use and control of the equipment. The LRVs acquired under the various finance obligations have been transferred to and are recorded by SDTI. For the 1995 LRV lease/leaseback, as well as the 1990 sale/leaseback that was retired in 2008, MTS has also agreed to indemnify the lessors for any taxes imposed by United States taxing authorities.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

Pension Obligation Bonds

In October 2004, MTS issued \$77,490,000 of Taxable Pension Obligation Bonds (POBs) for the benefit of SDTC. The purpose of the bonds was to make contributions to the San Diego Transit Corporation Retirement Plan and reduce its unfunded liability. The proceeds less fees were invested into the retirement plan. The bonds consist of the following:

Series A Bonds of \$38,690,000 are fixed rate bonds that mature in annual installments between 2006 and 2014 and bear an interest rate from 2.58% to 5.15% increasing progressively over the maturities. Interest is due and payable semi-annually on June 1 and December 1. Principal is due and payable each year on December 1.

Series B Bonds of \$38,800,000 were variable rate bonds that matured in annual installments between 2024 and 2034. Interest was adjusted on a weekly basis indexed to London Interbank Borrowing Rate (LIBOR) and payable on a monthly basis. In 2005 MTS entered into an agreement with UBS to fix the interest at 4.424%. In December 2009 MTS retired \$8,800,000 of the series B Bonds, terminated the interest agreement with UBS and refunded the \$30,000,000 remaining variable interest rate bonds. The Taxable Pension Obligation Refunding Bonds 2009 Series A are variable rate bonds that mature December 23, 2015. Interest is adjusted on a weekly basis indexed to LIBOR and payable on a monthly basis.

At June 30, 2010, the outstanding balance of the Pension Obligation Bonds is \$61,150,000:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2011	\$ 1,685,000	\$ 2,672,379	\$ 4,357,379
2012	1,755,000	2,600,620	4,355,620
2013	1,830,000	2,522,800	4,352,800
2014	1,915,000	2,438,882	4,353,882
2015	2,005,000	2,349,100	4,354,100
2016-2020	41,605,000	5,361,194	46,966,194
2021-2024	10,355,000	1,005,151	11,360,151
	<u>\$ 61,150,000</u>	<u>\$ 18,950,126</u>	<u>\$ 80,100,126</u>

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

(11) Risk Management

MTS (including SDTI, SDTC, and Other Contracted Services) are self-insured for liability claims under a combined insurance program to a maximum of \$2,000,000 per occurrence. Amounts in excess of the self-insurance retention limits for public liability are covered by excess insurance by MTS through commercial insurance carriers up to \$75,000,000. MTS, SDTI, and SDTC purchase all-risk (excluding earthquake) insurance coverage for property damage up to \$600,000,000 per occurrence with deductibles ranging from \$25,000 to \$100,000, depending on the peril involved. In addition, MTS, SDTC, and SDTI are self-insured for costs arising from employee workers' compensation act benefit claims including employer's liability to a retained limit of \$1,000,000 per occurrence. Amounts in excess of \$1,000,000 are insured up to \$2,000,000 per occurrence. SDTC and MTS are self-insured for unemployment claims. SDTC and SDTI have policies for crime coverage through commercial insurance.

Claims expenditures and liabilities in connection with these self-insurance programs are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported based upon past experience, modified for current trends and information. Claim payments up to \$2,000,000 per incident were recorded as general and administrative expenses in the statements of revenues, expenses, and changes in net assets. Claim payments did not exceed insurance coverage in any of the past three years.

	Beginning of fiscal year	Current year claims and changes in estimates	Claims payments	End of fiscal year
MTS:				
2007 -- 2008	\$ 18,811,515	\$ 6,739,625	\$ (2,272,287)	\$ 23,278,853
2008 -- 2009	23,278,853	5,242,373	(8,015,736)	20,505,490
2009 -- 2010	20,505,490	2,965,360	(8,827,850)	14,643,000

Following is summary of accrued damage injury, and employee claims for fiscal years 2010 and 2009:

Accrued damage, injury and employee claims	2010	2009
Current portion	\$ 2,577,359	\$ 5,986,457
Non-current portion	12,065,641	14,519,033
Total	<u>\$ 14,643,000</u>	<u>\$ 20,505,490</u>

MTS has established a policy to consolidate the minimum balances required in the liability claims reserve accounts of SDTC and SDTI to be held by MTS. The policy also established eligible uses for the MTS reserve account, which included the reimbursement to SDTC and SDTI of awards/settlements of individual liability claims for personal injury and/or property damage in excess of \$300,000, but within the self-insurance retention at SDTC and SDTI. In connection with these self-insurance programs, liabilities for SDTC, SDTI and MTS were \$14,643,000 at June 30, 2010 and \$20,505,490 at June 30, 2009.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

The Board has designated \$2,000,000 for the purposes of funding the future claims liabilities of MTS, SDTI, and SDTC.

(12) Contingencies

Pending legal actions. MTS, SDTC, and SDTI have been named in certain legal actions pending at June 30, 2010. While the outcome of these lawsuits is not presently determinable, in the opinion of management of MTS, SDTC, and SDTI, based in part on the advice of counsel, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of MTS, SDTC, or SDTI or is adequately covered by insurance.

Audit of Grant Funds. Grant funds received by MTS are subject to audit and adjustment by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under the terms of the grant. During FY 2009, the State of California audited MediCal claims for FY 2006, 2007 and 2008, and disallowed the method that had been used for identifying eligible claims. MTS proposed an alternate method which has been deemed allowable for 2009 and 2010 claims. MTS will apply the new process for prior years. MTS has recorded an estimated liability of \$1.1 million to reserve for prior year funds that may be refundable to the State.

Pledged Revenue. SDTC has pledged future revenues pursuant to the provisions of the Pension Obligation Bonds issued by SDTC in FY 2004 and FY2010.

Contingent Tax Liability Related to Leaseback Agreements. During 1990 and 1995, MTS entered into sale/leaseback and lease/leaseback arrangements related to the acquisition of trolley cars. These agreements provided tax benefits for the purchaser/lessor. Certain terms of the agreements call for repayment to the purchaser/lessor if the tax consequences of the agreement are lost or changed due to changes in the Internal Revenue Code. Subsequent changes in the Internal Revenue Code may cause an amount to be repaid to the purchaser/lessor, which is essentially the portion of the proceeds relating to the tax benefits lost by the purchaser/lessor. No repayment has been requested to date, and the amount of any future request is not estimable at this time.

Contingent Tax Liability Related to Component Unit. MTS learned in FY 2007 that the freight operator who has managed SD&AE operations in the past filed federal and state corporate tax returns through calendar year 2005, which were not required for this not for profit corporation. Under the direction of tax consultants, MTS directed that the freight operator prepare a final return for calendar year 2007. Because SD&AE has never reported taxable income, and because the federal and state statutes provide exemption from income tax for not for profit corporations management does not anticipate any future tax liability in the event the Internal Revenue selects these or previous returns for examination.

CNG Rebate Program. During FY 2010 authorization for the Compressed Natural Gas rebate program expired. Due to the uncertainty of congressional authorizations in future years MTS has not recorded revenue for these rebates in the current year.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

(13) Post-Employment Health Care Benefits

Pursuant to reporting requirements established in Statement 45 of the Governmental Accounting Standards Board (GASB) effective in fiscal year 2008, MTS provides information below about its Other Post-Employment Benefits (OPEB), which consist primarily of health care benefits.

Plan Description: In the current year MTS made significant changes to its health care plans for both active and retired employees. Prior to January 1, 2010, MTS participated in three different plans for three distinct groups of employees within its reporting entities: MTS and SDTI retirees participated in a plan provided by CalPERS; SDTC management retirees participated in a self-funded plan provided by SDTC; and SDTC provided payments to operator and maintenance employee unions for provision of post-employment benefits as determined by each union. As of January 1, 2010, all employees at MTS and all management employees at SDTI and SDTC participate in HMO and PPO plans offered by Kaiser and Anthem. As of January 1, 2011 the same change will be effective for SDTI union retirees; but within fiscal year 2010 there were no changes to plans provided for SDTC and SDTI employees unions. Total MTS payments for the year ended June 30, 2010 were \$54,300 for 11 retirees currently receiving post-employment health care benefits. Total SDTI payments for the year ended June 30, 2010 were \$74,900 for 20 retirees currently receiving benefits. Total SDTC payments for the year ended June 30, 2010 were \$717,900 for 47 management retirees plus \$372,100 for 155 union retirees currently receiving benefits. Because the three plans are funded as expenses are incurred, there are no accumulated plan assets and no separate benefit plan reports are available at this time.

The Plan's **Net OPEB Obligation (NOO)** is the cumulative excess of prior Annual Required Contribution (ARC) over benefit payments and contributions, with annual adjustments for interest and amortization. The reconciliation of NOO over fiscal year 2010 is as follows:

Net OPEB Obligation (NOO)

	<u>MTS</u>	<u>SDTI</u>	<u>SDTC</u>	<u>Total</u>
NOO at June 30, 2009	\$1,784,063	\$4,267,684	\$1,995,059	\$8,046,806
Benefit payments paid outside of a trust	(54,300)	(74,900)	(1,090,000)	(1,219,200)
Estimated contributions to a trust	-	-	-	-
Annual required contribution	438,137	519,016	1,300,141	2,257,294
Accrued interest	80,300	192,000	89,800	362,100
Amortization of June 30, 2009 NOO	(74,400)	(177,900)	(83,200)	(335,500)
NOO at June 30, 2010	<u>\$2,173,800</u>	<u>\$4,725,900</u>	<u>\$2,211,800</u>	<u>\$9,111,500</u>

Eligibility. Employees are eligible after attaining age/service years of 50/10 for MTS and SDTI management, 50/5 (to become 50/15 effective January 1, 2011) for SDTI union, 53/10 for SDTC management, and 55/5 for SDTC unions.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

<u>Participants as of June 30, 2009 (most current available)</u>	<u>Total</u>
Current retirees and surviving spouses	233
Other participants fully eligible for benefits	290
Other participants not yet fully eligible for benefits	1,021
Total	<u>1,544</u>

Funding policy. The contribution requirements of plan members and MTS are established by management and may be amended. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2010 MTS contributions to the plan were \$1,219,200 (or 56% of total gross health costs), while retirees contributed \$955,800 (or 44% of total gross health costs). Note that for SDTC union plans alone, retiree contributions cover 63% of costs, which is a mix of 100% for non-Medicare and 50% for Medicare coverage.

Annual OPEB Cost and Net OPEB Obligation. MTS' annual OPEB cost (expense) is calculated based on the sponsoring employer's Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any Unfunded Actuarial Accrued Liabilities (UAAL) over a period not to exceed thirty years. The following table shows the components of MTS' ARC and Annual OPEB Cost for the year, the amount actually contributed to the plans, and the changes in MTS' Net OPEB Obligation to the Plan:

	<u>Total</u>
Normal Cost	\$ 937,894
Amortization of Unfunded AAL	<u>1,319,400</u>
Annual Required Contribution	2,257,294
Interest on beginning of year NOO	362,100
Amortization on beginning of year NOO	<u>(335,500)</u>
Annual OPEB Cost	2,283,894
Contributions or Benefit Payments	(1,142,800)
Implicit subsidy payments	<u>(76,400)</u>
Increase in net OPEB obligation	1,064,694
Net OPEB obligation - beginning of year	<u>8,046,806</u>
Net OPEB obligation - end of year	<u>\$ 9,111,500</u>

MTS' Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan and the Net OPEB Obligation for fiscal years 2008, 2009 and 2010 were as follows:

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$ 4,584,600	14.69%	\$ 3,910,722
6/30/2009	4,760,282	13.11%	8,046,806
6/30/2010	2,283,900	53.38%	9,111,500

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

Funded Status and Funding Progress. As of June 30, 2009, the most recent actuarial valuation date, the Plan was not funded. The Actuarial Accrued Liability (AAL) for benefits was \$31,643,500 and the actuarial value of assets was \$0 compared to \$50,162,800 and \$0 as of June 30, 2007. The covered payroll (annual payroll of active employees covered by the plan) as of June 30, 2009 was \$72,531,100 and the ratio of Unfunded AAL to covered payroll was 44% percent compared to \$63,257,100 and 79% as of June 30, 2007. The significant decrease in the Unfunded AAL is largely attributable to the health plans changes including withdrawal from the CalPERS health system.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The most recent funding progress schedules available for MTS, SDTI and SDTC are presented below:

MTS (in 000s)

Valuation date	Actuarial value of assets	Entry Age Normal AAL	Unfunded AAL	Funded status	Annual covered payroll	UAAL as a % of payroll
06/30/09	\$ -	\$ 2,701	\$ 2,701	0.00%	\$ 8,281	32.62%

SDTI (in 000s)

Valuation date	Actuarial value of assets	Entry Age Normal AAL	Unfunded AAL	Funded status	Annual covered payroll	UAAL as a % of payroll
06/30/09	\$ -	\$ 7,565	\$ 7,565	0.00%	\$ 26,788	28.24%

SDTC (in 000s)

Valuation date	Actuarial value of assets	Entry Age Normal AAL	Unfunded AAL	Funded status	Annual covered payroll	UAAL as a % of payroll
06/30/09	\$ -	\$ 21,378	\$ 21,378	0.00%	\$ 37,463	57.06%

Actuarial review and analysis of OPEB liability and funding status is required every two years, or annually if there are significant changes in the plan. The current year plan changes have been considered in the actuarial study that was completed this year.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

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

In the June 30, 2009, actuarial valuation the Entry Age Normal actuarial cost method was used. The actuary assumed 4.5% investment rate of return (net of administrative expenses) which is the expected long-term investment returns on the employer's own investments and an annual healthcare cost trend rate which varies depending on the plan and type of health care service involved. Beginning in fiscal year 2009/2010, medical/drug trends generally grade down from 9% and 8% to an ultimate of 5% by 2024/2025, while dental/vision/expense trends are generally a flat 5% per year. The UAAL is being amortized as a level percentage of projected payroll over a rolling 30 years.

(14) Employee Retirement Systems

(a) MTS and SDTI

Plan Description and Provisions

MTS' and SDTI's defined benefit pension plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plans are part of the Public Agency portion of the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. MTS and SDTI select optional benefit provisions from the benefit menu by contract with PERS and adopt those benefits through local ordinance. Copies of the PERS annual financial report may be obtained from the PERS Executive Office – 400 P Street, Sacramento, CA 95814.

