



12-02-11 A10:00 IN

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Agenda

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

9:00 a.m.

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

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ACTION RECOMMENDED

1. Roll Call
2. Approval of Minutes - November 10, 2011
3. Public Comments - 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.

Approve

Please SILENCE electronics
during the meeting



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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

- | | | |
|-----|---|--------------------|
| 6. | <u>Bus Operator Uniforms Contract - Exercise Contract Option Years One and Two</u> Action would: (1) ratify MTS Doc. No. B0509.1-09 with Kingsbury Uniforms, Inc. for the addition of union patches for men's and women's polo shirts; (2) ratify MTS Doc. No. B0509.2-09 with Kingsbury Uniforms, Inc. for the addition/replacement of men's and women's polo shirts and oxfords uniform styles to better quality uniform garments at no additional cost to MTS; (3) ratify MTS Doc. No. B0509.3-09 with Kingsbury Uniforms, Inc. to give bus operators the option to buy a garrison belt; and (4) authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. B0509.4-09 with Kingsbury Uniforms, Inc. to exercise option years one and two for bus operator uniforms. | Ratify/ Approve |
| 7. | <u>Federal Transit Administration 5311 Program of Projects</u> Action would adopt Resolution No. 11-18 authorizing the use of \$234,837 of Federal Transit Administration (FTA) Section 5311 funds for operating assistance in nonurbanized areas. | Adopt |
| 8. | <u>Finalized Internal Audit Report on SDTC Revenue Management</u> Action would receive an internal audit report on San Diego Transit Corporation's (SDTC's) Revenue Management. | Receive |
| 9. | <u>Siemens Light Rail Vehicle (LRV) Procurement - Contract Amendment</u> Action would authorize the CEO to execute MTS Doc. No. L0914.7-10, which would authorize Siemens to: (1) add an instructor's plug receptacle to the 57 LRVs being purchased; (2) add a front-end fender to the 57 LRVs; and (3) adjust the sales tax rate paid under the agreement. | Approve |
| 10. | <u>Investment Report - October 2011</u> Action would receive a report for information. | Receive |
| 11. | <u>Legal Services - Contract Award</u> Action would authorize the CEO or appropriate staff persons to execute contracts on an as-needed basis to attorneys and firms from the prequalified list for MTS and its subsidiaries. | Approve |
| 12. | <u>Federal Transit Administration 5316 Grant Applications</u> Action would adopt Resolution No. 11-17 authorizing the CEO to submit Job Access and Reverse Commute (JARC) applications for fiscal years 2012 and 2013 for Federal Transit Administration (FTA) Section 5316 funding. | Adopt |
| 13. | <u>Taxicab Advisory Committee Member Election Results</u> Action would ratify the appointment of Mr. Berhanu Lemma and Mr. Hussein Nuur as new members to the Taxicab Advisory Committee (TAC). | Ratify |
| 14. | <u>Discontinuance of Route 830 - Murphy Canyon Premium Express</u> Action would approve the discontinuance of Route 830. | Approve |

CONSENT ITEMS - CONTINUED

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| 15. | <u>Insurance Brokerage and Consultation Services - Contract Amendment</u> Action would authorize the CEO to enter into MTS Doc. No. G1035.2-07 with BB&T John Burnham Insurance Services to extend the existing insurance brokerage and consultation services contract (MTS Doc. No. G1035.1-07) for an additional six-month period. | Approve |
| 16. | <u>State Transit Assistance (STA) Claims</u> Action would adopt Resolution No. 11-19 approving fiscal year (FY) 2012 State Transit Assistance (STA) claims. | Adopt |
| 17. | <u>Trapeze Software - Sole-Source Contract Award</u> Action would authorize the CEO to execute MTS Doc. No. B0569.0-12 with Trapeze Software Group, Inc. for INFO-IVR and ATIS Real-Time software and implementation services. | Approve |

CLOSED SESSION

24. None.

NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS

- | | | |
|-----|--|---------|
| 30. | <u>Fiscal Year 2011 Comprehensive Annual Financial Report (Linda Musengo)</u> Action would receive the Fiscal Year 2011 Comprehensive Annual Financial Report (CAFR). | Receive |
| 31. | <u>Fiscal Year 2011 Final Budget Comparison (Tom Lynch)</u> Action would approve the use of \$190,000 in contingency reserves to balance the FY 2011 operating budget. | Approve |
| 32. | <u>Cart, Stroller, and Cargo Requirements (Claire Spielberg)</u> Action would approve new cart, stroller, and cargo requirements for transit riders under existing MTS "Rules for Riding" language. | Approve |

REPORT ITEMS

- | | | |
|-----|--|-------------|
| 45. | <u>Operations Budget Status Report for October 2011 (Mike Thompson)</u> Action would receive an operations budget status report for October 2011. | Receive |
| 60. | <u>Chairman's Report</u> | Information |
| 61. | <u>Audit Oversight Committee Chairman's Report</u> | Information |
| 62. | <u>Chief Executive Officer's Report</u> | Information |

MEETING OF THE BOARD OF DIRECTORS FOR THE
METROPOLITAN TRANSIT SYSTEM (MTS),
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

November 10, 2011

1. Roll Call

Chairman Mathis called the Board meeting to order at 9:02 a.m. A roll call sheet listing Board member attendance is attached.

2. Approval of Minutes

Ms. Cunningham moved to approve the minutes of the October 27, 2011, MTS Board of Directors meeting. Mr. Ovrom seconded the motion, and the vote was 12 to 0 in favor.

3. Public Comments

Terveno Houston – Mr. Houston requested that MTS follow up on how MTS Supervisors handle complaints and the complaint that he reported on September 11, 2011.

Mr. Young requested that MTS look at the policy in place for handling complaints and determine if the policy was followed and find out if it needs to be changed.

Rhonda Ciardetti – Ms. Ciardetti requested to be on the December 8, 2011, agenda to address the noise on the Orange and Green Line along Water Street and Severin Drive in the La Mesa area. She provided each Board member a letter and read straight from it. The letter is attached to the final agenda material.

John L. Wood – Mr. Wood expressed his concerns regarding the trolley and bus connecting, the recent blackout, bus drivers not being helpful, and the crossing gates at Lemon Grove.

Steve Maritas – Mr. Maritas stated that he is with the International Union of Security, Police and Fire Professionals of America (SPFPA) on behalf of the TSS Security Officers. He explained the dispute that TSS Officers have with Heritage Security and MTS. He stated that the dispute is not with MTS but with Heritage, Heritage is refusing to negotiate with the TSS Officers.

Robert Austin – Mr. Austin introduced himself as a TSS agent and provided his personal background. He described his working conditions and not having medical coverage. He requested that MTS go out to the job site to see their working conditions.

Mr. Mathis stated that MTS is not a party to the labor dispute; the contract is with Heritage Security. He stated that he will allow them to speak but this is the wrong forum to address.

Ms. Emerald requested to place a discussion item to set standards for the lowest paid worker who keeps this transit system going each and every day.

4. Appointment of Ad Hoc Nominating Committee for Recommending Appointments to MTS Committees for 2012 (Sharon Cooney)

Chairman Mathis moved to nominate himself, Ron Roberts, Tony Young, and Ernie 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 2012. There were no additional nominations from the floor

Action:

Mr. Janney moved the nominations and the vote was 15 to 0 in favor.

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 18, 2011

Action would: (1) receive the San Diego and Imperial Valley (SD&IV) Railroad, 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 18, 2011.

7. Motorola Regional Transit Management System - Service Contract Amendment

Action would authorize the CEO to execute: (1) MTS Doc. No. G0867.13-03 with Motorola, Inc. to extend the Regional Transit Management System (RTMS) warranty support period from January 1, 2012, through June 30, 2013; and (2) MTS Doc. No. G0868.7-03 with North County Transit District (NCTD) for a Funds Transfer Agreement.

Action on Recommended Consent Items

Mr. Ewin moved to approve Consent Agenda Item Nos. 6 and 7. Mr. McClellan seconded the motion, and the vote was 15 to 0 in favor.