Funding Policy

All employees working the equivalent of 1,000 hours per year are eligible to participate as members of PERS. MTS and SDTI employees are eligible to retire at age 50 with at least five years of service. Annual retirement benefits are determined based on age at retirement, the length of membership service, and the amount of earnings based on the highest 12 consecutive months average. PERS also provides death and disability benefits. PERS issues a separate comprehensive annual financial report.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. MTS and SDTI employees are required to make contributions equal to 7% of gross pay for employees who are not covered by Social Security and 7% of gross pay after the first \$133.33 per month for employees who pay Social Security tax. MTS and SDTI are required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. In 2010, MTS paid the entire employee contribution for all employees, and SDTI paid the entire employee contribution for management and supervisory employees who were hired before June 30, 1988. For management and supervisory employees hired after June 30, 1988, SDTI paid half the employee contribution until their third anniversary, after which SDTI pays their full contribution. Prior to January 1, 1992, SDTI paid half the employee contribution for non-managerial employees. As of January 1, 1992, the non-managerial employees pay the entire contribution.

The most recent funding progress schedule available for SDTI is presented below:

Valuation date	Actuarial value of assets	Entry age normal accrued liability	Unfunded liability	Funded status	Annual covered payroll	UAAL as a % of payroll
06/30/08	\$ 59,712	\$ 65,261	\$ 5,549	91.50%	\$ 22,479	24.69%

Because MTS is a member of the CalPers risk pool for groups under 100, individual funding progress is not available.

Annual Pension Cost

For fiscal year 2010, MTS' and SDTI's annual required employer contributions were \$1,850,537 and \$2,101,831, respectively. The required contribution for fiscal year 2010 was determined as part of the June 30, 2007, actuarial valuation using the Entry Age Actuarial Cost Method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases from 3.25% to 14.45% depending on age, service, and type of employment; (c) 3.25% payroll growth adjustment; (d) 3.0% inflation adjustment; and (e) a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%. The actuarial value of the assets of both plans was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen-year period depending on the size of investment gains and/or losses. MTS' and SDTI's initial unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis depending on the plan's date of entry. Subsequent gains and losses are amortized over variable periods depending on the events precipitating the gain or loss. The average remaining amortization period at June 30, 2008, the most recent valuation date, was 17 years for MTS and 24 years for SDTI.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

Trend information for MTS (in 000s):

	Annual Required Contribution (ARC)	Actual Contribution	Percentage of APC Contributed
Fiscal year ended June 30:			
2008	\$ 1,792	\$ 1,792	100%
2009	1,699	1,699	100%
2010	1,851	1,851	100%

Trend information for SDTI (in 000s):

	Annual Required Contribution (ARC)	Actual Contribution	Percentage of APC Contributed
Fiscal year ended June 30:			
2008	\$ 2,350	\$ 2,350	100%
2009	2,341	2,341	100%
2010	2,102	2,102	100%

(b) SDTC

Plan Description

The SDTC defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All of SDTC's full-time employees and certain part-time noncontract employees who have completed one year of service in which they have worked at least 1,000 hours of service, and certain part-time contract employees participate in the San Diego Transit Corporation Employee Retirement Plan (the Plan), a single-employer public employee retirement plan. SDTC issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The financial report may be obtained by writing to San Diego Transit Corporation, 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101

Funding Status and Progress

SDTC makes annual contributions equal to an actuarially computed amount that includes normal cost and an amount for the amortization of unfunded accrued liabilities. Participants of the Plan are not allowed to contribute to the Plan. The valuation method used to calculate the contribution for the Plan is the Entry Age Normal Actuarial Cost Method which is a projected benefit cost method.

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

According to this cost method, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from date of eligibility until retirement. The significant actuarial assumptions used to compute the actuarially determined contribution requirements included (a) 8.00% investment rate of return, (b) projected salary increase of 4% to 11% depending on age, service, and type of employment; (c) 3.5% inflation adjustment; and (d) cost of living adjustments up to 2% annually for certain Non-Contract members only. The actuarial value of the assets of the plan was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a five-year period depending on the size of investment gains and/or losses. SDTC's initial unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. Subsequent gains and losses are amortized over variable periods depending on the events precipitating the gain or loss. The average remaining amortization period at July 1, 2008, the most recent valuation date, was 30 years.

The most recent schedule of funding progress for SDTC is presented below:

Valuation date	Actuarial value of assets	Entry age normal accrued liability	Unfunded liability	Funded status	Annual covered payroll	UAAL as a % of payroll
7/1/2009	\$ 144,196	\$ 202,089	\$ 57,893	71.35%	\$ 33,894	170.81%

Annual Pension Cost

For fiscal year ended June 30, 2010, the annual pension cost of \$5,670,118 for the pension plan was equal to SDTC's required and actual contributions. The required contribution was determined as part of the July 1, 2008 actuarial valuation using the entry age normal cost method. Following is the most recent data available.

Trend information for SDTC (in 000s):

Fiscal year ended June 30:	Annual Required Contribution (ARC)	Actual Contribution	Percentage of APC Contributed
2008	\$ 4,656	\$ 4,656	100%
2009	5,275	5,275	100%
2010	5,670	5,670	100%

San Diego Metropolitan Transit System

Notes to Basic Financial Statements

For the Years Ended June 30, 2010 and 2009

(16) Other Required Individual Fund Disclosures

SDTC and SDTI had unrestricted net deficits of \$(26,691,517) and \$(3,260,643) respectively, at June 30, 2010 compared to \$(31,328,693) and \$(9,582,917) at June 30, 2009. The deficits are primarily a result of the timing difference between recognition of expenses on an accrual basis and when those expenses are funded by subsidy transfers. MTS expects that these deficits will be funded with future subsidies.

(17) Subsequent Events

The national, state and local economies continue to suffer the effects of the financial credit crisis, which has spread to all sectors of the global economy. In spite of marginal improvements in some economic indicators, sales tax receipts in California, which form the base for Transit Development Act funding, continue to decline. In addition, increases in local unemployment have continued to have an adverse affect on ridership. Management has responded to these uncertainties with several projects designed to minimize fluctuations in cash balances over the next several years.

Management has evaluated subsequent events to determine if events or transactions occurring through November 30, 2010, the date the basic financial statements were available to be issued, require adjustment to, or disclosure in the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

San Diego Metropolitan Transit System

Schedule of Funding Progress of Defined Benefits Pension Plan

For the Year Ended June 30, 2010

DEFINED PENSION PLAN SCHEDULE OF FUNDING PROGRESS

The following Schedule of Funding Progress shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. (Amounts in thousands of dollars).

MTS

Beginning with the 6/30/2003 valuation, CalPERS established a risk pool for cities and other government entities that have less than 100 active members. Actuarial valuation was performed with other participants within the same risk pool. Therefore, standalone information of the Schedule of the Funding Progress for MTS is not available. It is expected that enrollment of active members will exceed 100 within the next few years.

SDTI (in 000s)

Valuation date	Actuarial value of assets	Entry age normal accrued liability	Unfunded liability	Funded status	Annual covered payroll	UAAL as a % of payroll
06/30/06	\$ 47,412	\$ 53,490	\$ 6,078	88.64%	\$ 21,024	28.91%
06/30/07	54,017	59,846	5,829	90.26%	21,679	26.89%
06/30/08	59,712	65,261	5,549	91.50%	22,479	24.69%

SDTC (in 000s)

Valuation date	Actuarial value of assets	Entry age normal accrued liability	Unfunded liability	Funded status	Annual covered payroll	UAAL as a % of payroll
07/01/07	\$ 160,697	\$ 186,612	\$ 25,915	86.11%	\$ 33,027	78.47%
07/01/08	164,760	195,624	30,864	84.22%	33,251	92.82%
07/01/09	144,196	202,089	57,893	71.35%	33,894	170.81%

In the valuation as of July 1, 1999, the entire Actuarial Accrued Liability had been funded. A new Unfunded Actuarial Accrued Liability was created as of April 1, 2000, primarily as a result of improvements in Plan benefits. Therefore, beginning with the April 1, 2000 actuarial valuation, all sources of the Unfunded Actuarial Accrued Liability are combined and amortized as a level dollar payment over a rolling 30-year period.

San Diego Metropolitan Transit System

Schedule of Funding Progress of Postemployment Healthcare Plan

For the Year Ended June 30, 2010

POSTEMPLOYMENT HEALTHCARE PLAN SCHEDULE OF FUNDING PROGRESS

The following Schedule of Funding Progress shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. (Amounts in thousands of dollars).

MTS (in 000s)

Valuation date	Actuarial value of assets	Entry age normal accrued liability	Unfunded liability	Funded status	Annual covered payroll	UAAL as a % of payroll
06/30/07	\$ -	\$ 8,292	\$ 8,292	0.00%	\$ 9,573	86.62%
06/30/09	-	2,701	2,701	0.00%	8,281	32.62%

SDTC (in 000s)

Valuation date	Actuarial value of assets	Entry age normal accrued liability	Unfunded liability	Funded status	Annual covered payroll	UAAL as a % of payroll
06/30/07	\$ -	\$ 26,473	\$ 26,473	0.00%	\$ 35,935	73.67%
06/30/09	-	21,378	21,378	0.00%	37,463	57.06%

SDTI (in 000s)

Valuation date	Actuarial value of assets	Entry age normal accrued liability	Unfunded liability	Funded status	Annual covered payroll	UAAL as a % of payroll
06/30/07	\$ -	\$ 15,399	\$ 15,399	0.00%	\$ 17,749	86.76%
06/30/09	-	7,565	7,565	0.00%	26,788	28.24%

Funding progress is presented for the two years that actuarial studies have been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of OPEB liability and funding status is performed every two years or annually if there are significant changes in the plan. The plan changes discussed earlier were enacted in the current year and considered in the actuarial study that was completed this year. Significant changes in MTS and SDTI funding progress result from withdrawal from the CalPers health plan in December, 2009.

SUPPLEMENTARY INFORMATION

Combining Schedule of Net Assets

Combining Schedule of Revenues, Expenses, and Changes in Net Assets

Combining Schedule of Cash Flows

Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual:

Combined Operations

General Fund

Taxicab Administration

San Diego & Arizona Eastern Railway

Contract Services

San Diego Transit Corporation

San Diego Trolley, Inc.

San Diego Metropolitan Transit System
Combining Schedule of Net Assets
June 30, 2010

	General Operations	Contracted Services	SDTC	SDTI	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 45,446,336	\$ -	\$ (176,225)	\$ (1,023,259)	\$ 44,246,852
Investments restricted for debt service payable within one year	1,447,266	-	-	-	1,447,266
Accounts and other receivables	4,186,099	22,314	3,425,086	132,489	7,765,988
Due from other governments	52,046,061	1,683,854	1,799,498	1,695,935	57,225,348
Internal balances	(4,047,680)	4,047,680	-	-	-
Materials and supplies inventory	-	-	2,069,707	8,373,557	10,443,264
Prepaid expenses and other current assets	1,988,594	11,095	18,457	58,307	2,076,453
Total current assets	101,066,676	5,764,943	7,136,523	9,237,029	123,205,171
Noncurrent assets:					
Cash and certificates of deposit restricted for capital support	4,805,538	-	-	-	4,805,538
Investments restricted for debt service and capital projects	118,050,149	-	-	-	118,050,149
Contracts receivable	-	-	-	977,171	977,171
Unamortized bond issuance cost	103,711	-	423,787	-	527,498
Capital assets	141,309,953	79,646,205	102,170,679	881,691,570	1,204,818,407
Net pension assets	-	-	52,710,638	-	52,710,638
Total noncurrent assets	264,269,351	79,646,205	155,305,104	882,668,741	1,381,889,401
Total assets	365,336,027	85,411,148	162,441,627	891,905,770	1,505,094,572

San Diego Metropolitan Transit System
Combining Schedule of Net Assets, Continued
June 30, 2010

	General Operations	Contracted Services	SDTC	SDTI	Total
Liabilities					
Current liabilities:					
Accounts payable	1,915,651	4,972,731	1,724,297	171,885	8,784,564
Due to other governments	2,402,740	-	-	-	2,402,740
Unearned revenue	1,319,965	256,457	359,791	458,236	2,394,449
Accrued expenses	3,430,216	-	2,449,305	1,344,670	7,224,191
Retentions payable	27,115	-	-	-	27,115
Due within one year:					
Bond premium	25,148	-	-	-	25,148
Compensated absences	381,712	-	3,748,944	2,504,517	6,635,173
Accrued damage, injury, and employee claims	328,000	-	1,719,634	529,725	2,577,359
Long-term debt, due within one year	585,346	-	1,685,000	-	2,270,346
Long-term debt, payable from restricted assets	1,447,266	-	-	-	1,447,266
Total current liabilities	11,863,159	5,229,188	11,686,971	5,009,033	33,788,351
Noncurrent liabilities:					
Retentions payable from restricted assets	2,257,200	-	-	-	2,257,200
Long-term debt payable from restricted assets	118,050,149	-	-	-	118,050,149
Bond premium	211,661	-	-	-	211,661
Compensated absences payable, due in more than one year	430,441	-	5,029,322	243,633	5,703,396
Accrued damage, injury, and employee claims, due in more than one year	-	-	8,569,366	3,496,275	12,065,641
Accrued other post employment benefits	2,173,800	-	2,211,800	4,725,900	9,111,500
Long-term debt, due in more than one year	6,557,263	-	59,465,000	-	66,022,263
Total noncurrent liabilities	129,680,514	-	75,275,488	8,465,808	213,421,810
Total liabilities	141,543,673	5,229,188	86,962,459	13,474,841	247,210,161
Net Assets					
Invested in capital assets, net of related debt	14,669,929	79,646,205	102,170,679	881,691,570	1,078,178,383
Unrestricted	209,122,425	535,755	(26,691,511)	(3,260,641)	179,706,028
Total net assets	\$ 223,792,354	\$ 80,181,960	\$ 75,479,168	\$ 878,430,929	\$ 1,257,884,411