CLOSED SESSION:

24. None.

NOTICED PUBLIC HEARINGS:

25. Public Hearing on Discontinuance of Route 830 - Murphy Canyon Premium Express (Sharon Cooney)

Mark Thomsen, Senior Transportation Planner gave the Board an overview on the Murphy Canyon Express Bus Pilot Project. He stated that for MTS to run the service the average cost per month is \$16,667 and the breakeven number of TIP participants is 167. He reported that the ridership results have remained under the ridership requirements. Throughout the pilot year, the route has averaged 21 riders per day or 3 per trip which is less than 6% capacity utilization on this premium express buses. He reported that to determine why ridership was so

low, SANDAG and the Navy conducted a detailed survey of Murphy Canyon residents this spring. As a result, MTS adjusted trip time to add a third major work shift and also added a new stop at Pier 10 on base. However, these changes had no effect on the average ridership levels. The NAVY and SANDAG provided extensive marketing efforts to increase ridership with the Murphy Canyon Community and the Navy. He stated that due to continued unsustainable ridership levels SANDAG and the NAVY agreed to convert the program to Murphy Canyon vanpool effective January 3, 2012. Riders outreach was held in Murphy Canyon on November 2, 2011. SANDAG is extending the pilot project through January 28, 2012, with the same financial terms with FY 2012 rates. He reported that the last day of operation of Route 830 is December 30, 2011. SANDAG will reimburse MTS for the discontinued trips in January at the standby rate, as specified in the MTS-SANDAG MOU.

Sharon Cooney, Chief of Staff, reviewed the Title VI analysis which is required by MTS Policy 42 for major service changes. She reported that there is a disproportionate impact on low-income and/or minority (LIM) populations in the Murphy Canyon and Naval Base San Diego census tracts.

Mr. Gloria asked if the program needed 167 monthly participants to break even. Mr. Thomsen stated that it is on an ongoing basis, a constant requirement to where MTS would receive \$100/month. Mr. Gloria repeated that there are participants enrolled but are not using the route. Mr. Gloria asked about the turnout at the rider outreach event held on November 2, 2011. Mr. Thomsen responded that the NAVY and SANDAG conducted the outreach and there were about 20 people with family members that appeared that night. Ms. Cooney added that MTS also placed a flyer on the route, information is on the Web site, posted in the newspaper, and riders can provide public comments. Mr. Gloria asked what is the success on the vanpool program versus the premium bus express service. Dan Martin of SANDAG responded and said that the lease for the van is month to month providing more flexibility. He also stated that the vanpool qualifies for the TIP program.

Mr. Ovrom asked if there is any action within the NAVY or SANDAG to have additional vans in the North Island. Mr. Martin responded that SANDAG was in North Island last week to promote the vanpool program with the vanpool vendors and vanpool programs working with the TIP distribution. SANDAG has been working with the NAVY on a survey of South Bay residents to determine a good way to find information to market the vanpool program.

Ms. Emerald asked what are the factors in changing the culture of riding public transportation. Ms. Cooney responded that MTS does not know the reason.

Ms. Emerald asked who the contact is for the vanpool service. Mr. Martin provided his email address dma@sandag.org.

Mr. Gloria stated that we need to find a better way to organize transit with the NAVY and SANDAG and double MTS efforts to promote transit to NAVY personnel with San Diego being a growing military town.

Mr. Roberts stated that key partners were all cooperative with the same effort and same goal expectations. He applauds MTS, SANDAG, and the NAVY for their efforts.

Mr. Gloria thanked staff for their remarkable efforts. He stated that he is disappointed at the outcome of the service, but would like staff to use a different strategy in the future.

Action taken

Ms. Emerald made a motion to approve the (1) the public hearing on the discontinuance on the proposed discontinuance of Route 830; and (2) the discontinuance of Route 830 due to low ridership is not a "project" subject to California Environmental Quality Act (CEQA) because it is not a project as defined in MTS Local CEQA Guidelines sections 3.01 and 10.53. Mr. Ewin seconded and the vote was 15 to 0 in favor.

DISCUSSION ITEMS:

30. Establish MTS Police Force for the Purpose of Appointing a Chief of Police
(Karen Landers)

Paul Jablonski, Chief Executive Officer, explained that MTS has been talking about establishing the Director of Security as the Chief of Police. He explained the primary benefits for MTS. MTS has an aggressive outreach program with the municipalities and the police departments on a daily basis that includes relationships with the police officers and the police chiefs. He reported that MTS and other police chiefs had a successful summit a year ago where they developed protocols for accidents and crime scene investigations that would not impede trolley operations. Currently MTS is not allowed to participate and have access to Automated Regional Justice Information system (ARJIS), chief associations, and chief meetings. He reported that the former and the current General Counsel have gone through regulations to make sure that there are no unintended consequences to MTS.

Karen Landers, General Counsel provided a Power Point presentation on the benefits of an official police force. She explained that having a "Chief of Police" will provide MTS with access to data and working groups that are currently only available to sworn offices and chiefs of police. She also explained that the MTS Chief of Police will have equal status during law enforcement activities on MTS property. She explained that the proposed MTS Police Force will be a Police Force of 1, the Chief of Police with administrative duties only, there will be no pension impact, and the Security Department functions will remain the same.

Mr. Cunningham stated that Mr. Burke is deserving of "Chief of Police" status and other law enforcement agencies will be benefited by Mr. Burke's collaboration.

Mr. Minto stated that MTS already employs Penal Code section 830 officers and asked who manages those officers. Mr. Burke replied that the Directory of Security manages the section 830 officers. Mr. Minto asked why it would be a police force of one when MTS already have police officers. Ms. Landers responded that these officers are not sworn officers. Mr. Burke added that the Code Compliance Officers are section 832 trained which entitle them to write citations and make misdemeanor arrests but they are not police officers, they are public officers. He stated that is the reason police officers are involved to carry out arrest beyond a misdemeanor. Mr. Minto asked if there is a cost to send Mr. Burke to Police Academy. Mr. Burke responded around \$1,000. Mr. Minto asked if there is ratification once Mr. Burke finishes the courses. Ms. Landers stated that the resolution will authorize the CEO to appoint Mr. Burke as the Chief of Police upon his completion of the 832 course.

Mr. Roberts asked if there is any additional cost beyond the training. Mr. Burke and Ms. Landers both replied no.

Public Comments:

Margo Tanguay – Ms. Tanguay explained that with Bill Burke being Chief of Police, taxi will have access to ARJIS at MTS. She talked about her past experiences with the involvement of Mr. Burke and she is very supportive of him being promoted to Chief of Police.

Action taken:

Mr. Cunningham made a motion to approve (1) Resolution No. 11-16 establishing a police force pursuant to Public Utilities Code section 120550 and Penal Code section 830.33(c); and (2) authorize the CEO to appoint Bill Burke as MTS Chief of Police (contingent upon completion of the Penal Code section 832(c) training). Mr. McClellan seconded and the vote was 15 to 0 in favor.

31. Hi-Tec Enterprises Gearbox Assemblies - Contract Ratification (Karen Landers)

Paul Jablonski, Chief Executive Officer explained the regular maintenance of the MTS's LRV fleet which include the rehabilitation and replacement of the gearbox assemblies. He stated that a contract with Hi-Tec Enterprises was executed and approved by the Board in November 5, 2009, for the purchase of gearbox overhaul unit. He reported that complete gearbox assemblies were not included in the scope of the Hi-Tec contract. The cost for each complete gearbox assembly is \$42,078 plus tax and shipping. Recently SDTI storeroom discovered that in October 2010, 12 complete gearbox assemblies were ordered and delivered under the Hi-Tec contract. A new shipment of 4 gearbox assemblies was delivered in July 2011. He stated that the SDTI storeroom procedures were reorganized which caught the discrepancy. He also stated that the internal auditor will conduct periodic audits to confirm the new storeroom controls.

Mr. Jablonski reported that since the 12 gearbox assemblies were specially fabricated for MTS LRVs, this purchase cannot be unwound. Mr. Jablonski proposed that the 12 gearbox assemblies be transferred to a separate FY 2011 budget line item and local funds used. He alternatively proposed to ratify the purchase of all 16 complete gearbox assemblies delivered by Hi-Tec. He stated that the next step is to rebid the gearbox assembly purchase in accordance with federal rules and procedures for future purchases. Mr. Jablonski stated that proper steps have been taken so that this does not happen again.

Mr. Ewin thanked staff for informing the internal auditor immediately as it was discovered and also asked if the external auditor been informed. Mr. Telfer stated that it was discussed with the external auditor.

Ms. Lightner asked if it is acceptable to substitute local funds without going through a procurement process. Mr. Jablonski replied yes. Ms. Lightner asked if MTS need to go out for competitive bid for the different part. Mr. Jablonski responded that Board Policy 52 requires that any purchase over \$100,000 come before the Board and the procurement regulations states that at that level it must go out for formal procurement. This was not done this way because the assemblies were ordered through Hi-Tec contract which was only for rebuild gear box kits. Ms. Lightner asked if the money has been expended and Mr. Jablonski replied that 12 of that 16 has

been expended. Ms. Lightner asked if this was done last calendar year and if was in the audit last year. Mr. Jablonski replied no because it was not discovered until a few months ago. Ms. Lightner asked who discovered the error and Mr. Jablonski stated that the Trolley storeroom staff discovered the error. Ms. Lightner asked if MTS has informed the FTA and will this affect MTS ability to receive additional FTA funds. Mr. Jablonski replied no, because the Finance department will pay for the items with local dollars. Ms. Lightner asked what happens to the FTA funds that were allocated for this purchase. Mr. Jablonski stated that the money will be transferred to another CIP project. Ms. Lightner stated that there is a not to exceed amount and asked if that amount changed. Mr. Jablonski replied no.

Ms. Lightner asked the dollar amount for the items; and asked if \$556,992.90 for 12 or 16. Mr. Jablonski replied that \$556,992.90 is for 12 and the additional 4 are \$168,312 plus tax and shipping. Ms. Lightner asked why MTS requested quotes from Hi-Tec competitors. Mr. Jablonski stated that staff wanted to make sure that Hi-Tec was the lowest bidder. Mr. Jablonski added that the three bidders were Siemens, Voight Transmissions and Hi-Tec.

Action taken:

Mr. Janney made the motion to approve (1) the ratification of the purchase of 16 complete gearbox assemblies; and (2) approve the corrective action plan. Mr. McClellan seconded the motion and the vote was 12-1 with Ms. Lightner opposing.

REPORT ITEMS:

46. Semiannual Security Report (January through June 2011) (Bill Burke)

Bill Burke, Director of Security, gave the Board a Power Point presentation on the Semi-annual Security Report that occurred from January through June of 2011. He explained that there were 67 Part I rail incidents and 1,075 Part II arrests. He also explained that there were 10 Part I incidents on buses and the 94 Part II arrests.

Mr. Burke provided an update on the TSGP Grants and Proposition 1B on the wireless CCTV onboard LRV. Mr. Burke reported that there was a small spike in thefts of iPods and Cellular telephones in March and MTS ordered and placed Take One bulletins for Safety and Security Tips for riders onboard both bus and rail in mid-April. He stated that MTS has A TSA K-9 Team that goes to the same training as every federal K-9 explosive system in the country that responds to MTS incidences and other agencies. This allows MTS train system to continue running because MTS does not need to call a bomb squad team. The MTS K-9 team is also part of any security check measures, if needed, to screen an area. Mr. Burke reported that the MTS security team has been involved with preventing service interruption by providing single track opportunities, passing crime/incident scenes, rather than shutting down entire line. Mr. Burke explained how MTS security has been involved in the Trolley Renewal by providing two security officers each weekend riding the bus bridges and inspecting fares. Mr. Burke reported that the Special Enforcement Unit (SEU) conducts operations at random transit centers in the morning and in the afternoon to check patrons with proper fare media who are boarding and deboarding the train. He reported that 56,251 passengers were inspected and issued 1,528 citations with a 2.71% fare evasion rate.

Mr. Burke provided the background of the Graffiti Tracker program. He reported that 464 pictures have been uploaded, 3 arrests have been made, 1 conviction to date, and 3,968 sq. ft.

of graffiti removed. He stated that one individual with a moniker of "STRESS" has had 20 incidents in the amount of \$14,709.81 in MTS damage. Mr. Burke reported that one of the Code Compliance Inspector Caldelas was recognized for the arrest of the La Mesa Bank robbery.

Ms. Emerald thanked Mr. Burke for his report. She asked how MTS compares to general crime rate or other major city transit systems crime. Mr. Burke stated that compared to other major cities, MTS is usually the lowest. He stated at the beginning of the year, he will be able to provide the comparisons because other public agencies do not provide their statistical analysis until the end of the year. He stated that for the last couple of years, Los Angeles crime reporting is approximately 1.5 or higher per 100,000 passengers, while MTS have been under .5 for years. Ms. Emerald stated anecdotally MTS has a safer system than Los Angeles and a good way of spreading the word to the broader community that transit is a safe place to be. Mr. Burke replied that MTS has officers assigned to transit centers and has video cameras which make people feel more comfortable. Ms. Emerald asked once he completes his section 832 training, if his access to the ARJIS data and other information will impact these numbers going forward. Mr. Burke replied definitely. He will have access to the ARJIS data that relates to MTS information. Ms. Emerald asked if the K-9 officers are sworn officers. Mr. Burke replied that the K-9 officers are Code Compliance Inspectors who are public officers. He stated that MTS qualified as one of the top 10 agencies to participate in the TSA bomb sniffing program. Ms. Emerald asked if the dogs are section 832 trained. Mr. Burke replied that the dogs go to a special training program. Ms. Emerald asked how MTS will proceed with the Graffiti tracker program as it is nearing the end. Mr. Burke stated that the program is very successful and shows that it is making an impact and MTS should continue with the program.

Ms. England asked how many dogs MTS has for the K-9 unit and do they go home at night. Mr. Burke replied that MTS has 3 K-9 dogs and they stay with the handlers.

Action taken:

Mr. McClellan moved to receive a report for information. Mr. Cunningham seconded the motion and the vote was 13 to 0 in favor.

45. Update on the Los Angeles-San Diego-San Luis Obispo (LOSSAN) Rail Corridor Agency (Sharon Cooney and Danny Veeh of SANDAG)

Sharon Cooney, Chief of Staff introduced Danny Veeh of SANDAG. He provided a Power Point presentation of the overview of the LOSSAN corridor. He stated that in January 2010, MTS Board approved an interagency MOU to work with the other LOSSAN agencies on a new vision for rail services along the corridor. He went over the corridor-wide vision goals. He stated that to accomplish this vision, the LOSSAN Board directed staff to complete a strategic implementation plan. He explained the major planning tasks. He explained the State support for intercity service, authority for intercity corridors, the goal of local authority for Pacific Surfliner service, and benefits of local authority. He stated that the governance next steps are LOSSAN agency CEOs will continue to work cooperatively, final vote expected in January 2012, possible legislation action in 2012, and possible implementation in 2013. He explained the key component of the strategic implementation plan which is the development of a Business Case for new services in the corridor. He stated that there are two technical components: Operations Modeling which OCTA is providing and Ridership Revenue Forecasting which Caltrans is providing guided by the project working group. There are two business case scenarios: Short-term service plan in place by 2014 and Long-term service plan in place by 2030. He explained

the short term improvement goals and the long-term improvement goals, and improvement scenarios. He explained the short-and long-term improvement scenarios. He reviewed staff analysis for the business case.