San Diego Metropolitan Transit System

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2010

	General Operations	Contracted Services	SDTC	SDTI	Eliminations	Total
Operating revenues:						
Passenger revenue	\$ -	\$ 24,409,802	\$ 26,708,018	\$ 33,049,795	\$ -	\$ 84,167,615
Advertising	782,986	-	-	-	-	782,986
Charter	-	-	127,665	-	-	127,665
Miscellaneous operating revenues	3,700,768	47,318	54,235	461,740	-	4,264,061
Total operating revenues	4,483,754	24,457,120	26,889,918	33,511,535	-	89,342,327
Operating expenses:						
Personnel costs	13,758,459	432,289	54,722,168	30,183,528	-	99,096,444
Outside services	9,083,664	48,948,509	1,999,507	3,542,297	-	63,573,977
Transit operations funding	86,816,518	-	-	-	(83,058,178)	3,758,340
Materials and supplies	20,905	-	4,069,428	2,590,022	-	6,680,355
Energy costs	186,788	7,642,309	6,227,372	8,835,822	-	22,892,291
Risk management	640,691	-	1,834,154	2,383,990	-	4,858,835
Miscellaneous operating expenses	(18,870,056)	1,014,183	7,591,412	13,835,523	-	3,571,062
Amortization of net pension assets	-	-	10,415,000	-	-	10,415,000
Depreciation	1,264,931	10,304,987	13,803,216	72,865,348	-	98,238,482
Total operating expenses	92,901,900	68,342,277	100,662,257	134,236,530	(83,058,178)	313,084,786
Operating income (loss)	(88,418,146)	(43,885,157)	(73,772,339)	(100,724,995)	83,058,178	(223,742,459)

San Diego Metropolitan Transit System

Combining Schedule of Revenues, Expenses and Changes in Net Assets, Continued

For the Year Ended June 30, 2010

	General Operations	Contracted Services	SDTC	SDTI	Eliminations	Total
Public support and nonoperating revenues:						
Federal revenue	67,575,804	10,420,482	18,266,664	16,448,841	(45,135,987)	67,575,804
Transportation Development Act (TDA) funds	64,977,093	20,713,969	16,249,396	5,637,460	(42,600,825)	64,977,093
State revenue - other	6,230,977	810,174	-	-	(810,174)	6,230,977
TransNet funds	84,460,840	652,023	21,177,817	5,000,000	(26,829,840)	84,460,840
Other local subsidies	1,261,520	983,520	278,000	-	(1,261,520)	1,261,520
Investment earnings	9,708,091	-	(40)	-	-	9,708,051
Interest expense	(6,576,864)	-	(6,125,334)	-	-	(12,702,198)
Gain (loss) on disposal of assets	81,728	-	(150,691)	(126)	-	(69,089)
Other expenses	-	-	(289,006)	-	-	(289,006)
Amortization of bond issuance costs	(11,014)	-	(774,844)	-	-	(785,858)
Total public support and nonoperating revenues	227,708,175	33,580,168	48,631,962	27,086,175	(116,638,346)	220,368,134
Income (loss) before transfers and contributed capital	139,290,029	(10,304,989)	(25,140,377)	(73,638,820)	(33,580,168)	(3,374,325)
Transfers	(40,859,947)	-	7,279,780	-	33,580,167	-
Contributions	(59,287,543)	38,384,876	8,391,172	23,621,338	1	11,109,844
Total transfers and contributed capital	(100,147,490)	38,384,876	15,670,952	23,621,338	33,580,168	11,109,844
Changes in net assets	39,142,539	28,079,887	(9,469,425)	(50,017,482)	-	7,735,519
Net assets, beginning of year	184,649,815	52,102,073	84,948,593	928,448,411	-	1,250,148,892
Net assets, end of year	\$ 223,792,354	\$ 80,181,960	\$ 75,479,168	\$ 878,430,929	\$ -	\$ 1,257,884,411

San Diego Metropolitan Transit System
Combining Schedule of Cash Flows
For the Year Ended June 30, 2010

	General Operations	Contracted Services	SDTC	SDTI	Total
Cash flows from operating activities:					
Received from customers and users	\$ 4,067,027	\$ 24,447,559	\$ 27,607,395	\$ 35,007,361	\$ 91,129,342
Payments to suppliers	(3,076,311)	(57,689,263)	(26,075,478)	(37,631,656)	(124,472,708)
Payments to employees	(13,224,644)	(432,289)	(55,206,679)	(29,574,476)	(98,438,088)
Payments for damage and injury	(1,091)	-	(483,517)	(268,880)	(753,488)
Net cash provided (used) by operating activities	(12,235,019)	(33,673,993)	(54,158,279)	(32,467,651)	(132,534,942)
Cash flows from noncapital financing activities:					
Public support funds received	106,003,088	33,580,168	55,971,877	27,106,703	222,661,836
Net cash provided (used) by noncapital financing activities	106,003,088	33,580,168	55,971,877	27,106,703	222,661,836
Cash flows from capital and related financing activities:					
Debt service costs	(929,001)	-	(16,829,340)	-	(17,758,341)
Property acquisition	(88,245,633)	-	-	(423,216)	(88,668,849)
Property disposal	93,827	93,825	54,684	39,171	281,507
Net cash provided (used) by capital and related financing activities	(89,080,807)	93,825	(16,774,656)	(384,045)	(106,145,683)
Cash flows from investing activities:					
Interest received from investments	479,533	-	-	-	479,533
Investments liquidated	35,630,000	-	-	-	35,630,000
Intercompany equity transfers	(20,797,734)	-	15,533,206	5,264,528	-
Net cash provided (used) by investing activities	15,311,799	-	15,533,206	5,264,528	36,109,533
Net increase (decrease) in cash and cash equivalents	19,999,061	-	572,148	(480,465)	20,090,744
Cash and cash equivalents, beginning of year	30,252,813	-	(748,373)	(542,794)	28,961,646
Cash and cash equivalents, beginning of year	\$ 50,251,874	\$ -	\$ (176,225)	\$ (1,023,259)	\$ 49,052,390

San Diego Metropolitan Transit System
Combining Schedule of Cash Flows, Continued
For the Year Ended June 30, 2010

	General Operations	Contracted Services	SDTC	SDTI	Total
Operating income (loss):					
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	\$ (5,359,968)	\$ (43,885,157)	\$ (73,772,339)	\$ (100,724,995)	\$ (223,742,459)
Depreciation and amortization	1,264,931	10,304,987	24,218,216	72,865,348	108,653,482
(Increase) decrease in:					
Accounts and other receivables	(505,323)	72,987	(754,868)	1,572,532	385,328
Materials and supplies inventory	-	-	(132,724)	(1,674,898)	(1,807,622)
Prepaid and other current assets	19,930	-	(18,457)	(58,307)	(56,834)
Increase (decrease) in:					
Accounts payable	(3,323,122)	266,454	(3,865,644)	(4,058,943)	(10,981,255)
Accrued expenses	(4,923,218)	-	(987,885)	(1,570,676)	(7,481,779)
Unearned revenues	88,595	(433,264)	337,782	458,236	451,349
Accrued OPEB liability	389,737	-	216,741	458,216	1,064,694
Compensated absences payable	49,419	-	206,899	7,836	264,154
Accrued damage, injury and employee claims	64,000	-	394,000	258,000	716,000
Total adjustments	(6,875,051)	10,211,164	19,614,060	68,257,344	91,207,517
Net cash provided (used) by operating activities	\$ (12,235,019)	\$ (33,673,993)	\$ (54,158,279)	\$ (32,467,651)	\$ (132,534,942)

Supplemental noncash disclosures:

During the year other government contributed \$11,109,849 in capital assets
During the year the fair value of investments increased by \$3,025,937

San Diego Metropolitan Transit System Combined Operations

Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Assets Amounts	Budget Basis Adjustments	Actuals on a Budget Basis	Variance with Final Budget Positive (Negative)
Operating revenues:						
Passenger revenue	\$ 89,925,096	\$ 82,289,634	\$ 84,167,615	\$ -	\$ 84,167,615	\$ 1,877,981
Advertising	2,008,232	729,744	782,986	-	782,986	53,242
Charter	29,400	30,000	127,665	-	127,665	97,665
Miscellaneous operating revenues	3,521,748	4,658,387	4,264,061	(85,624)	4,178,437	(479,950)
Total operating revenues	95,484,476	87,707,765	89,342,327	(85,624)	89,256,703	1,548,938
Operating expenses:						
Personnel costs	100,602,003	106,810,733	99,096,444	8,614,149	107,710,593	(899,860)
Outside services	65,580,808	63,606,802	63,573,977	(6,738)	63,567,239	39,563
Transit operations funding	4,084,979	3,595,590	3,758,340	-	3,758,340	(162,750)
Materials and supplies	6,977,193	6,975,412	6,680,355	(37,273)	6,643,082	332,330
Energy costs	25,469,663	24,167,288	22,892,291	-	22,892,291	1,274,997
Risk management	4,017,811	4,226,170	4,858,835	(244,000)	4,614,835	(388,665)
Miscellaneous operating expenses	2,488,118	2,531,234	3,571,062	(1,164,823)	2,406,239	124,995
Amortization of net pension assets	-	-	10,415,000	(10,415,000)	-	-
Depreciation	-	-	98,238,482	(98,238,482)	-	-
Total operating expenses	209,220,575	211,913,229	313,084,786	(101,492,167)	211,592,619	320,610
Operating income (loss)	(113,736,099)	(124,205,464)	(223,742,459)	101,406,543	(122,335,916)	1,869,548

**San Diego Metropolitan Transit System
Combined Operations**

**Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual, Continued
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts				
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Assets Amounts	Budget Basis Adjustments	Actuals on a Budget Basis	Variance with Final Budget Positive (Negative)	
Public support and nonoperating revenues:							
Federal revenue	38,224,175	47,653,668	67,575,804	(23,208,067)	44,367,737	(3,285,931)	
Transportation Development Act (TDA) funds	51,299,413	53,246,444	64,977,093	(10,650,942)	54,326,151	1,079,707	
State revenue - other	1,000,000	1,000,000	6,230,977	(5,420,803)	810,174	(189,826)	
TransNet funds	22,768,984	18,551,047	84,460,840	(65,531,000)	18,929,840	378,793	
Other local subsidies	1,633,578	1,236,490	1,261,520	-	1,261,520	25,030	
Investment earnings	9,048,715	8,051,715	9,708,051	(1,683,531)	8,024,520	(27,195)	
Interest expense	(12,050,697)	(14,985,657)	(12,702,198)	(1,911,417)	(14,613,615)	372,042	
Gain (loss) on disposal of assets	-	-	(69,089)	69,089	-	-	
Other expenses	(80,000)	(332,112)	(289,006)	-	(289,006)	43,106	
Amortization of bond issuance costs	-	-	(785,858)	785,858	-	-	
Total public support and nonoperating revenues	111,844,168	114,421,595	220,368,134	(107,550,813)	112,817,321	(1,604,274)	
Income (loss) before contributed capital	(1,891,931)	(9,783,869)	(3,374,325)	(6,144,270)	(9,518,595)	265,274	
Reserve revenue	1,891,928	9,783,867	-	9,783,867	9,783,867	-	
Contributions	-	-	11,109,844	(11,109,844)	-	-	
Changes in net assets	<u><u>(3)</u></u>	<u><u>(2)</u></u>	7,735,519	<u><u>\$ (7,470,247)</u></u>	<u><u>\$ 265,272</u></u>	<u><u>\$ 265,274</u></u>	
Net assets, beginning of year			1,250,148,892				
Net assets, end of year			<u><u>\$ 1,257,884,411</u></u>				

**San Diego Metropolitan Transit System
General Operations**

**Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts				
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Assets Amounts		Budget Basis Adjustments	Actuals on a Budget Basis	Variance with Final Budget Positive (Negative)
Operating revenues:							
Advertising	\$ 2,008,232	\$ 729,744	\$ 782,986	\$ -	\$ -	\$ 782,986	\$ 53,242
Charter	-	3,064,115	-	-	-	-	(3,064,115)
Miscellaneous operating revenues	2,076,348	-	2,675,108	(85,624)	(85,624)	2,589,484	2,589,484
Total operating revenues	4,084,580	3,793,859	3,458,094	(85,624)	(85,624)	3,372,470	(421,389)
Operating expenses:							
Personnel costs	13,217,836	12,616,168	13,092,764	(439,156)	(439,156)	12,653,608	(37,440)
Outside services	9,173,252	9,210,163	8,872,587	(6,738)	(6,738)	8,865,849	344,314
Transit operations funding	4,084,979	3,595,590	86,816,518	(83,058,178)	(83,058,178)	3,758,340	(162,750)
Materials and supplies	30,750	17,250	15,409	-	-	15,409	1,841
Energy costs	137,888	136,778	177,507	-	-	177,507	(40,729)
Risk management	399,600	379,275	606,963	(64,000)	(64,000)	542,963	(163,688)
Miscellaneous operating expenses	(18,313,873)	(19,001,902)	(19,054,849)	-	-	(19,054,849)	52,947
Depreciation	-	-	1,240,566	(1,240,566)	(1,240,566)	-	-
Total operating expenses	8,730,432	6,953,322	91,767,465	(84,808,638)	(84,808,638)	6,958,827	(5,505)
Operating income (loss)	(4,645,852)	(3,159,463)	(88,309,371)	84,723,014	84,723,014	(3,586,357)	(426,894)

San Diego Metropolitan Transit System

General Operations

Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual, Continued

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Assets Amounts	Budget Basis Adjustments	Actuals on a Budget Basis	
Public support and nonoperating revenues:						
Federal revenue	17,500	17,500	67,575,804	(67,412,946)	162,858	145,358
Transportation Development Act (TDA) funds	4,084,979	3,595,590	64,977,093	(60,918,051)	4,059,042	463,452
State revenue - other	-	-	6,230,977	(6,230,977)	-	-
TransNet funds	-	-	84,460,840	(84,460,840)	-	-
Other local subsidies	-	-	1,261,520	(1,261,520)	-	-
Investment earnings	9,048,715	8,051,715	9,708,091	(1,683,571)	8,024,520	(27,195)
Interest expense	(8,505,342)	(8,505,342)	(6,576,864)	(1,911,417)	(8,488,281)	17,061
Gan (loss) on disposal of assets	-	-	81,728	(81,728)	-	-
Amortization of bond issuance costs	-	-	(11,014)	11,014	-	-
Total public support and nonoperating revenues	4,645,852	3,159,463	227,708,175	(223,950,036)	3,758,139	598,676
Income (loss) before contributed capital	-	-	139,398,804	(139,227,022)	171,782	171,782
Transfers	-	-	(40,859,947)	40,859,947	-	-
Contributions	-	-	(59,287,543)	59,287,543	-	-
Changes in net assets	-	-	39,251,314	(39,079,532)	171,782	171,782
Net assets, beginning of year			165,617,734			
Net assets, end of year			\$ 204,869,048			

San Diego Metropolitan Transit System
Taxicab Administration

Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Assets Amounts	Budget Basis Adjustments	Actuals on a Budget Basis	Variance with Final Budget Positive (Negative)
Operating revenues:						
Miscellaneous operating revenues	\$ 750,000	\$ 840,396	\$ 830,400	\$ -	\$ 830,400	\$ (9,996)
Total operating revenues	750,000	840,396	830,400	-	830,400	(9,996)
Operating expenses:						
Personnel costs	580,313	544,556	578,404	-	578,404	(33,848)
Outside services	95,250	264,225	150,335	-	150,335	113,890
Materials and supplies	5,500	5,500	5,496	-	5,496	4
Energy costs	14,700	9,600	9,249	-	9,249	351
Miscellaneous operating expenses	176,421	175,794	183,207	-	183,207	(7,413)
Depreciation	-	-	7,285	(7,285)	-	-
Total operating expenses	872,184	999,675	933,976	(7,285)	926,691	72,984
Operating income (loss)	(122,184)	(159,279)	(103,576)	7,285	(96,291)	62,988
Reserve revenue	122,184	159,279	-	159,279	159,279	-
Changes in net assets	\$ -	\$ -	(103,576)	\$ 166,564	\$ 62,988	\$ 62,988
Net assets, beginning of year			612,307			
Net assets, end of year			\$ 508,731			

San Diego Metropolitan Transit System

San Diego Arizona and Eastern Railway

Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts		
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Assets Amounts	Budget Basis Adjustments	Actuals on a Budget Basis
Operating revenues:					
Miscellaneous operating revenues	\$ 115,000	\$ 157,000	\$ 195,260	\$ -	\$ 195,260
Total operating revenues	115,000	157,000	195,260	-	195,260
Operating expenses:					
Personnel costs	73,990	87,307	87,291	-	87,291
Outside services	35,000	52,500	60,742	-	60,742
Energy costs	-	-	32	-	32
Risk management	24,000	33,810	33,728	-	33,728
Miscellaneous operating expenses	2,000	2,000	1,586	-	1,586
Depreciation	-	-	17,080	(17,080)	-
Total operating expenses	134,990	175,617	200,459	(17,080)	183,379
Operating income (loss)	(19,990)	(18,617)	(5,199)	17,080	11,881
Reserve revenue	19,990	18,617	-	18,617	18,617
Changes in net assets	\$ -	\$ -	(5,199)	\$ 35,697	\$ 30,498
Net assets, beginning of year			18,419,774		
Net assets, end of year			\$ 18,414,575		\$ 30,498

San Diego Metropolitan Transit System

Contract Services

Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts			
			Actuals per Statement of Revenues, Expenses, and Changes in Net Assets Amounts	Budget Basis Adjustments	Actuals on a Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
Operating revenues:						
Passenger revenue	\$ 25,865,937	\$ 23,841,847	\$ 24,409,802	\$ -	\$ 24,409,802	\$ 567,955
Miscellaneous operating revenues	-	-	47,318	-	47,318	47,318
Total operating revenues	25,865,937	23,841,847	24,457,120	-	24,457,120	615,273
Operating expenses:						
Personnel costs	663,021	485,921	432,289	-	432,289	53,632
Outside services	51,364,140	48,884,559	48,948,509	-	48,948,509	(63,950)
Materials and supplies	30,000	15,090	-	-	-	15,090
Energy costs	9,222,797	8,299,727	7,642,309	-	7,642,309	657,418
Miscellaneous operating expenses	1,086,643	1,022,768	1,014,183	-	1,014,183	8,585
Depreciation	-	-	10,304,987	(10,304,987)	-	-
Total operating expenses	62,366,601	58,708,065	68,342,277	(10,304,987)	58,037,290	670,775
Operating income (loss)	(36,500,664)	(34,866,218)	(43,885,157)	10,304,987	(33,580,170)	1,286,048

San Diego Metropolitan Transit System

Contract Services

Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual, Continued

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts		
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Assets Amounts	Budget Basis Adjustments	Actuals on a Budget Basis
Public support and nonoperating revenues:					
Federal revenue	4,443,721	10,731,377	10,420,482	-	10,420,482
Transportation Development Act (TDA) funds	29,389,336	21,611,385	20,713,969	-	20,713,969
State revenue - other	1,000,000	1,000,000	810,174	-	810,174
TransNet funds	676,943	564,966	652,023	-	652,023
Other local subsidies	990,664	958,490	983,520	-	983,520
Total public support and nonoperating revenues	36,500,664	34,866,218	33,580,168	-	33,580,168
Income (loss) before contributed capital	-	-	(10,304,989)	10,304,987	(2)
Contributions	-	-	38,384,876	(38,384,876)	-
Changes in net assets	-	-	28,079,887	\$ (28,079,889)	\$ (2)
Net assets, beginning of year			52,102,073		
Net assets, end of year			\$ 80,181,960		\$ (2)

San Diego Metropolitan Transit System
San Diego Transit Corporation

Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts				
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Assets Amounts		Budget Basis Adjustments	Actuals on a Budget Basis	Variance with Final Budget Positive (Negative)
Operating revenues:							
Passenger revenue	\$ 27,229,225	\$ 26,659,515	\$ 26,708,018	\$	-	\$ 26,708,018	\$ 48,503
Charter	29,400	30,000	127,665		-	127,665	97,665
Miscellaneous operating revenues	60,000	60,000	54,235		-	54,235	(5,765)
Total operating revenues	27,318,625	26,749,515	26,889,918		-	26,889,918	140,403
Operating expenses:							
Personnel costs	56,107,893	63,551,781	54,722,168		9,662,356	64,384,524	(832,743)
Outside services	1,603,486	1,788,126	1,999,507		-	1,999,507	(211,381)
Materials and supplies	3,988,953	4,222,966	4,069,428		12,024	4,081,452	141,514
Energy costs	7,241,547	6,825,765	6,227,372		-	6,227,372	598,393
Risk management	1,633,901	1,614,276	1,834,154		(65,000)	1,769,154	(154,878)
Miscellaneous operating expenses	7,085,864	7,614,529	7,591,412		-	7,591,412	23,117
Amortization of net pension assets	-	-	10,415,000		(10,415,000)	-	-
Depreciation	-	-	13,803,216		(13,803,216)	-	-
Total operating expenses	77,661,644	85,617,443	100,662,257		(14,608,836)	86,053,421	(435,978)
Operating income (loss)	(50,343,019)	(58,867,928)	(73,772,339)		14,608,836	(59,163,503)	(295,575)

San Diego Metropolitan Transit System
San Diego Transit Corporation

Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual, Continued
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Assets Amounts	Budget Basis Adjustments	Actuals on a Budget Basis	Variance with Final Budget Positive (Negative)
Public support and nonoperating revenues:						
Federal revenue	16,962,954	21,738,291	18,266,664	-	18,266,664	(3,471,627)
Transportation Development Act (TDA) funds	17,520,709	21,072,012	16,249,396	7,900,000	24,149,396	3,077,384
TransNet funds	17,092,041	12,986,081	21,177,817	(7,900,000)	13,277,817	291,736
Other local subsidies	642,914	278,000	278,000	-	278,000	-
Investment earnings	-	-	(40)	40	-	-
Interest expense	(3,545,355)	(6,480,315)	(6,125,334)	-	(6,125,334)	354,981
Gain (loss) on disposal of assets	-	-	(150,691)	150,691	-	-
Other expenses	(80,000)	(332,112)	(289,006)	-	(289,006)	43,106
Amortization of bond issuance costs	-	-	(774,844)	774,844	-	-
Total public support and nonoperating revenues	48,593,263	49,261,957	48,631,962	925,575	49,557,537	295,580
Income (loss) before contributed capital	(1,749,756)	(9,605,971)	(25,140,377)	15,534,411	(9,605,966)	5
Transfers	-	-	7,279,780	(7,279,780)	-	-
Reserve revenue	1,749,754	9,605,971	-	9,605,971	9,605,971	-
Contributions	-	-	8,391,172	(8,391,172)	-	-
Changes in net assets	\$ (2)	\$ -	(9,469,425)	\$ 9,469,430	\$ 5	\$ 5
Net assets, beginning of year			84,948,593			
Net assets, end of year			\$ 75,479,168			

San Diego Metropolitan Transit System
San Diego Trolley Incorporated

Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Assets Amounts	Budget Basis Adjustments	Actuals on a Budget Basis	Variance with Final Budget Positive (Negative)
Operating revenues:						
Passenger revenue	\$ 36,829,934	\$ 31,788,272	\$ 33,049,795	\$ -	\$ 33,049,795	\$ 1,261,523
Miscellaneous operating revenues	520,400	536,876	461,740	-	461,740	(75,136)
Total operating revenues	37,350,334	32,325,148	33,511,535	-	33,511,535	1,186,387
Operating expenses:						
Personnel costs	29,958,950	29,525,000	30,183,528	(609,051)	29,574,477	(49,477)
Outside services	3,309,680	3,407,229	3,542,297	-	3,542,297	(135,068)
Materials and supplies	2,921,990	2,714,606	2,590,022	(49,297)	2,540,725	173,881
Energy costs	8,852,731	8,895,418	8,835,822	-	8,835,822	59,596
Risk management	1,960,310	2,198,809	2,383,990	(115,000)	2,268,990	(70,181)
Miscellaneous operating expenses	12,451,063	12,718,045	13,835,523	(1,164,823)	12,670,700	47,345
Depreciation	-	-	72,865,348	(72,865,348)	-	-
Total operating expenses	59,454,724	59,459,107	134,236,530	(74,803,519)	59,433,011	26,096
Operating income (loss)	(22,104,390)	(27,133,959)	(100,724,995)	74,803,519	(25,921,476)	1,212,483

San Diego Metropolitan Transit System
San Diego Trolley Incorporated

Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual, Continued
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts		
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Assets Amounts	Budget Basis Adjustments	Actuals on a Budget Basis
Public support and nonoperating revenues:					
Federal revenue	16,800,000	15,166,500	16,448,841	(931,108)	15,517,733
Transportation Development Act (TDA) funds	304,389	6,967,457	5,637,460	(233,715)	5,403,745
TransNet funds	5,000,000	5,000,000	5,000,000	-	5,000,000
Gain (loss) on disposal of assets	-	-	(126)	126	-
Total public support and nonoperating revenues	22,104,389	27,133,957	27,086,175	(1,164,697)	25,921,478
Income (loss) before contributed capital	(1)	(2)	(73,638,820)	73,638,822	2
Contributions	-	-	23,621,338	(23,621,338)	-
Changes in net assets	(1)	(2)	(50,017,482)	\$ 50,017,484	\$ 2
Net assets, beginning of year			928,448,411		\$ 4
Net assets, end of year			\$ 878,430,929		\$ 4

**San Diego Metropolitan Transit System
San Diego Trolley Incorporated
Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual, Continued
For the Year Ended June 30, 2010**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
of the San Diego Metropolitan Transit System
San Diego, California

We have audited the accompanying basic financial statements of the San Diego Metropolitan Transit System (MTS), as of and for the year ended June 30, 2010, as listed in the table of contents, and have issued our report thereon dated November 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MTS' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies or material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MTS' basic financial statements will not be prevented, or detected and corrected on a timely basis.

To the Board of Directors
of the San Diego Metropolitan Transit System
San Diego, California
Page Two

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

San Diego, California
November 30, 2010

Statistical Section

(Unaudited)

Included in this section of the Metropolitan Transit System comprehensive annual financial report is detailed information to assist in analysis and understanding of the information presented in the financial statements, notes and required supplementary information.

Contents

Financial trends

This schedule contains trend information to help the reader understand how MTS's financial position has changed over time.

Revenue Capacity

These schedules contain detailed information about the fare structures and revenue generated from transit operations provided by MTS.

Debt Capacity

This schedule presents information to help the reader assess the affordability of MTS's current levels of outstanding debt and MTS's ability to issue debt in the future.

Demographic and Economic Information

These schedules provide service and infrastructure data to help the reader understand how the information in MTS's financial report relates to the services MTS provides.

Operating Information

These schedules provide service and infrastructure data to help the reader understand how the information in MTS's financial report relates to the services MTS provides.

FINANCIAL TRENDS

San Diego Metropolitan Transit System

Net Assets by Component

Last Six Fiscal Years

	2010	2009	2008	2007	2006	2005
Governmental activities						
Invested in capital assets, net of related debt	-	-	-	-	111,959,506	420,667,651
Unrestricted	-	-	-	-	35,868,448	185,115,587
Total governmental activities net assets	-	-	-	-	147,827,954	605,783,238
Business-type activities						
Invested in capital assets, net of related debt	1,078,178,383	1,075,104,676	1,079,967,043	1,097,675,395	1,134,242,639	695,486,022
Unrestricted	179,706,020	175,044,216	185,609,462	163,244,170	(33,761,144)	(35,563,034)
Total business-type activities net assets	1,257,884,403	1,250,148,892	1,265,576,505	1,260,919,565	1,100,481,495	659,922,988
Primary government						
Invested in capital assets, net of related debt	1,078,178,383	1,075,104,676	1,079,967,043	1,097,675,395	1,246,202,145	1,116,153,673
Unrestricted	179,706,020	175,044,216	185,609,462	163,244,170	2,107,304	149,552,553
Total primary government net assets	1,257,884,403	1,250,148,892	1,265,576,505	1,260,919,565	1,248,309,449	1,265,706,226

Source: Audited financial statements

Note: In 2007 MTS changed the presentation of its financial statements. MTS determined that all of its activities were truly business-type activities and presented all funds as Enterprise funds in 2007 and all subsequent years.