Ms. Emerald thanked staff for a great educational report. She asked about the enabling legislation that will be ready next year. Mr. Veeh responded that the plan is if LOSSAN decides to move forward with the governance structure, legislation will be introduced in January 2012. Ms. Cooney added that MTS's interest is to see the business case first and it will really depend on how quickly that business case is completed and no decision on governance should be made until the business case is done. Ms. Emerald asked if entities have a choice to participate. Mr. Jablonski explained that for the entire history the membership of LOSSAN corridors has been made by people who own the right-of-way. He stated that MTS own the right-of-way from Santa Fe Depot to Solana Beach and is a member. The governance structure up until now has been predicated on ownership. He reported that there is very strong consensus between the CEOs and that continued governance will be based on ownership of the right-of-way. Ms. Emerald asked about the \$90 million subsidy. Mr. Veeh replied that subsidy is for the three intercity rail corridors: in the State Pacific Surfliner, the capital corridors which are between the Bay area and Sacramento, and the San Joaquin which run from Bakersfield to Sacramento and Oakland. Ms. Emerald asked what the percentage of revenue or budget does that represent. Mr. Veeh replied that farebox recovery is about 50%. Ms. Emerald asked if California approves hi-speed rail, what happens to the need for the subsidy and the profitability of these lines. Mr. Veeh responded that in the 2030 scenario LOSSAN is evaluating hi-speed rail impact on Pacific Surfliner corridor, it is envisioned that the existing intercity rail corridors, including the Pacific Surfliner will still serve the feeder market to the hi-speed rail network. Ms. Emerald asked if the subsidy will go up to keep up with the competition. Mr. Veeh stated that it is more looked at as a supplemental than a competition. Ms. Emerald asked if this is viewed as a survival plan going forward with traditional rail services, and asked what is going to take to keep them going. Mr. Veeh reported that there is tremendous ridership on all the corridors to accommodate the growing demand with or without hi-speed rail. Ms. Emerald asked if the subsidy has gone down because of the farebox recovery. Mr. Jablonski replied no, as a matter of fact, it has gone from 19 trains to 22 trains. Ms. Emerald stated that she would like to see rail survive and thrive. She hopes that the business plans reflect how we market and reach out to the public and get them on board figuratively and literally.

Mr. Mathis introduced Mr. Jerry Rindone who has been the representative for LOSSAN board for the last couple of years. Mr. Rindone explained the LOSSAN background and thanked Mr. Veeh for an excellent presentation.

Action taken:

Mr. McClellan moved to receive a report on LOSSAN Rail Corridor Agency activities and initiatives. Mr. Ovrom seconded the motion and the vote was 10-0 in favor.

47. Operations Budget Status Report for September 2011 (Mike Thompson)

Mr. Mike Thompson, Assistant Budget Manager, presented to the Board an Operations Budget Status Report for FY 12 through September 30, 2011. He explained that the year-to-date FY 12 MTS consolidated operations revenue was favorable \$642,000 or 2.7%. He reported that ridership is favorable by almost 5% higher than the previous year but slightly below budget by 1.5% negative variance due to trolley ridership. He reported that Passenger fare revenue is

favorable by 769,000 or 3.3%. He reported that total consolidated operations expense were unfavorable by \$328,000 or 0.6%.

He reported that in total consolidated operations had a net operating variance of \$315,000. MTS Administration and other activities were favorable by \$518,000, resulting in an overall favorable variance of \$833,000 or 2.7%.

He reviewed the on-going concerns dashboard, presented FY 12 numbers, and updated projections for passenger levels and State Transit Assistance (STA). He reported that a letter was received from state awarding MTS with \$3.9 million but MTS has not yet received the money.

Action taken:

Ms. Emerald moved to receive an MTS operations budget status report for September 2011. Mr. McClellan seconded the motion and the vote was 10-0 in favor.

60. Chairman's Report

There was no Chairman's report.

61. Audit Oversight Committee Chairman's Report

Mr. Ewin reminded the Board that the CAFR will be scheduled for approval on the December 8, 2011, Board meeting.

62. Chief Executive Officer's Report

Chairman Mathis congratulated Mr. Jablonski on being appointed as the new Chairman of the Executive Committee of the California Transit Association (CTA). Mr. Jablonski reported that he was at the CTA Annual Conference and Expo last week where he was recognized as the Chairman of the Executive Committee of the CTA. He also reported that the week before he was in Washington, D.C. for the FTA transportation research program to serve as a panel to pick 10 out of 40 research projects. He stated that the cost for the Washington trip was not borne by MTS.

63. Board Member Communications

Mr. Castaneda recognized Tim Allison, Real Estate Manager for his help in the MTS right-of-way in the Pacific Maritime Industries expansion located in the southwest of Chula Vista.

64. Additional Public Comments on Items Not on the Agenda

Dwayne Phillips – Mr. Phillips was not available for comment.

John Lehnherr – Mr. Lehnherr was not available for comment.

Michael Hough – Mr. Hough was not available for comment.

Lorraine Leighton – Ms. Leighton expressed her concerns with regards to Veolia drivers and Trolley drivers with the ramp lift.

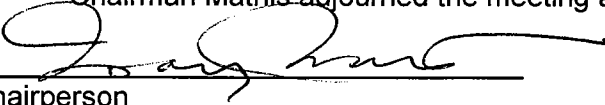
Allen Witt – Mr. Witt is with North County Transit District (NCTD) representing the SPFPA. He explained his benefits and working conditions. He requested that MTS work together with the SPFPA. He stated that if anyone is interested, he has a Power Point that he can present.

65. Next Meeting Date

The next regularly scheduled Board meeting is Thursday, December 8, 2011.

66. Adjournment

Chairman Mathis adjourned the meeting at 11:15 a.m.



Chairperson
San Diego Metropolitan Transit System

Filed by:



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

Approved as to form:



Office of the General Counsel
San Diego Metropolitan Transit System

Attachment: Roll Call Sheet

METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS
ROLL CALL

MEETING OF (DATE): November 10, 2011

CALL TO ORDER (TIME): 9:02 a.m.

RECESS: _____

RECONVENE: _____

CLOSED SESSION: _____

RECONVENE: _____

PUBLIC HEARING: _____

RECONVENE: _____

ORDINANCES ADOPTED: _____

ADJOURN: 11:15 a.m.

| BOARD MEMBER | (Alternate) | PRESENT (TIME ARRIVED) | ABSENT (TIME LEFT) |
|--------------|---|---------------------------|-----------------------|
| CASTANEDA | <input checked="" type="checkbox"/> (Rindone) <input type="checkbox"/> | | |
| CUNNINGHAM | <input checked="" type="checkbox"/> (Mullin) <input type="checkbox"/> | | |
| EWIN | <input checked="" type="checkbox"/> (Sterling) <input type="checkbox"/> | | |
| EMERALD | <input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/> | | |
| ENGLAND | <input checked="" type="checkbox"/> (Gastil) <input type="checkbox"/> | 9:06 a.m. | 11:00 a.m. |
| GLORIA | <input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/> | | 10:55 a.m. |
| JANNEY | <input checked="" type="checkbox"/> (Bragg) <input type="checkbox"/> | | |
| LIGHTNER | <input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/> | | |
| MATHIS | <input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/> | | |
| MCCLELLAN | <input checked="" type="checkbox"/> (Hanson-Cox) <input type="checkbox"/> | | |
| MINTO | <input checked="" type="checkbox"/> (McNelis) <input type="checkbox"/> | 9:07 a.m. | |
| OVROM | <input checked="" type="checkbox"/> (Denny) <input type="checkbox"/> | | |
| RIOS | <input checked="" type="checkbox"/> (Zarate) <input type="checkbox"/> | | |
| ROBERTS | <input checked="" type="checkbox"/> (Cox) <input type="checkbox"/> | 9:13 a.m. | 10:40 a.m. |
| YOUNG | <input checked="" type="checkbox"/> (Faulconer) <input type="checkbox"/> | | 9:59 a.m. |

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD: Catherine R

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL: Walter G



AGENDA ITEM NO.

3

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

1

PLEASE SUBMIT THIS COMPLETED FORM (AND YOUR WRITTEN STATEMENT)
TO THE CLERK OF THE BOARD PRIOR TO DISCUSSION OF YOUR ITEM

1. INSTRUCTIONS

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(PLEASE PRINT)

| | | | |
|--------------------------------------|-------------------------------------|---------|-------------------------------------|
| DATE | Dec 8, 2011 | | |
| Name | Susan Lesch | | |
| Address | 3689 Martha St | | |
| Telephone | 858-605-6175 | | |
| Organization Represented | Self | | |
| Subject of Your Remarks | limit cell phone use | | |
| Regarding Agenda Item No. | | | |
| Your Comments Present a Position of: | <input checked="" type="checkbox"/> | SUPPORT | <input type="checkbox"/> OPPOSITION |

30 copies attached

2. TESTIMONY AT NOTICED PUBLIC HEARINGS

At Public Hearings of the Board, persons wishing to speak shall be permitted to address the Board on any issue relevant to the subject of the Hearing.

3. DISCUSSION OF AGENDA ITEMS

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Metro Transit's Code of Conduct

While riding, all customers must follow this code for everyone's safety and comfort.

- Pay the right fare
- Do not distract the driver or bother other riders
- Profanity and disruptive behavior are not permitted
- Use headphones at a respectful volume
- Keep cell phone use brief and quiet
- No alcohol, eating, smoking or uncovered beverages
- Only service animals or pets in carriers are allowed

612-373-3333

metrotransit.org

 **Metro Transit**
a service of the Metropolitan Council



AGENDA ITEM NO.

3

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

2

**PLEASE SUBMIT THIS COMPLETED FORM (AND YOUR WRITTEN STATEMENT)
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(PLEASE PRINT)

| | | | |
|--------------------------------------|--------------------------|--|--|
| DATE | DEC. 8, 2011 | | |
| Name | JOHN L. WOOD | | |
| Address | | | |
| Telephone | | | |
| Organization Represented | | | |
| Subject of Your Remarks | | | |
| Regarding Agenda Item No. | | | |
| Your Comments Present a Position of: | <input type="checkbox"/> | <input checked="" type="checkbox"/> SUPPORT | <input type="checkbox"/> OPPOSITION |

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3

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(PLEASE PRINT)

| | | | |
|--------------------------------------|--|----------------|--|
| DATE | 12/08/2011 | | |
| Name | Mikail Hussein | | |
| Address | 7364 Elcajon Blvd #108 San Diego 92115 | | |
| Telephone | 619-713-5404 | | |
| Organization Represented | UT WSD | | |
| Subject of Your Remarks | Taxicab Advisory Committee Member Election | | |
| Regarding Agenda Item No. | 13 | | |
| Your Comments Present a Position of: | <input checked="checked" type="checkbox"/> | SUPPORT | <input type="checkbox"/> OPPOSITION |

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REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

4

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(PLEASE PRINT)

| | | | |
|--------------------------------------|--------------------------|----------------|--|
| DATE | 11/8/11 | | |
| Name | Rhonda C. Arde + H. | | |
| Address | 9410 Loren Dr | | |
| Telephone | (619) 303-6999 | | |
| Organization Represented | Self | | |
| Subject of Your Remarks | Petition / Not on Agenda | | |
| Regarding Agenda Item No. | | | |
| Your Comments Present a Position of: | <input type="checkbox"/> | SUPPORT | <input type="checkbox"/> OPPOSITION |

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11/8/11

To Whom it Concerns at MTS, Council Boards, and the City of La Mesa

My name is Rhonda Ciardetti. I have spoken before about the trolley noise near Loren Drive in La Mesa and at the intersection of Severin and Amaya. Residents in the area request a Quiet Zone. Residents request that we are protected from the screeching of the rail and wheels.

Today I am informing the board that petitions were circulated in the neighborhood and in a short time, the petitions came back with 77 signatures from residences in the area. The MTS front desk was provided with copies of the petitions. The council members have been provided a spreadsheet showing the numerous parcel numbers and the several streets affected. Please also see the map provided showing the location of homes of the petition signers in relationship to the trolley. There is considerable support for the requests.

It is unfair for the people in the area to have to put up with this kind of noise in a residential neighborhood. They contend with the inconvenience and noise every single day, *and night*, of the year. The trolley passes by 280 times a day, honking and squealing each time, from 4:30 in the morning to 1 o'clock at night. Freight runs after the trolley. . Residents feel that MTS should do their part to minimize these noise element issues.

We request to be on the MTS agenda regarding this.

The public trusts that we will be protected with development. The burden of bringing this to your attention should not have been necessary. MTS knew about the screeching and fixed other areas with this complaint. MTS knew about the horn law at crossings and the frequency of rail trips in our area. Does MTS want people to live near the rail and stations in La Mesa? With two trolleys of Orange and Green lines and the 3rd freight line passing our homes, sleep is disrupted.

Evidence of this complaint has been put in all of your hands. You have previously been provided a location map and a DVD of the screeching noise. The petition verifies that new to the neighborhood and longtime residents agree that their quality of life is affected. Please, where is our peace and quiet?

Sincerely,



Rhonda Ciardetti

9410 Loren Dr. La Mesa CA 91942

(619)303-699







| APN- PARCEL # | ADDRESS | STREET | UNIT | Number per residence that signed Petition |
|----------------------|---------------|---------|---------------|---|
| 486-670-26-37 | 5750 | Amaya | 37 | 1 |
| 490-670-09-56 | 5666 | Amaya | 200 | 2 |
| 486-791-12-00 | 9270 | Loren | | 2 |
| 486-791-13-00 | 9280 | Loren | | 3 |
| 486-821-02-00 | 9300 | Loren | | 2 |
| 486-821-03-00 | 9306 | Loren | | 2 |
| 486-821-09-00 | 9342 | Loren | | 2 |
| 486-821-10-00 | 9339 | Loren | | 1 |
| 486-821-12-00 | 9327 | Loren | | 2 |
| 486-821-14-00 | 9315 | Loren | | 2 |
| 486-821-32-00 | 9295 | Loren | | 3 |
| 486-822-02-00 | 9390 | Loren | | 2 |
| 486-822-03-00 | 9384 | Loren | | 1 |
| 486-831-13-00 | 9410 | Loren | | 2 |
| 486-832-09-00 | 9478 | Loren | | 2 |
| 486-780-02-00 | 5805 | Water | | 3 |
| 486-780-03-00 | 5803 | Water | | 1 |
| 487-730-10-00 | 5711 | Water | | 1 |
| 490-210-34-01 | 9175 | Campina | #1 | 1 |
| 490-210-34-02 | 9175 | Campina | #2 | 2 |
| 490-210-34-28 | 9175 | Campina | #28 | 2 |
| 490-650-01-00 | 9130 | Campina | apt B | 2 |
| 490-650-02-00 | 9137 | Campina | apt B | 2 |
| 490-650-02-00 | 9136 | Campina | apt B | 1 |
| 486-772-14-00 | 5825 | Gregg | | 2 |
| 486-772-19-00 | 5840 | Gregg | | 2 |
| 486-772-22-00 | 5820 | Gregg | | 1 |
| 486-771-13-00 | 9490 | Janfred | | 2 |
| 486-772-25-00 | 9470 | Janfred | | 2 |
| 487-731-16-00 | 9517 | Milden | | 2 |
| 486-821-18-00 | 9310 | Monona | | 1 |
| 486-821-19-00 | 9320 | Monona | | 1 |
| 486-822-15-00 | 9388 | Monona | | 1 |
| 486-822-16-00 | 9380 | Monona | | 3 |
| 486-822-27-00 | 9395 | Monona | | 1 |
| 486-791-02-00 | 5860 | Severin | | 2 |
| 486-791-03-00 | 5850 | Severin | | 1 |
| 486-791-04-00 | 5840 | Severin | | 2 |
| 486-791-05-00 | 5830 | Severin | | 3 |
| 486-791-06-00 | 5820 | Severin | | 2 |
| 486-791-08-00 | 5800 | Severin | | 1 |
| 486-791-09-00 | 5795 | Severin | | 1 |
| 486-792-01-00 | 5790 | Severin | | 1 |
| 486-821-31-00 | 5788 | Urban | | 2 |
| Total Petitioners | | | | 77 |
| Quiet Zone & Contact | Phone | Screech | Noise Address | Petition 11/4/11 |
| Rhonda/John | (619)303-6999 | | 9410 | Loren Dr. La Mesa CA 91942 |