San Diego Metropolitan Transit System

Changes in Net Assets

Last Six Fiscal Years

	2010	2009	2008	2007	2006	2005
Operating revenues						
Passenger revenue	\$ 84,167,615	\$ 85,192,330	\$ 75,938,626	\$ 68,634,694	\$ 67,579,729	\$ 63,802,747
Advertising	782,986	924,522	1,118,697	1,001,597	838,663	1,339,470
Charter	127,665	68,801	63,435	44,999	30,940	895,092
Miscellaneous operating revenue	4,264,061	4,874,700	3,671,549	3,703,043	1,734,582	18,240
Total operating revenues	<u>89,342,327</u>	<u>91,060,353</u>	<u>80,792,307</u>	<u>73,384,333</u>	<u>70,183,914</u>	<u>66,055,549</u>
Operating expenses:						
Personnel costs	99,096,444	100,357,799	101,347,479	89,750,761	89,075,021	91,485,718
Outside services	63,573,977	65,139,831	64,940,409	62,629,613	57,709,213	70,259,897
Transit operations funding	3,758,340	3,003,698	3,852,449	5,438,052	6,758,525	6,244,510
Materials and supplies	6,680,355	7,190,088	7,590,216	7,266,337	8,157,794	8,756,096
Energy costs	22,892,291	25,283,357	27,210,670	22,767,220	24,304,787	14,140,307
Risk management	4,858,835	4,074,104	3,898,094	5,614,889	5,078,068	5,212,337
Miscellaneous operating expenses	3,571,062	2,052,140	1,974,588	944,296	2,335,990	2,563,968
Amortization of net pension assets	10,415,000	1,555,000	1,500,000	1,455,000	1,415,000	-
Depreciation	98,238,482	75,498,980	85,543,426	74,472,549	66,798,819	49,138,639
Total operating expenses	<u>313,084,786</u>	<u>284,154,997</u>	<u>297,857,331</u>	<u>270,338,717</u>	<u>261,633,217</u>	<u>247,801,472</u>
Operating income (loss)	(223,742,459)	(193,094,644)	(217,065,024)	(196,954,384)	(191,449,303)	(181,745,923)
Public support and nonoperating revenues:						
Grants and contributions	224,506,234	176,978,790	200,879,074	184,332,341	155,746,015	209,482,693
Investment earnings	9,708,051	10,584,251	13,394,279	13,349,080	7,095,384	11,706,567
Indirect cost recovery	-	-	-	-	1,685,026	2,827,481
Interest expense	(12,702,198)	(11,153,556)	(10,666,621)	(14,229,812)	(11,499,050)	(10,312,657)
Gain (loss) on disposal of assets	(69,089)	294,006	87,898	(1,260,113)	(1,800,414)	291,047
Other expenses	(289,006)	(641,552)	(141,711)	(355,528)	(187,452)	(184,767)
Amortization of bond issuance costs	(785,858)	(63,379)	(322,852)	-	-	-
Total public support and nonoperating revenues	<u>220,368,134</u>	<u>175,998,560</u>	<u>203,230,067</u>	<u>181,835,968</u>	<u>151,039,509</u>	<u>213,810,364</u>
Income (loss) before contributed capital	(3,374,325)	(17,096,084)	(13,834,957)	(15,118,416)	(40,409,794)	32,064,441
Capital contribution	11,109,844	1,668,471	18,491,897	27,728,531	23,013,017	30,007,339
Changes in net assets	<u>\$ 7,735,519</u>	<u>\$ (15,427,613)</u>	<u>\$ 4,656,940</u>	<u>\$ 12,610,115</u>	<u>\$ (17,396,777)</u>	<u>\$ 62,071,780</u>

Source: Audited financial statements

Note: In 2007 MTS changed the presentation of its financial statements. MTS determined that all of its activities were truly business-type activities and presented all funds as Enterprise funds in 2007 and all subsequent years.

REVENUE CAPACITY

San Diego Metropolitan Transit System

Operating Revenue by Source (in 000s)

Last Six Fiscal Years

Fiscal Year Ended	Passenger Fares	Federal Operating Funds	State Operating Funds	Local Operating Funds	Interest	Other
San Diego Transit						
2005	\$ 21,383	\$ 14,200	\$ 25,862	\$ 7,278	\$ 68	\$ 800
2006	22,264	15,000	23,415	13,383	129	(526)
2007	22,298	15,000	29,360	9,901	63	1,115
2008	23,680	13,934	21,863	10,507	-	868
2009	27,882	17,177	24,496	14,416	-	271
2010	26,708	18,267	16,249	21,456	-	31
San Diego Trolley						
2005	25,855	10,651	1,741	8,279	-	880
2006	27,934	12,788	7,415	6,000	-	695
2007	27,402	15,325	6,279	6,000	-	469
2008	31,120	13,881	4,479	6,000	-	664
2009	33,454	16,616	787	7,043	-	997
2010	33,050	16,449	5,637	5,000	-	462
MTS - Contract Services						
2005	16,564	711	31,703	2,136	-	-
2006	17,382	-	137	455	-	(345)
2007	18,935	200	36,300	1,778	-	(974)
2008	21,138	921	38,020	1,285	-	75
2009	23,857	4,681	29,581	1,456	-	64
2010	24,410	10,420	21,524	1,636	-	47

Source: Audited financial statements

San Diego Metropolitan Transit System

Fare Structure

	2010	2009	2008	2007
Bus Cash Fares				
One-way fare, local routes	\$ 2.25	\$ 2.25	\$ 2.00	\$ 1.75
Senior/disabled, local routes	1.10	1.10	-	-
Urban	-	-	2.25	2.25
Express	2.50	2.50	2.50	2.50-4.00
Senior/disabled Express	1.25	1.25	-	-
Premium	5.00	5.00	5.00	-
Senior/disabled Premium	2.50	2.50	-	-
Rural bus	5.00-10.00	5.00-10.00	5.00-10.00	-
Senior/disabled Rural bus	2.50- 5.00	2.50- 5.00	-	-
Sorrento Valley Coaster Connection	-	1.00	-	-
Senior/disabled Coaster Connection	-	0.50	-	-
Shuttles	-	-	1.00	1.00
Senior Disabled	-	-	1.00	1.00
Trolley Cash Fares				
One-way fare, all stations	2.50	2.50	-	-
Senior/disabled one-way fare all stations	1.25	1.25	1.00	1.00
Downtown	-	1.25	1.25	1.25
Senior/disabled Downtown	-	0.60	-	-
1 station-20+ stations	-	-	1.50-3.00	1.50-3.00
Bus and Trolley Day Passes				
Regional day pass	5.00	-	-	-
Region plus day pass	14.00	-	-	-
Bus and Trolley Monthly Passes				
Regional monthly pass	72.00	68.00	64.00	-
Senior/disabled Regional	18.00	17.00	16.00	14.50
Youth Regional	36.00	34.00	32.00	29.00
Half-month/14-Day	43.00	41.00	-	-
Premium monthly pass	100.00	90.00	-	-
Senior/disabled Premium	25.00	22.50	-	-
Youth Premium	50.00	45.00	-	-
Half-month/14-Day	60.00	54.00	-	-
Local/Urban Bus/Express/Trolley	-	-	-	58.00
Express Bus (multi-zones)	-	-	-	64.00-84.00

SOURCE: SANDAG Comprehensive Fare Ordinance, amendments effective July 1, 2009.

San Diego Metropolitan Transit System

Farebox Recovery Percentages

Last Six Fiscal Years

<u>Fiscal Year Ended</u>	<u>San Diego Transit</u>	<u>San Diego Trolley</u>	<u>MTS-Contract Services</u>
2005	26.67	54.25	31.97
2006	30.38	50.78	31.96
2007	30.44	48.97	33.05
2008	29.59	55.62	34.40
2009	34.31	57.15	40.00
2010	28.70	54.26	42.06

SOURCE: Audited financial statements; calculated as passenger revenue divided by operating expenses

DEBT CAPACITY

San Diego Metropolitan Transit System

Ratio of Outstanding Debt by Type

Last Six Fiscal Years

Year ended June 30	Capital Lease- Tower	Capital Lease- Equipment	1990 LRV Sale/Leasebac k	1995 LRV Lease/Leaseba ck	Certificates of Participation 2002	Certificates of Participation 2003	Pension Obligation Bonds	Total	Percentage of Personal Income	Debt per Capita
2005	\$ 8,940,118	\$ -	\$ 15,878,727	\$125,774,762	\$ 10,985,000	\$ 32,850,000	\$77,490,000	\$271,918,607	0.54%	126
2006	8,516,304	319,719	13,174,798	124,775,518	7,430,000	26,065,000	76,075,000	256,356,339	0.52%	117
2007	8,075,925	255,113	3,823,388	123,699,432	3,770,000	19,155,000	74,620,000	233,398,858	0.47%	105
2008	7,617,599	187,737	-	122,540,596	-	-	73,120,000	203,465,932	0.38%	91
2009	7,141,326	117,471	-	121,292,644	-	-	71,565,000	200,116,441	0.41%	89
2010	6,647,108	44,190	-	119,948,726	-	-	61,150,000	187,790,024	0.38%	82

Details regarding MTS' outstanding debt can be found in the notes to the financial statements.

MTS retired three financial obligations in FY 2008

MTS made a \$8.8 million principal payment on the variable rate Pension Obligation Bonds and refunded the remaining \$30 million balance in FY 2010

DEMOGRAPHIC AND ECONOMIC STATISTICS

San Diego Metropolitan Transit System
Regional Population and Personal Income Statistics
Last Six Fiscal Years

	MTS Service Area Population	MTS Service Area Personal Income (thousands)	Per Capital Personal Income	San Diego County Average Unemployment Rate
	(1)	(2)		(3)
2005	2,154,170	50,408,033	23,400	4.70%
2006	2,188,817	49,149,338	22,455	4.10%
2007	2,197,243	50,827,435	23,132	4.80%
2008	2,227,386	53,006,520	23,798	4.80%
2009	2,250,246	49,293,508	21,906	10.20%
2010	2,287,701	49,248,685	21,528	10.50%

SOURCES:

(1) San Diego Association of Governments, January 2010 Estimates

(2) FY 2010 data is not currently available

Estimate based on the statewide decrease of personal income of .0191% between June 30, 2009 and June 30, 2010
Percentage was obtained through the U.S. Department of Commerce website

(3) California Employment Development Department, June 2010

San Diego Metropolitan Transit System

Full-Time and Part-Time Employees by Function

Full-time and Part-time Employees at June 30

<u>Function</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
MTS	110	114	117	121	90	73
San Diego Transit	782	824	844	866	880	927
San Diego Trolley	<u>528</u>	<u>530</u>	<u>533</u>	<u>527</u>	<u>539</u>	<u>528</u>
Total	<u><u>1,420</u></u>	<u><u>1,468</u></u>	<u><u>1,494</u></u>	<u><u>1,514</u></u>	<u><u>1,509</u></u>	<u><u>1,528</u></u>

Source: MTS payroll records

San Diego Metropolitan Transit System

Ten Largest Employers in San Diego County

Company Name	Number of Employees (1)	Percent of 1,407,800 County Total (2)
Federal Government	38,900	3.08%
State of California	38,700	2.97%
University of California, San Diego	26,654	2.89%
San Diego Unified School District	21,073	
County of San Diego	16,803	1.45%
Sharp Healthcare	13,175	1.38%
City of San Diego	12,384	1.12%
Scripps Health	10,617	1.02%
Kaiser Permanente	7,121	0.90%
U.S. Postal Service	6,464	0.78%

Source:

(1) San Diego Regional Chamber of Commerce

(2) Employment Development Department, State of California

Note: County of San Diego employment information is presented. Employer information is not currently available for the area served by the Metropolitan Transit System within San Diego County.

OPERATING INFORMATION

San Diego Metropolitan Transit System

Operating Indicators by Function

Last Six Fiscal Years

	2010	2009	2008	2007	2006	2005
Operating Cost:						
San Diego Transit	\$ 93,056,640	\$ 81,271,392	\$ 80,031,464	\$ 73,256,992	\$ 73,284,403	\$ 80,187,053
San Diego Trolley	60,912,966	58,536,769	55,949,228	55,951,561	55,014,599	47,661,707
MTS-Contract Services	58,037,290	59,639,023	61,450,734	57,286,732	54,387,095	51,815,445
Farebox Revenue:						
San Diego Transit	\$ 26,708,013	\$ 27,881,541	\$ 23,680,179	\$ 22,297,629	\$ 22,263,739	\$ 21,383,095
San Diego Trolley	33,049,793	33,453,633	31,120,169	27,401,733	27,933,766	25,855,241
MTS-Contract Services	24,409,802	23,857,156	21,138,278	18,935,332	17,382,224	16,564,407
Total Passengers:						
San Diego Transit	\$ 26,920,502	\$ 29,762,278	\$ 28,094,257	\$ 26,075,859	\$ 24,889,685	\$ 24,426,571
San Diego Trolley	30,468,981	36,928,284	37,620,944	35,114,385	33,829,833	29,334,362
MTS-Contract Services	21,974,169	21,819,699	21,460,283	21,142,942	18,907,112	18,448,621
Revenue Miles:						
San Diego Transit	\$ 8,618,051	\$ 9,221,197	\$ 9,522,460	\$ 9,622,029	\$ 9,958,013	\$ 10,087,350
San Diego Trolley	7,848,443	7,894,528	8,002,889	7,940,011	8,180,189	7,060,498
MTS-Contract Services	11,449,530	12,178,979	12,501,267	12,453,692	12,241,939	12,701,361
Subsidy / Total Passenger						
San Diego Transit	\$ 2.46	\$ 1.79	\$ 2.01	\$ 1.95	\$ 2.05	\$ 2.41
San Diego Trolley	0.91	0.68	0.66	0.81	0.80	0.74
MTS-Contract Services	1.53	1.64	1.88	1.81	1.96	1.91

Source: NTD Report, and audited financial statements

San Diego Metropolitan Transit System

Service Performance Data

Last Six Fiscal Years

Service Provided	2010	2009	2008	2007	2006	2005
San Diego Transit						
Vehicle Revenue Miles	8,618,051	9,221,197	9,522,460	9,622,029	9,958,013	10,089,671
Vehicle Revenue Hours	788,140	843,438	870,432	853,044	840,408	829,742
Passengers	26,920,502	29,762,278	28,094,257	26,075,859	24,889,685	24,425,116
Passenger Miles	98,162,772	107,408,405	100,255,833	98,202,798	93,579,662	93,745,993
Number of Vehicles	238	247	267	267	274	280
San Diego Trolley						
Vehicle Revenue Miles	7,848,443	7,894,528	8,002,889	7,940,011	8,180,189	7,060,498
Vehicle Revenue Hours	430,886	409,519	439,377	432,440	468,829	368,184
Passenger Car Hours	437,565	416,147	445,277	438,555	480,396	379,050
Passengers	30,468,981	36,928,284	37,620,944	35,114,385	33,829,833	29,334,362
Passenger Miles	186,509,312	220,638,983	206,923,846	207,726,689	208,875,499	187,987,995
Number of Vehicles	134	133	134	134	134	123
MTS-Contract Services						
Vehicle Revenue Miles	11,449,530	12,178,979	12,501,267	12,453,692	12,241,939	12,701,361
Vehicle Revenue Hours	945,717	985,709	1,018,879	995,636	927,652	946,314
Passengers	21,974,169	21,819,699	21,460,283	21,142,942	18,907,112	18,448,621
Passenger Miles	79,236,564	80,104,104	77,173,278	78,303,615	73,343,433	69,957,802
Number of Vehicles	369	388	358	348	337	357
Total						
Passengers	79,363,652	88,510,261	87,175,484	82,333,186	77,626,630	72,208,099
Passenger Miles	363,908,648	408,151,492	384,352,957	384,233,102	375,798,594	351,691,790