Trolley Quiet Zone & Screech Noise Reduction Request

Petitions
from
Residents
1 to 6
Persons per
Parcel:

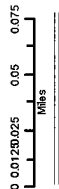
Houses
Apts
Condos

Legend

-  Petitioner(s)
 Trolley-Rail
 Parcels
 Roads
 School
 Places



Scale:



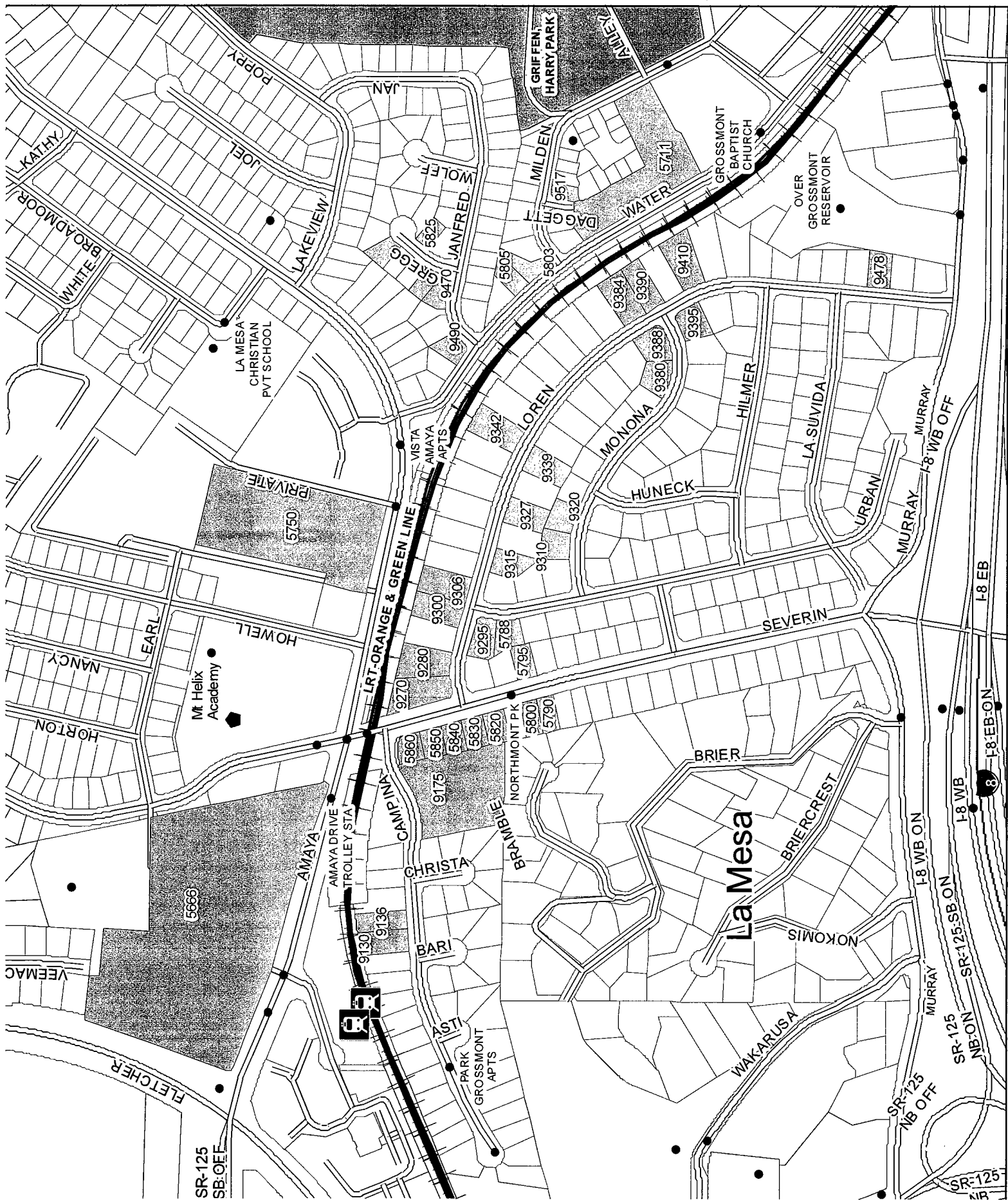
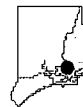
December 4, 2011

Map Disclaimer:

THIS MAP IS PROVIDED WITHOUT WARRANTY OF ANY KIND, WHETHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

Every reasonable effort has been made to assure the accuracy of this map and creators assume no liability arising from its use.

Nearby Map





AGENDA ITEM NO.

3

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

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(PLEASE PRINT)

| | | | |
|--------------------------------------|--|---------|-------------------------------------|
| DATE | 12-8-2014 | | |
| Name | Peter Zschiesch | | |
| Address | 3121 Hawthorn St | | |
| Telephone | 619-252-8506 | | |
| Organization Represented | Employee Rights Center | | |
| Subject of Your Remarks | | | |
| Regarding Agenda Item No. | | | |
| Your Comments Present a Position of: | <input checked="checked" type="checkbox"/> | SUPPORT | <input type="checkbox"/> OPPOSITION |

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

Agenda Item No. 6

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

BUS OPERATOR UNIFORMS CONTRACT - EXERCISE CONTRACT OPTION YEARS
ONE AND TWO

RECOMMENDATION:

That the Board of Directors:

1. ratify MTS Doc. No. B0509.1-09 (Attachment A) with Kingsbury Uniforms, Inc. for the addition of union patches for men's and women's polo shirts;
2. ratify MTS Doc. No. B0509.2-09 (Attachment B) with Kingsbury Uniforms, Inc. for the addition/replacement of men's and women's polo shirts and oxfords uniform styles to better quality uniform garments at no additional cost to MTS;
3. ratify MTS Doc. No. B0509.3-09 (Attachment C) with Kingsbury Uniforms, Inc. to give bus operators the option to buy a garrison belt;
4. authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. B0509.4-09 (in substantially the same format as Attachment D) with Kingsbury Uniforms, Inc. to exercise option years one and two for bus operator uniforms.

Budget Impact

MTS Contract No. B0509.4-09 is based on the estimated quantities of uniforms budgeted annually under MTS Bus operations using local funds under 213-52610. The estimated cost is \$144,003.72 for option year 1 (1/1/12 – 12/31/12) and \$145,900.06 for option year 2 (1/1/13 – 12/31/13).



DISCUSSION:

MTS Contract No. B0509.0-09 was awarded in January 2009 to Kingsbury Uniforms, Inc. for a three-year base period and two 1-year options for the annual uniform replacement stipulated in the Collective Bargaining Agreement with Amalgamated Transit Union Local 1309 and for the issuance of uniforms for new hires. Kingsbury Uniforms, Inc. continues to proficiently perform within the scope of the agreement, and staff has deemed its contract pricing to be fair and reasonable. In accordance with the current contract with Kingsbury Uniforms, Inc. MTS is requesting the Board's approval to exercise the two options years.

Amendment No. 1

In June 2009, MTS staff executed a contract amendment with Kingsbury Uniforms, Inc. to add the union patches and pocket to the men's/women's royal blue polo shirt (Style Tri-Mountain Nos. 169 and 166). The total contract amended price is \$7,744.12.

Amendment No. 2

In December 2009, MTS staff executed a contract amendment with Kingsbury Uniforms, Inc. to add/replace men's/women's royal blue polo shirts and men's/women's light blue oxford uniform styles at no additional cost to MTS.

Amendment No. 3

In January 2010, MTS staff executed a contract amendment with Kingsbury Uniforms, Inc. to add the option for bus operators to buy a Security Garrison Belt (BC00, 1 3/4" width, 9 oz. with a removable nickel silver buckle, black only). The estimated quantity is 25 each per calendar year at \$11.00 each. The contract amendment amount is estimated at a total of \$825.00 for the remaining base year (year 3), including the two 1-year options (option years 1 and 2).