Source:

NTD Report and MTS internal capital assets system

San Diego Metropolitan Transit System

Capital Assets Statistics by Function

Last Six Fiscal Years

	2010	2009	2008	2007	2006	2005
General Operations						
Buildings and structures	1	1	1	1	1	1
Nonrevenue vehicles	5	7	7	10	10	12
San Diego Transit						
Land (parcels)	2	2	2	2	2	2
Buildings and structures	2	2	2	2	2	2
Buses	238	247	267	267	274	280
Nonrevenue vehicles	32	39	53	47	45	49
San Diego Trolley						
Trolley stations	54	54	54	54	54	50
Track miles	54	54	54	54	54	49
Light rail vehicles (total inventory)	134	133	134	134	134	123
Nonrevenue vehicles	51	68	72	69	58	78
MTS - Contracted Services						
Land (parcel)	1	1	1	1	1	1
Buildings and structures	3	3	3	1	1	1
Buses	369	388	358	348	337	357
Nonrevenue vehicles	7	7	9	4	2	2
Taxicab Administration						
Buildings and structures	1	1	1	1	1	1
Nonrevenue vehicles	3	3	3	2	1	1

Source: MTS internal capital asset system

San Diego Metropolitan Transit System

Ridership

Last Six Fiscal Years

	2010	2009	2008	2007	2006	2005
Ridership (in 000's)						
San Diego Transit	26,921	29,762	28,094	26,076	24,890	24,427
% Change	-9.55%	5.94%	7.74%	4.77%	1.90%	
San Diego Trolley	30,469	36,928	37,621	35,114	33,830	29,334
% Change	-17.49%	-1.84%	7.14%	3.80%	15.32%	
MTS - Contract Services	21,974	21,820	21,460	21,142	18,907	18,449
% Change	0.71%	1.67%	1.50%	11.82%	2.49%	

Source: NTD Report

San Diego Metropolitan Transit System

Operating Subsidy

Last Six Fiscal Years

	2010	2009	2008	2007	2006	2005
Average Fare per Rider						
San Diego Transit	0.99	0.94	0.85	0.86	0.90	0.88
San Diego Trolley	1.08	0.91	0.83	0.78	0.83	0.88
MTS - Contract Services	1.11	1.09	0.98	0.90	0.92	0.90
Operating Expense per Rider						
San Diego Transit	3.46	2.55	2.69	2.62	2.74	3.20
San Diego Trolley	2.00	1.64	1.54	1.59	1.63	1.62
MTS - Contract Services	2.64	2.73	2.86	2.71	2.88	2.81
Subsidy per Rider						
San Diego Transit	2.46	1.79	2.01	1.95	2.05	2.41
San Diego Trolley	0.91	0.68	0.66	0.81	0.80	0.74
MTS - Contract Services	1.53	1.64	1.88	1.81	1.96	1.91

Source: NTD report and Audited financial statements



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 30

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

SRTP 835

December 9, 2010

SUBJECT:

MTS: REGIONAL TRANSPORTATION PLAN REVENUE-CONSTRAINED
SCENARIOS (SHARON COONEY, DENIS DESMOND, AND DAVE SCHUMACHER OF
SANDAG)

RECOMMENDATION:


That the Board of Directors support the Hybrid Preferred Revenue-Constrained Scenario
for use in the 2050 Regional Transportation Plan.

Budget Impact

None.

DISCUSSION:

Based on revenue projections through 2050, San Diego Association of Governments (SANDAG) staff has developed various scenarios for the Regional Transportation Plan using prioritized project lists and other factors. On November 18, SANDAG staff presented these scenarios to the Board, and the Board directed staff to collaborate with SANDAG on an alternative scenario that reflects the Board's comments. Agency staffs have worked together to create a new hybrid scenario that will be presented to the Board at this meeting. A draft of the proposed scenario will be distributed to the Board under separate cover.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, sharon.cooney@sdmts.com

DEC9-10.30.RTP.SCOONEY.doc

1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490 • (619) 231-1466 • www.sdmts.com

Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.





1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 31

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

CIP 1210002

December 9, 2010

SUBJECT:

MTS: SIEMENS LIGHT RAIL VEHICLE (LRV) PROCUREMENT - CONTRACT
AMENDMENT (WAYNE TERRY)

RECOMMENDATION:

That the Board of Directors:

1. authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L0914.5-10 (in substantially the same format as Attachment A) retrofitting MTS's existing fleet of SD 100s to be communications compatible; and
2. increase the total budget for the procurement of low-floor vehicles (LRVs) from \$236,000,000 to \$240,000,000 and amend the San Diego Association of Governments (SANDAG) LRV procurement funding Memorandum of Understanding (MOU) (in substantially the same format as Attachment B).

Budget Impact

The total budget for the Blue and Orange Line Rehabilitation Project is currently set at \$619,327,000. The purchase of low-floor vehicles is part of this project, and the line item for their procurement is currently \$236,000,000.



Expenditures on the project to date are as follows:

Amendment No.	Purpose	Cost
Base Contract	Purchase 57 vehicles	\$205,200,000
Base Contract	Sales tax on 57 vehicles	\$17,955,000
1	Name changes	\$0
2	Purchase spare parts	\$6,539,157.21
3	Modify subsuppliers	\$1,389,658
4	Add bidirectional train-to-wayside communications	\$198,360
	Sales tax on Amendment Nos. 2, 3, and 4	\$711,128
5	Install compatible communications system in existing fleet	\$4,627,484
	Sales tax on Amendment No. 5	\$404,905
Total:		\$237,025,692

DISCUSSION:

On March 5, 2009, in conjunction with SANDAG staff, MTS presented the Executive Committee with findings from the consultants' assessment of the light rail system's low-floor capability and vehicle procurement needs. On March 19, the staffs of the two agencies presented to the Executive Committee a recommended implementation plan for execution of the Blue and Orange Line Rehabilitation Project and LRV procurement. On March 26, the Board of Directors received a report and provided direction to staff regarding the consultant's recommendation for the procurement of shorter (82 feet v. 90 feet) LRVs and the Orange and Blue Line rehabilitation strategy based on funding availability and a project priority plan and phasing program.

Staff completed an agreement in August with the Utah Transit Authority to assume an option for a minimum of 57 (and up to 65) low-floor LRVs under its existing contract with Siemens. The CEO then conducted a two-day negotiation session with Siemens. The new S70US LRVs will be compatible with the existing fleet of 11 S70s and 52 SD 100s allowing the agency to operate low-floor LRVs on every consist in the system. The S70US LRVs mirror the look of the existing S70 fleet with respect to design and aesthetics with a car body length that is approximately 8 feet shorter to accommodate small block lengths in downtown San Diego.

On September 24, 2009, the Board of Directors authorized the CEO to execute a contract with Siemens to procure the vehicles contingent upon completion of Federal Transit Administration (FTA) procurement requirements as well as execution of MOU with SANDAG to fully fund the procurement. The contract with Siemens was executed on September 30, 2009, in the amount of \$224,000,000 along with an MOU between MTS and SANDAG to fully fund the procurement of the 57 LRVs.

On October 1, 2009, due to an internal reorganization, MTS executed Amendment No. 1 to the contract changing the name from Siemens Transportation Systems, Inc., to Siemens Industry, Inc. (Siemens). Siemens provided updated insurance certificates and a Parent Company Guaranty while the Performance and Payment Bond was being reviewed. A Notice to Proceed (NTP) with the work was issued at the close of business on September 30, 2009.

Staff then began the process of creating a spare-parts inventory necessary in order to operate the new fleet of LRVs. By procuring spare parts at the same time the major component parts orders were being placed, MTS was able to take advantage of lower pricing. The amount of spare parts was included in the original Board approval amount of \$224,000,000. The CEO executed Amendment No. 2 on March 3, 2010, in the amount of \$4,224,249 for spare parts.

Amendment No. 3 modified the suppliers for the exterior destination signs and the interior lighting and was previously approved by the Board on April 22, 2010.

Staff has continued to negotiate with Siemens to further refine the list of spare parts, special tools, and training modules. Revised Amendment No. 2 added approximately \$2,300,000 of additional spare parts necessary to operate the new vehicles efficiently and effectively, special tools, and a training module. Amendment No. 4 added bidirectional train-to-wayside communications to each vehicle. Revised Amendment No. 2 and Amendment No. 4 were approved by the Board on July 15, 2010.

The current contract with Siemens specifies that the new 57 vehicles must have communications compatibility with the existing fleet of SD 100s. As the Board is aware, the current fleet has experienced significant problems with the current communications system—especially when vehicles are coupled together. This often makes operator announcements very difficult to hear or simply inoperable.

In order to make the vehicles compatible, MTS needs to retrofit the SD 100s by installing a new and greatly improved communications system. Amendment No. 5 proposes to modify MTS's fleet of SD 100s at a cost of \$88,990 per car for a total cost of \$4,627,484. The Procurement Department has prepared a detailed cost analysis (Attachment C) for the communication system installation.

Approval of this amendment would also require an adjustment to the project budget. The total current budget for the procurement of LRVs is \$236,000,000. Authorizing the CEO to execute the new amendments would place the total project expenditures at \$237,025,692. Therefore, staff is also recommending that the Board authorize an increase of \$4,000,000 for the LRV procurement.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contacts: Wayne Terry, 619.595.4906, wayne.terry@sdmts.com

DEC9-10.31.SIEMENS LRV PROCUREMENT.WTERRY.doc

Attachments: A. Draft MTS Document No. L0914.5-10
B. Revised SANDAG LRV Procurement Funding MOU
C. Fair and Reasonable Price Analysis

DRAFT

December 9, 2010

MTS Doc. No. L0914.5-10
OPS 970.6, CIP 1210002

Mr. Oliver Hauck
President & CEO
Siemens Industry, Inc.
7464 French Road
Sacramento, CA 95828

Dear Mr. Hauck:

Subject: AMENDMENT NO. 5 TO MTS DOC. NO. L0914.0-10 - PROCUREMENT OF 57
ULTRASHORT LOW-FLOOR VEHICLES

This amendment shall serve to modify our agreement for the procurement of 57 ultrashort low-floor vehicles from Siemens Industry, Inc., as further described below.

SCOPE OF SERVICES

Add the following items or make the following changes to the contract:

Communications System: Retrofit the existing SD 100 light rail vehicles in MTS's current fleet with a passenger information system that will provide compatibility of the communications systems with the new 57 ultrashort low-floor vehicles that MTS is purchasing as part of this Agreement. The Scope of Work for the services, which details the work to be completed by Siemens and MTS (or its Contractors), is attached to this contract amendment as Exhibit A. The Scope of Work also outlines the conditions under which the work is to be completed.

SCHEDULE

The schedule for the installation of the passenger information system is included in the attached Scope of Work.

PAYMENT

Contractor shall be entitled to a total payment of \$4,627,484 for installing the compatible passenger information system in 52 vehicles. Applicable sales tax for this amendment is included in the prices set forth herein. The payment milestones are as follows:

1. 30% of this contract amendment value (\$1,388,245) at the placement of the Siemens purchase orders for the main components of the communications system (Comm. Control Unit, Automatic Announcement Control Panel, and the Audio Control Head)
2. 10% of this contract amendment value (\$462,748) at the beginning of the installation work on the first vehicle.
3. 60% of the remaining contract amendment value prorated per vehicle (\$53,394 per vehicle) and payable upon the completion of each vehicle.

WARRANTY

Warranty for the work performed under this contract amendment shall be 12 months with standard warranty for parts and labor commencing upon the conditional acceptance of each vehicle.

Letter to Oliver Hauck
December 9, 2010
Page 2 of 2

If you agree with the above, please sign in the space provided below and return the document marked "Original" to the Contracts Specialist at MTS. All other terms and conditions shall remain the same and in effect. Retain the other copy for your records.

Sincerely,

Accepted:

Paul C. Jablonski
Chief Executive Officer

Oliver Hauck, President & CEO
Siemens Industry, Inc.

Date: _____

DEC9-10.31.AttA.SIEMENS
CONTRACTAMD5.TLOREN.doc

Juergen Wilder
VP & General Manager Rolling Stock
Siemens Industry, Inc.

Date: _____

Attachment: Exhibit A – Scope of Work

San Diego SD100 Fleet: Communications System Compatibility Upgrade - Revised Price Estimate, Nov. 4th, 2010**Confidential: DISCLOSURE TO ANY THIRD PARTY WITHOUT EXPRESSED CONSENT OF SIEMENS IS STRICTLY PROHIBITED****Price**

<u>Fleet Price</u>	\$4,627,484	Total Price for fleet of 52 vehicles, does not include Sales Tax
<u>Average Per-Vehicle price</u>	\$88,990	Assumes overall fleet of 52 vehicles to be successively modified

Assumptions and Terms

Price Basis	Price based on Award in 2010 and installation beginning before July 2011; escalation will apply to later installation work	
Payment terms	30% 10% 60%	At placement of purchase order for main Comms Equipment At beginning of installation first vehicle Pro-rated upon completion of each vehicle
Availability of vehicles	2 vehicles available at all times, down-time charges to apply incase of missing availability. Vehicle movements for positioning and testing to be done by MTS personnel at no charge to Siemens.	
Warranty	Standard 12 month Warranty on Parts and Labor	
Facilities for performing retrofit	Dedicated workspace, at no charge to Siemens, to work on vehicles with access to underfloor and roof in the San Diego Maintenance facility has been assumed. Exclusive use of the existing office trailer and space to install a parts container (e.g Connex / Ocean container type), free of charge to Siemens.	
Schedule:	On-Site work to begin approx. 7 months after NTP First vehicle completed within 2 months of beginning of installation Testing of first vehicles within 3 months of beginning of installation 4 vehicles per month following completion of first 5 vehicles	

Scope - description and assumptions

Compatibility	Retrofit will provide passenger information system (PIS) compatibility between existing SD100 vehicles and 57 new S70 vehicles (San Diego 8 Order). No compatibility between existing 11 S70 (San Diego 7) or 71 U2 Vehicles has been considered. Modified SD100 vehicles will not be PIS compatible with unmodified vehicles or with U2 Vehicles.
GPS supported positioning	GPS supported positioning for the SD100 vehicles is not included in the base price but is available as an option, if ordered with overall system. Without GPS, operation from a leading SD100 in a train consist will require manual triggering of station announcements by the train operator. These will be automated for the entire train if the S70 is the leading vehicle.
Existing Speakers / Microphones	Concept assumes that existing speakers and Microphones are present, in working order and are re-usable
Existing Trainlines	To save costs, the efforts and hardware required to install new trainlines has been deleted from the scope
MTS Supplied Scope	To save costs, in accordance with discussions with MTS, this price estimate assumes that the work outlined in the attached Scope document will be done by MTS own personnel, at no cost to Siemens.
Ethernet across Articulation	To be installed by third party at no cost to Siemens; non-terminated cable ends to be provided at both sides of articulation in corner hatch areas

Work to be accomplished by MTS for communications upgrade		Notes:
1. Removal and disposal of all of the following equipment from each SD100 LRV		
<ul style="list-style-type: none"> a. Front and Side Destination signs (both Ends) b. CCU (Communication Control Unit) from each Cab c. ODK (Operators Display Konsole) from each Cab d. SCU (Sign Control Unit) e. Power Amplifier (from B-End) f. Vital Box (from B-End) g. Terminal Strip/Patch panel (from B-End) h. Message Units (from both ends) Disposal of all items		All work to be accomplished within first two days of each vehicle cycle.
2. Removal and Delivery to Siemens Staff of the following equipment:		
<ul style="list-style-type: none"> a. All interior Speakers (from both ends) b. All exterior speakers (from both ends) c. PEI (Passenger Emergency Intercom Unit) from each end d. Cab Speakers (from each Cab) Logistics time		All work to be accomplished within first two days of each vehicle cycle.
3. Following Siemens modification, remounting of following equipment (mechanical only)		
<ul style="list-style-type: none"> a. All interior speaker units (in both ends) b. All Exterior Speaker units (in both ends) c. PEI (Passenger Emergency Intercom Unit) on each end. d. Cab Speaker (in each cab) Logistics time		All work outlined in # 3 to be accomplished within 2 days of return of equipment to MTS
4. Insertion of Cabling across the Articulation (Siemens to provide cables)		
<ul style="list-style-type: none"> a. Wiring to be left on each side of articulation, location to be defined during design phase, Siemens to connect cabling. 		This work may be executed by 3rd party supplier. Work to be finished in advance of starting modification on each vehicle.
General Notes:		
All wiring to be left intact - Siemens crew to modify Some modifications possible if there is mutual benefit for MTS and Siemens - to be developed during design phase Siemens and MTS to work together on vehicles at same time. Siemens to direct the work to avoid space constraints/conflicts		

**AMENDMENT 2 TO MEMORANDUM OF UNDERSTANDING BETWEEN SAN DIEGO
ASSOCIATION OF GOVERNMENTS AND METROPOLITAN TRANSIT SYSTEM
REGARDING FUNDING AND PROCUREMENT OF LOW-FLOOR LIGHT RAIL VEHICLES
SANDAG CONTRACT NO. 5001344**

This Amendment 2 to the Memorandum of Understanding ("MOU") is made and entered into effective as of this ___ day of December, 2010, by and between the San Diego Association of Governments ("SANDAG") and the Metropolitan Transit System ("MTS").

AGREEMENT

WHEREAS, MTS proposes to amend its agreement with Siemens to allow for the procurement and installation of a compatible communication system at a cost of \$4,600,000 necessary to operate the new light rail vehicles for the Project in the same consists as the existing MTS SD100 vehicles; and

WHEREAS, the parties agree that these amendments to the Siemens agreement, which would total approximately \$4,600,000, are in the best interest of the parties and that therefore the funding SANDAG is to provide to MTS for the Project should be increased accordingly along with an additional \$2,400,000 to cover sales tax and miscellaneous changes that may occur through the end of the project;

NOW THEREFORE, in consideration of the mutual promises set forth herein, the parties agree as follows:

I. SANDAG AGREES:

1. To increase the not-to-exceed amount for the manufacture, delivery, sales tax, testing and commissioning, training, and supply of spare parts and special tools for 57 new US70 light rail vehicles, including changes or claims resulting from any contract(s) with Siemens or its suppliers, contractors, or consultants involved in the manufacture, delivery, testing, commissioning, or training directly related to the manufacture and acceptance of these light rail vehicles from \$236,000,000 to \$240,000,000. In the event that MTS believes that this amount will be exceeded, it will notify SANDAG, and the parties will meet to discuss whether an amendment to this MOU is appropriate.

All other terms and conditions of the original MOU shall remain the same.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment 2 effective on the day and year first above written.

SAN DIEGO ASSOCIATION OF GOVERNMENTS

METROPOLITAN TRANSIT SYSTEM

GARY L. GALLEGOS

Executive Director

APPROVED AS TO FORM:

PAUL C. JABLONSKI

Chief Executive Officer

APPROVED AS TO FORM:

Office of General Counsel

Office of General Counsel

Date December 9, 2010
To Procurement Department
From Marco B Yniguez
Subject **Price Analysis for Communication System Retrofit Contract Number L0914.5-10**

In September 2009, MTS entered into negotiations with Siemens Transportation Inc. to procure Siemens Ultra Short S70 Low Floor Light Rail Vehicles (LRV) utilizing Utah Transit Authority (UTA) Contract No. UT07-042VT. This contract specifies that the new 57 vehicles must be capable of communicating with the existing fleet of SD-100s and S70s. The SD-100 fleet has experienced significant problems with the communications systems, especially when vehicles are in revenue service. This often makes announcements very difficult to hear for passengers not seated in the first LRV vehicle. MTS must retrofit the current LRV fleet by installing new Interalia communication equipment to make all three types of vehicles compatible.

Per FTA Circular 4220.1F, a price analysis is required for each negotiated procurement conducted under this statute. MTS staff conducted a price analysis by contacting Utah Transit Authority and inquiring about the procurement history of communication equipment. MTS staff utilized the information to evaluate and compare pricing. After comparing pricing for communication equipment, MTS staff found the pricing provided by Siemens was lower than UTA communication equipment parts lists from 24 months ago. Modification of the current fleet will cost \$88,990.00 per car compared to Utah Transit Authority at \$94,517.94 per car, a six (6%) percent savings per car.

Based on the above information, MTS staff has concluded that the cost for the new communication equipment and installation offered by Siemens is fair and reasonable for the total amount of \$ 4,627,484.00.



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 46

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

December 9, 2010

SUBJECT:

MTS: OPERATIONS BUDGET STATUS REPORT FOR OCTOBER 2010 (MIKE THOMPSON)

RECOMMENDATION:

That the Board of Directors receive a status report on MTS's operations budget for October 2010.

Budget Impact

None at this time.

DISCUSSION:

This report summarizes MTS's operating results for October 2010 compared to the approved fiscal year 2011 budget. Attachment A-1 combines the operations, administration, and other activities results for October 2010. Attachment A-2 details the October 2010 combined operations results, and Attachments A-3 to A-8 present budget comparisons for each MTS operation. Attachment A-9 details budget comparisons for MTS Administration, and A-10 provides October 2010 results for MTS's other activities (Taxicab/San Diego and Arizona Eastern Railway Company/debt service).

MTS NET-OPERATING SUBSIDY RESULTS

As indicated within Attachment A-1, the year-to-date October 2010 MTS net-operating subsidy unfavorable variance totaled \$1,533,000 (-4.1%). Operations produced a



\$2,350,000 (-6.3%) unfavorable variance, and the administrative/other activities areas were favorable by \$817,000.

MTS COMBINED RESULTS

Revenues

Year-to-date combined revenues through October 2010 were \$29,989,000 compared to the year-to-date budget of \$31,064,000 representing a \$1,076,000 (-3.5%) negative variance. This is primarily due to unfavorable variance within passenger revenue.

Expenses


Year-to-date combined expenses through October 2010 were \$70,633,000 compared to the year-to-date budget of \$70,214,000 resulting in a \$419,000 (-0.6%) unfavorable variance.

- Personnel Costs. Year-to-date personnel-related costs totaled \$35,499,000 compared to a year-to-date budgetary figure of \$35,069,000 producing an unfavorable variance of \$431,000 (-1.2%). This is primarily due to unfavorable year-to-date variances within transit service operations due to pension costs. As brought to the Board previously, the transit pension rate is 22.71% versus a budgetary assumption of 17%, and this will continue to cause a variance until the budget is amended at midyear.
- Outside Services and Purchased Transportation. Total outside services for the first four months of the fiscal year totaled \$23,199,000 compared to a budget of \$23,332,000 resulting in a year-to-date favorable variance of \$133,000 (0.6%). This is primarily due to favorable variances within Administration outside services partially offset by unfavorable purchased transportation variances within paratransit operations.
- Materials and Supplies. Total year-to-date materials and supplies expenses totaled \$2,644,000 compared to a budgetary figure of \$2,365,000 resulting in an unfavorable expense variance of \$280,000 (-11.8%). This is primarily due to materials and supplies unfavorable variances within rail operations.
- Energy. Total year-to-date energy costs were \$7,304,000 compared to the budget of \$7,406,000 resulting in a year-to-date favorable variance of \$102,000 (1.4%). Year-to-date diesel prices averaged \$2.426 per gallon compared to the budgetary rate of \$2.600 per gallon. Year-to-date compressed natural gas prices averaged \$0.902 per therm compared to the budgetary rate of \$0.941 per therm.
- Risk Management. Total year-to-date expenses for risk management were \$1,298,000 compared to the year-to-date budget of \$1,377,000 resulting in a favorable variance totaling \$79,000 (5.7%).

- General and Administrative. Year-to-date general and administrative costs, including vehicle and facilities leases, were \$22,000 (-3.3%) unfavorable to budget totaling \$687,000 through October 2010 compared to a year-to-date budget of \$665,000.

YEAR-TO-DATE SUMMARY

The October 2010 year-to-date net-operating subsidy totaled an unfavorable variance of \$1,533,000 (-4.1%). These factors include unfavorable variances in passenger revenue, materials and supplies, and personnel costs partially offset by favorable variances in energy, outside services, and risk management.


Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Mike Thompson, 619.557.4557, mike.thompson@sdmts.com

DEC9-10.46.OPS BUDGET OCTOBER.MTHOMPSON.doc

Attachment: A. Comparison to Budget

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

**MTS
CONSOLIDATED**

Att. A, AI 46, 12/9/10

**COMPARISON TO BUDGET - FISCAL YEAR 2011
OCTOBER 31, 2010
(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Passenger Revenue	\$ 29,989	\$ 31,064	\$ (1,076)	-3.5%
Other Revenue	1,971	2,009	(38)	-1.9%
Total Operating Revenue	\$ 31,959	\$ 33,073	\$ (1,114)	-3.4%
Personnel costs	\$ 35,499	\$ 35,069	\$ (431)	-1.2%
Outside services	23,199	23,332	133	0.6%
Transit operations funding	-	-	-	-
Materials and supplies	2,644	2,365	(280)	-11.8%
Energy	7,304	7,406	102	1.4%
Risk management	1,298	1,377	79	5.7%
General & administrative	492	431	(61)	-14.1%
Vehicle/facility leases	195	234	39	16.5%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	(0)	(0)	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 70,633	\$ 70,214	\$ (419)	-0.6%
Operating income (loss)	\$ (38,673)	\$ (37,141)	\$ (1,533)	-4.1%
Total public support and nonoperating revenues	(84)	(160)	76	-47.3%
Income (loss) before capital contributions	\$ (38,757)	\$ (37,300)	\$ (1,457)	3.9%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

OPERATIONS

Att. A, AI 46, 12/9/10

CONSOLIDATED OPERATIONS

COMPARISON TO BUDGET - FISCAL YEAR 2011

OCTOBER 31, 2010

(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Passenger Revenue	\$ 29,989	\$ 31,064	\$ (1,076)	-3.5%
Other Revenue	123	262	(138)	-52.9%
Total Operating Revenue	\$ 30,112	\$ 31,326	\$ (1,214)	-3.9%
Personnel costs	\$ 31,346	\$ 30,526	\$ (820)	-2.7%
Outside services	20,324	20,063	(261)	-1.3%
Transit operations funding	-	-	-	-
Materials and supplies	2,637	2,358	(279)	-11.8%
Energy	7,163	7,164	1	0.0%
Risk management	1,085	1,259	174	13.8%
General & administrative	104	103	(2)	-1.7%
Vehicle/facility leases	147	198	51	25.8%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	7,073	7,073	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 69,878	\$ 68,743	\$ (1,136)	-1.7%
Operating income (loss)	\$ (39,767)	\$ (37,417)	\$ (2,350)	-6.3%
Total public support and nonoperating revenues	806	730	76	10.4%
Income (loss) before capital contributions	\$ (38,961)	\$ (36,687)	\$ (2,274)	6.2%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
TRANSIT SERVICES (SAN DIEGO TRANSIT CORPORATION)
COMPARISON TO BUDGET - FISCAL YEAR 2011
OCTOBER 31, 2010
(in \$000's)

Att. A, AI 46, 12/9/10

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Passenger Revenue	\$ 8,690	\$ 9,338	\$ (649)	-6.9%
Other Revenue	7	20	(13)	-65.5%
Total Operating Revenue	\$ 8,696	\$ 9,358	\$ (662)	-7.1%
Personnel costs	\$ 20,847	\$ 20,035	\$ (812)	-4.1%
Outside services	616	619	3	0.5%
Transit operations funding	-	-	-	-
Materials and supplies	1,444	1,400	(44)	-3.1%
Energy	1,814	1,818	4	0.2%
Risk management	490	572	82	14.3%
General & administrative	41	44	2	5.4%
Vehicle/facility leases	75	85	11	12.5%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	2,456	2,456	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 27,783	\$ 27,030	\$ (753)	-2.8%
Operating income (loss)	\$ (19,087)	\$ (17,672)	\$ (1,415)	-8.0%
Total public support and nonoperating revenues	(815)	(891)	76	-8.5%
Income (loss) before capital contributions	\$ (19,902)	\$ (18,563)	\$ (1,339)	7.2%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
RAIL OPERATIONS (SAN DIEGO TROLLEY, INCORPORATED)
COMPARISON TO BUDGET - FISCAL YEAR 2011
OCTOBER 31, 2010
(in \$000's)