Amendment No. 4

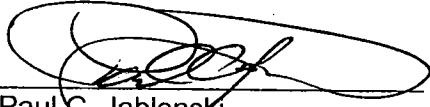
Staff is requesting Board approval for the execution of MTS Doc. No. B0509.4-09 with Kingsbury Uniforms, Inc. to exercise option year one in the amount of \$144,003.72 and option year two in the amount of \$145,900.06 for bus operator uniforms. This amendment is necessary in order for MTS to continue to provide annual uniform allowance for the bus operators.

The adjusted amount of the entire contract, including these amendments, would be \$718,648.13.

Therefore, staff recommends Board approval to:

1. ratify MTS Doc. No. B0509.1-09 (Attachment A) with Kingsbury Uniforms, Inc. for the addition of union patches for Men's and Women's polo shirts;
2. ratify MTS Doc. No. B0509.2-09 (Attachment B) with Kingsbury Uniforms, Inc. for the addition/replacement of Men's and Women's polo shirts and oxfords uniform styles to better quality uniform garments at no additional cost to MTS;

3. ratify MTS Doc. No. B0509.3-09 (Attachment C) with Kingsbury Uniforms, Inc. to give bus operators the option to buy a garrison belt; and
4. authorize the CEO to execute MTS Doc. No. B0509.4-09 (in substantially the same format as Attachment D) with Kingsbury Uniforms, Inc. to exercise option years one and two for bus operator uniforms.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Jim Byrne, 619.238.0100, Ext. 6420, jim.byrne@sdmts.com

Attachments: A. MTS Doc. No. B0509.1-09
B. MTS Doc. No. B0509.2-09
C. MTS Doc. No. B0509.3-09
D. MTS Doc. No. B0509.4-09



Att. A, AI 6, 12/8/11

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

ORIGINAL

June 25, 2009

MTS Doc. No. B0509.1-09
OPS 960.2 (PC 213)

Mr. David Brown
Kingsbury Uniforms
19401 S. Vermont Avenue, Suite I-104
Torrance, CA 90502

Dear Mr. Brown:

Subject: AMENDMENT NO. 1 TO MTS DOC. NO. B0509.0-09; BUS OPERATOR UNIFORMS,
MENS/WOMEN ROYAL BLUE POLO SHIRTS PRICE INCREASE DUE TO ADDED
PATCHES (MTS, ATU Local 1309)

This shall serve as Amendment No. 1 to our agreement for the bus operator uniforms as further described below.

SCOPE OF SERVICES

The following Bus Operator Uniform Garment revisions below shall be added to the contract effective January 01, 2009 through December 31, 2013:

Men's Royal Blue Polo Shirts (Style #Tri Mountain 169) with 2 Union Patches and Pocket
Women's Royal Blue Polo Shirts (Style #Tri-Mountain 166) with 2 Union Patches

SCHEDULE

There is no change to the schedule of this contract.

PAYMENT

Payment shall be based on actual costs not to exceed \$7,744.12 as reflected on Attachment A (attached) without prior written approval from MTS. The total value of this contract including this amendment, shall not exceed \$717,823.13.

All other conditions remain unchanged. If you agree with the above, please sign below, and return the document marked "Original" to Contracts Specialist at MTS. The other copy is for your records.

Sincerely,

Paul C. Jablonski
Chief Executive Officer

Agreed:

David Brown
Kingsbury Uniforms

Date: _____

MGARCIA-CL
CL-B0509.1-09.KINGSBURYUNIFORMS.CAQUINO

Attachment A: Pricing Sheet

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.



ATTACHMENT A - PRICING SHEET
Amendment No. 1 - Bus Operator Uniforms

| ORIGINAL CONTRACT PRICING BASED ON ORIGINAL 516 PRICE | | | | | | | | | | | | | | | | |
|--|-----|------------|----------------|--|------------|----------------|--|------------|----------------|--|------------|----------------|--|------------|----------------|--|
| Mens Royal Blue Polo Shirts (Style # Tri-Mountain 169) | | | | | | | | | | | | | | | | |
| | | YEAR 1 | | | YEAR 2 | | | YEAR 3 | | | YEAR 4 | | | YEAR 5 | | |
| Size | Qty | Unit Price | Extended Price | | Unit Price | Extended Price | | Unit Price | Extended Price | | Unit Price | Extended Price | | Unit Price | Extended Price | |
| S | 15 | \$ 15.00 | \$ 225.00 | | \$ 15.00 | \$ 225.00 | | \$ 15.45 | \$ 231.75 | | \$ 15.91 | \$ 238.65 | | \$ 16.39 | \$ 245.85 | |
| M | 51 | \$ 15.00 | \$ 765.00 | | \$ 15.00 | \$ 765.00 | | \$ 15.45 | \$ 787.95 | | \$ 15.91 | \$ 811.41 | | \$ 16.39 | \$ 835.89 | |
| L | 56 | \$ 15.00 | \$ 840.00 | | \$ 15.00 | \$ 840.00 | | \$ 15.45 | \$ 865.20 | | \$ 15.91 | \$ 890.96 | | \$ 16.39 | \$ 917.84 | |
| XL | 70 | \$ 15.00 | \$ 1,050.00 | | \$ 15.00 | \$ 1,050.00 | | \$ 15.45 | \$ 1,081.50 | | \$ 15.91 | \$ 1,113.70 | | \$ 16.39 | \$ 1,147.30 | |
| 2XL | 55 | \$ 16.00 | \$ 880.00 | | \$ 16.00 | \$ 880.00 | | \$ 16.48 | \$ 906.40 | | \$ 16.97 | \$ 933.35 | | \$ 17.48 | \$ 961.40 | |
| 3XL | 29 | \$ 17.00 | \$ 493.00 | | \$ 17.00 | \$ 493.00 | | \$ 17.51 | \$ 507.79 | | \$ 18.04 | \$ 523.16 | | \$ 18.58 | \$ 538.82 | |
| 4XL | 5 | \$ 18.00 | \$ 90.00 | | \$ 18.00 | \$ 90.00 | | \$ 18.54 | \$ 92.70 | | \$ 19.10 | \$ 95.50 | | \$ 19.67 | \$ 98.35 | |
| 5XL | 4 | \$ 19.00 | \$ 76.00 | | \$ 19.00 | \$ 76.00 | | \$ 19.57 | \$ 78.28 | | \$ 20.16 | \$ 80.64 | | \$ 20.76 | \$ 83.04 | |
| 6XL | 5 | \$ 20.00 | \$ 100.00 | | \$ 20.00 | \$ 100.00 | | \$ 20.60 | \$ 103.00 | | \$ 21.22 | \$ 106.10 | | \$ 21.86 | \$ 109.30 | |
| TALL - L | 5 | \$ 16.00 | \$ 80.00 | | \$ 16.00 | \$ 80.00 | | \$ 16.48 | \$ 82.40 | | \$ 16.97 | \$ 84.85 | | \$ 17.48 | \$ 87.40 | |
| TALL - XL | 5 | \$ 17.00 | \$ 85.00 | | \$ 17.00 | \$ 85.00 | | \$ 17.51 | \$ 87.55 | | \$ 18.04 | \$ 90.20 | | \$ 18.58 | \$ 92.90 | |
| TALL - 2XL | 5 | \$ 19.00 | \$ 95.00 | | \$ 19.00 | \$ 95.00 | | \$ 19.57 | \$ 97.85 | | \$ 20.16 | \$ 100.80 | | \$ 20.76 | \$ 103.80 | |
| TALL - 3XL | 5 | \$ 21.00 | \$ 105.00 | | \$ 21.00 | \$ 105.00 | | \$ 21.63 | \$ 108.15 | | \$ 22.28 | \$ 111.40 | | \$ 22.95 | \$ 114.75 | |
| TALL - 4XL | 5 | \$ 23.00 | \$ 115.00 | | \$ 23.00 | \$ 115.00 | | \$ 23.69 | \$ 118.45 | | \$ 24.40 | \$ 122.00 | | \$ 25.13 | \$ 125.65 | |
| Subtotal | | \$ | 4,999.00 | | \$ | 4,999.00 | | \$ | 5,148.97 | | \$ | 5,302.72 | | \$ | 5,462.28 | |
| Tax | | \$ | 387.42 | | \$ | 387.42 | | \$ | 399.05 | | \$ | 410.96 | | \$ | 423.33 | |
| Total | | \$ | 5,386.42 | | \$ | 5,386.42 | | \$ | 5,548.02 | | \$ | 5,713.68 | | \$ | 5,885.62 | |