Att. A, AI 46, 12/9/10

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Passenger Revenue	\$ 12,581	\$ 12,451	\$ 130	1.0%
Other Revenue	116	242	(125)	-51.8%
Total Operating Revenue	\$ 12,697	\$ 12,692	\$ 5	0.0%
Personnel costs	\$ 10,090	\$ 10,016	\$ (74)	-0.7%
Outside services	1,074	1,112	38	3.4%
Transit operations funding	-	-	-	-
Materials and supplies	1,192	950	(242)	-25.4%
Energy	2,834	2,927	93	3.2%
Risk management	595	687	92	13.4%
General & administrative	62	55	(7)	-12.6%
Vehicle/facility leases	56	70	14	19.8%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	4,121	4,121	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 20,024	\$ 19,938	\$ (86)	-0.4%
Operating income (loss)	\$ (7,327)	\$ (7,245)	\$ (81)	-1.1%
Total public support and nonoperating revenues	-	-	-	-
Income (loss) before capital contributions	\$ (7,327)	\$ (7,245)	\$ (81)	1.1%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

OPERATIONS

Att. A, AI 46, 12/9/10

MULTIMODAL OPERATIONS (FIXED ROUTE)

COMPARISON TO BUDGET - FISCAL YEAR 2011

OCTOBER 31, 2010

(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Passenger Revenue	\$ 7,214	\$ 7,615	\$ (401)	-5.3%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 7,214	\$ 7,615	\$ (401)	-5.3%
Personnel costs	\$ 89	\$ 111	\$ 22	19.4%
Outside services	13,076	13,113	37	0.3%
Transit operations funding	-	-	-	-
Materials and supplies	-	5	5	-
Energy	1,723	1,720	(3)	-0.2%
Risk management	-	-	-	-
General & administrative	0	2	2	99.5%
Vehicle/facility leases	16	43	27	62.5%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	336	336	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 15,239	\$ 15,328	\$ 89	0.6%
Operating income (loss)	\$ (8,025)	\$ (7,714)	\$ (312)	-4.0%
Total public support and nonoperating revenues	-	-	-	-
Income (loss) before capital contributions	\$ (8,025)	\$ (7,714)	\$ (312)	4.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

OPERATIONS

Att. A, AI 46, 12/9/10

MULTIMODAL OPERATIONS (PARATRANSIT)

COMPARISON TO BUDGET - FISCAL YEAR 2011

OCTOBER 31, 2010

(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Passenger Revenue	\$ 633	\$ 529	\$ 103	19.5%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 633	\$ 529	\$ 103	19.5%
Personnel costs	\$ 41	\$ 56	\$ 15	26.7%
Outside services	3,598	3,180	(418)	-13.1%
Transit operations funding	-	-	-	-
Materials and supplies	-	-	-	-
Energy	634	560	(74)	-13.3%
Risk management	-	-	-	-
General & administrative	1	2	1	35.5%
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	118	118	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 4,392	\$ 3,915	\$ (476)	-12.2%
Operating income (loss)	\$ (3,759)	\$ (3,386)	\$ (373)	-11.0%
Total public support and nonoperating revenues	-	-	-	-
Income (loss) before capital contributions	\$ (3,759)	\$ (3,386)	\$ (373)	11.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
CONSOLIDATED CHULA VISTA TRANSIT OPERATIONS
COMPARISON TO BUDGET - FISCAL YEAR 2011
OCTOBER 31, 2010
(in \$000's)

Att. A, AI 46, 12/9/10

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Passenger Revenue	\$ 871	\$ 1,131	\$ (260)	-23.0%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 871	\$ 1,131	\$ (260)	-23.0%
Personnel costs	\$ 89	\$ 119	\$ 30	25.2%
Outside services	1,758	1,836	78	4.3%
Transit operations funding	-	-	-	-
Materials and supplies	1	2	1	68.5%
Energy	158	140	(19)	-13.4%
Risk management	-	-	-	-
General & administrative	0	1	1	80.1%
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	43	43	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 2,049	\$ 2,140	\$ 91	4.3%
Operating income (loss)	\$ (1,178)	\$ (1,009)	\$ (169)	-16.7%
Total public support and nonoperating revenues	1,577	1,577	-	0.0%
Income (loss) before capital contributions	\$ 399	\$ 567	\$ (169)	-29.7%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

**OPERATIONS
CORONADO FERRY**

Att. A, AI 46, 12/9/10

**COMPARISON TO BUDGET - FISCAL YEAR 2011
OCTOBER 31, 2010
(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	-	-	-	-
Total Operating Revenue	\$ -	\$ -	\$ -	-
Personnel costs	\$ -	\$ -	\$ -	-
Outside services	46	46	-	0.0%
Transit operations funding	-	-	-	-
Materials and supplies	-	-	-	-
Energy	-	-	-	-
Risk management	-	-	-	-
General & administrative	-	-	-	-
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	-	-	-	-
Depreciation	-	-	-	-
Total Operating Expenses	\$ 46	\$ 46	\$ -	0.0%
Operating income (loss)	\$ (46)	\$ (46)	\$ -	0.0%
Total public support and nonoperating revenues	44	44	-	0.0%
Income (loss) before capital contributions	\$ (2)	\$ (2)	\$ -	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

**ADMINISTRATION
CONSOLIDATED**

Att. A, AI 46, 12/9/10

**COMPARISON TO BUDGET - FISCAL YEAR 2011
OCTOBER 31, 2010
(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	1,709	1,606	103	6.4%
Total Operating Revenue	\$ 1,709	\$ 1,606	\$ 103	6.4%
Personnel costs	\$ 3,963	\$ 4,327	\$ 363	8.4%
Outside services	2,829	3,206	377	11.8%
Transit operations funding	-	-	-	-
Materials and supplies	7	6	(1)	-18.2%
Energy	139	238	99	41.5%
Risk management	202	108	(95)	-88.1%
General & administrative	353	294	(59)	-20.2%
Vehicle/facility leases	48	36	(13)	-35.1%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	(7,100)	(7,100)	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 442	\$ 1,114	\$ 672	60.3%
Operating income (loss)	\$ 1,266	\$ 492	\$ 775	-157.6%
Total public support and nonoperating revenues	(890)	(890)	0	0.0%
Income (loss) before capital contributions	\$ 377	\$ (398)	\$ 775	-194.6%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

**OTHER ACTIVITIES
CONSOLIDATED**

Att. A, AI 46, 12/9/10

**COMPARISON TO BUDGET - FISCAL YEAR 2011
OCTOBER 31, 2010
(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	139	142	(3)	-2.1%
Total Operating Revenue	\$ 139	\$ 142	\$ (3)	-2.1%
Personnel costs	\$ 190	\$ 216	\$ 26	11.9%
Outside services	46	63	17	26.9%
Transit operations funding	-	-	-	-
Materials and supplies	0	1	0	52.4%
Energy	2	4	2	47.5%
Risk management	11	11	(0)	-0.3%
General & administrative	34	35	0	0.1%
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	27	27	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 312	\$ 357	\$ 45	12.7%
Operating income (loss)	\$ (173)	\$ (215)	\$ 42	19.6%
Total public support and nonoperating revenues	-	-	-	-
Income (loss) before capital contributions	\$ (173)	\$ (215)	\$ 42	-19.6%



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 62

Chief Executive Officer's Report

ADM 121.7

December 9, 2010

In accordance with Board Policy No. 52, Procurement of Goods and Services, attached are listings of contracts, purchase orders, and work orders that have been approved within the CEO's authority (up to and including \$100,000) for the period November 9, 2010, through November 30, 2010.

H:\Agenda Item 62 (45, then 61)\2010\AI 62 12-09-10.docx



EXPENSE CONTRACTS

Doc #	Organization	Subject	Amount	Day
G1356.0-11	HOLIDAY BOWL	HOLIDAY BOWL AND POINSETTIA BOWL ADV 10	\$1,175.00	11/15/2010
G1358.0-11	SANDAG	FUND TRANSFER AGREEMENT FOR MURPHY CANYON	\$0.00	11/15/2010
G1360.0-11	A-1 ALL AMERICAN ROOFING CO.	STD SVCS AGREEMENT - ROOF REPLACEMENT	\$35,175.00	11/15/2010
L5246.0-11	A-1 ALL AMERICAN ROOFING CO	RE-ROOF 9805 PROSPECT AVE. SANTEE, CA	\$25,817.00	11/15/2010
G1162.9-08	LAW OFFICE OF MARK H BARBER	LEGAL SERVICES WORKES COMP	\$60,000.00	11/22/2010
G1365.0-11	BEST BEST KRIEGER	GENERAL LEGAL SERVICES - ADVICE & SVCS -	\$25,000.00	11/22/2010
L0993.0-11	ETIC ENGINEERING	ROE PERMIT H ST TRANSIT STA SOIL STUDY	\$0.00	11/22/2010
L0995.0-11	BELSHIRE ENVIRONMENTAL SVC	ROE PERMIT VAC TRUCK OPS ETIC H ST TRANS	\$0.00	11/22/2010
L1002.0-11	SDG&E	ENCROACHMENT AGREEMENT GROSSMONT	\$0.00	11/22/2010
L5247.0-11	HMS CONSTRUCTION INC	ROE PERMIT - ELECTRICAL HOOKUP FOR VEOL	\$0.00	11/22/2010
G1357.0-11	SANDAG	MOU #5001571 SANDAG PIGGYBACK JOC	\$0.00	11/29/2010
L1004.0-11	NIETO & SON TRUCKING	ROE PERMIT VAC TRUCK OPS ETIC H ST TRANS	\$0.00	11/29/2010
L7043.0-11	CITY OF SAN DIEGO	STORM WATER MGMT DISCHARGE CTRL MAINT	\$0.00	11/29/2010
L7046.0-11	CITY OF SAN DIEGO	HOLD HARMLESS AGMT AT RANCHO BERNARDO	\$0.00	11/29/2010
L7047.0-11	CITY OF SAN DIEGO	ENCROACHMENT MAINTENANCE AND REMOVAL	\$0.00	11/29/2010
L0996.0-11	UTC FIRE & SECURITY	ROE PERMIT LRV ON BOARD CCTV	\$0.00	11/30/2010
L0997.0-11	LOS ALAMOS TECHNICAL ASSOC	ROE PERMIT LRV ON BOARD CCTV	\$0.00	11/30/2010

REVENUE CONTRACTS

Doc #	Organization	Subject	Amount	Day
L1001.0-11	HMS CONSTRUCTION CO.	ROE PERMIT-UTILITY RELOCATION SD MAIN LI	(\$1,500.00)	11/15/2010
M6681.0-11	EMPIRE COMMUNITY PAINTING	ROE PERMIT EXT PAINTING PROM RIO VISTA	(\$2,200.00)	11/15/2010
M6682.0-11	ROLLS SCAFFOLD & EQUIPMENT INC	ROE PERMIT SCAFF EXT PAINT PROM RIO VIST	(\$2,200.00)	11/15/2010
L1003.0-11	TRILLIUM USA	ROE PERMIT TO FILM VIDEO	(\$105.00)	11/18/2010
L0999.0-11	VALLEY CREST	ROE PERMIT SIDEWALK & LANDSCAPE PARK BLV	(\$1,500.00)	11/22/2010
L0998.0-11	PUREFITNESS RUN FOR THE HUNGRY	RUN FOR THE HUNGRY 2010 NOV 25 2010 ROE	(\$605.00)	11/30/2010
S200-11-465	SDG&E	EASEMENT FOR SUNRISE POWERLINK PLASTER C	(\$2,500.00)	11/30/2010
S200-11-466	SDG&E	EASEMENT FOR SUNRISE POWERLINK OCATILLO	(\$2,500.00)	11/30/2010

REVENUE CONTRACTS

Doc #	Organization	Subject	Amount	Day
S200-11-467	SDG&E	EASEMENT FOR SUNRISE POWERLINK JACUMBA	(\$4,000.00)	11/30/2010
S200-11-471	HUGO ALONSO, INC.	ROE PERMIT - GSA CONTRACTOR BLDG REN.	(\$1,500.00)	11/30/2010
L6647.0-11	HELIX ENVIRONMENTAL PLANNING	ROE CITY OF SD SUB SILT REMOV. SORR VALL	(\$500.00)	11/30/2010

PURCHASE ORDERS

DATE	Organization	Subject	AMOUNT
11/15/2010	ELECTRO SPECIALY SYSTEMS	FASHION VALLEY ELEVATOR UP GRADE	\$9,786.00
11/15/2010	PRESSNET EXPRESS	4/C TROLLEY RENEWAL FLYERS NOV 7TH	\$943.95
11/15/2010	V GROUP	PRINTING FOR PILLER DECALS BATHROOM	\$2,499.00
11/15/2010	PIXEL IMAGING MEDIA	STUFF THE BUS / BUS KINGS	\$554.63
11/15/2010	RUSH PRESS	COMPASS CARD SLEEVE 20,000 QTY	\$1,984.69
11/15/2010	DRAIN MEDIC INC	BLDG C RHEEM 100 GAL 200KBTU	\$5,180.00
11/15/2010	MORRISON METALWELD PROCESS	RECONDITION RR TRACKS	\$13,500.00
11/22/2010	STICKY BUSINESS INC	PASS STICKERS FOR 2011 AND 2012	\$1,972.67
11/22/2010	IACCESS INC	HID CARDS FOR H/R DEPT	\$1,386.56
11/22/2010	IACCESS INC	HID CARDS FOR H/R/DEPT	\$1,109.25
11/22/2010	CUBIC TRANSPORTATION	LOCKS MATRIX FOR PCID UNITS	\$1,250.32
11/22/2010	GRAINGER	WAGON TRUCK FLUSH	\$600.95
11/29/2010	BORDEAUX PRINTERS	MTS NEWSLETTER 2010-2011	\$19,044.30
11/29/2010	LLC LOCAL MEDIA OF AMERICA	12 MONTH INTEGRATED RADIO, WEB	\$75,000.00
11/29/2010	VOLOGY, INC.	NORTEL BAYSTACK 5510	\$2,496.90
11/29/2010	ADDDONS, INC.	120 HOURS SUPPORT	\$18,000.00

WORK ORDERS

Doc #	Organization	Subject	Amount	Day
G1130.0-08.01.02	KIMLEY-HORN & ASSOC	ENGINEERING SERVICES WO AMENDMENT	\$50,000.00	11/15/2010
G1246.0-09.01.03	DAVID EVANS & ASSOC INC	AMEND 3 FOR TCE APPRAISAL & ACQUISI	\$69,000.00	11/22/2010
G1246.09.03.1	DAVID EVANS & ASSOC., INC.	AMDT #1 - STORM WATER MONITORING	\$39,000.00	11/29/2010