| Womens Royal Blue Polo Shirts (Style # Tri-Mountain 166) | | | | | | | | | | | | | | | | | |
|---|-----|------------|----------------|------------|----------------|--------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|--------|--|
| YEAR 1 | | | | YEAR 2 | | | | YEAR 3 | | | | YEAR 4 | | | | YEAR 5 | |
| Size | Qty | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price | | |
| S | 2 | \$ 15.00 | \$ 30.00 | \$ 15.00 | \$ 30.00 | \$ 15.45 | \$ 30.90 | \$ 15.91 | \$ 31.82 | \$ 16.39 | \$ 32.78 | | | | | | |
| M | 40 | \$ 15.00 | \$ 600.00 | \$ 15.00 | \$ 600.00 | \$ 15.45 | \$ 618.00 | \$ 15.91 | \$ 636.40 | \$ 16.39 | \$ 655.60 | | | | | | |
| L | 35 | \$ 15.00 | \$ 525.00 | \$ 15.00 | \$ 525.00 | \$ 15.45 | \$ 540.75 | \$ 15.91 | \$ 556.85 | \$ 16.39 | \$ 573.65 | | | | | | |
| XL | 55 | \$ 15.00 | \$ 825.00 | \$ 15.00 | \$ 825.00 | \$ 15.45 | \$ 849.75 | \$ 15.91 | \$ 875.05 | \$ 16.39 | \$ 901.45 | | | | | | |
| 2XL | 41 | \$ 16.00 | \$ 656.00 | \$ 16.00 | \$ 656.00 | \$ 16.48 | \$ 675.68 | \$ 16.97 | \$ 695.77 | \$ 17.48 | \$ 716.68 | | | | | | |
| 3XL | 22 | \$ 17.00 | \$ 374.00 | \$ 17.00 | \$ 374.00 | \$ 17.51 | \$ 385.22 | \$ 18.04 | \$ 396.88 | \$ 18.58 | \$ 408.76 | | | | | | |
| 5XL | 5 | \$ 18.00 | \$ 90.00 | \$ 18.00 | \$ 90.00 | \$ 18.54 | \$ 92.70 | \$ 19.10 | \$ 95.50 | \$ 19.67 | \$ 98.35 | | | | | | |
| Subtotal | | | \$ 3,100.00 | | \$ 3,100.00 | | \$ 3,193.00 | | \$ 3,288.27 | | \$ 3,387.27 | | | | | | |
| Tax | | | \$ 240.25 | | \$ 240.25 | | \$ 247.46 | | \$ 254.84 | | \$ 262.51 | | | | | | |
| Total | | | \$ 3,340.25 | | \$ 3,340.25 | | \$ 3,440.46 | | \$ 3,543.11 | | \$ 3,649.78 | | | | | | |
| 6-YEAR TOTAL (Mens Royal Blue Polo Shirts (Style # Tri-Mountain 169)) | | | | | | | | | | | | | | | | | |
| | | | \$ | | | \$ 27,920.16 | | | | | | | | | | | |
| 5-YEAR TOTAL (Womens Royal Blue Polo Shirts (Style # Tri-Mountain 166)) | | | | | | | | | | | | | | | | | |
| | | | \$ | | | \$ 17,313.85 | | | | | | | | | | | |
| GRAND TOTAL (Mens & Womens) | | | | | | | | | | | | | | | | | |

6-YEAR TOTAL (Mens Royal Blue Polo Shirts (Style # Tri-Mountain 169)) \$ 27,920.16
6-YEAR TOTAL (Womens Royal Blue Polo Shirts (Style # Tri-Mountain 166)) \$ 17,313.85
GRAND TOTAL (Mens & Womens) \$ 45,233.99

ATTACHMENT A - PRICING SHEET
Amendment No. 1 - Bus Operator Uniforms

| Mens Royal Blue Polo Shirts (Style # Tri-Mountain 169) With 2 Padded Patches (MTS - ATU Local 1309) and Pockets | | | | | | | | | | | |
|---|-----|-------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|
| Revised Pricing | | | | | | | | | | | |
| Size | Qty | YEAR 1 | | YEAR 2 | | YEAR 3 | | YEAR 4 | | YEAR 5 | |
| | | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price |
| S | 15 | \$ 18.00 | \$ 270.00 | \$ 18.00 | \$ 270.00 | \$ 18.45 | \$ 276.75 | \$ 18.91 | \$ 283.65 | \$ 19.39 | \$ 290.85 |
| M | 51 | \$ 18.00 | \$ 918.00 | \$ 18.00 | \$ 918.00 | \$ 18.45 | \$ 940.95 | \$ 18.91 | \$ 964.41 | \$ 19.39 | \$ 988.89 |
| L | 56 | \$ 18.00 | \$ 1,008.00 | \$ 18.00 | \$ 1,008.00 | \$ 18.45 | \$ 1,033.20 | \$ 18.91 | \$ 1,058.96 | \$ 19.39 | \$ 1,085.84 |
| XL | 70 | \$ 18.00 | \$ 1,260.00 | \$ 18.00 | \$ 1,260.00 | \$ 18.45 | \$ 1,291.50 | \$ 18.91 | \$ 1,323.70 | \$ 19.39 | \$ 1,357.30 |
| 2XL | 55 | \$ 19.00 | \$ 1,045.00 | \$ 19.00 | \$ 1,045.00 | \$ 19.48 | \$ 1,071.40 | \$ 19.97 | \$ 1,098.35 | \$ 20.48 | \$ 1,126.40 |
| 3XL | 29 | \$ 20.00 | \$ 580.00 | \$ 20.00 | \$ 580.00 | \$ 20.51 | \$ 594.79 | \$ 21.04 | \$ 610.16 | \$ 21.58 | \$ 625.82 |
| 4XL | 5 | \$ 21.00 | \$ 105.00 | \$ 21.00 | \$ 105.00 | \$ 21.54 | \$ 107.70 | \$ 22.10 | \$ 110.50 | \$ 22.67 | \$ 113.35 |
| 5XL | 4 | \$ 22.00 | \$ 88.00 | \$ 22.00 | \$ 88.00 | \$ 22.57 | \$ 90.28 | \$ 23.16 | \$ 92.64 | \$ 23.76 | \$ 95.04 |
| 6XL | 5 | \$ 23.00 | \$ 115.00 | \$ 23.00 | \$ 115.00 | \$ 23.60 | \$ 118.00 | \$ 24.22 | \$ 121.10 | \$ 24.86 | \$ 124.30 |
| TALL - L | 5 | \$ 19.00 | \$ 95.00 | \$ 19.00 | \$ 95.00 | \$ 19.48 | \$ 97.40 | \$ 19.97 | \$ 99.85 | \$ 20.48 | \$ 102.40 |
| TALL - XL | 5 | \$ 20.00 | \$ 100.00 | \$ 20.00 | \$ 100.00 | \$ 20.51 | \$ 102.55 | \$ 21.04 | \$ 105.20 | \$ 21.58 | \$ 107.90 |
| TALL - 2XL | 5 | \$ 22.00 | \$ 110.00 | \$ 22.00 | \$ 110.00 | \$ 22.57 | \$ 112.85 | \$ 23.16 | \$ 115.80 | \$ 23.76 | \$ 118.80 |
| TALL - 3XL | 5 | \$ 24.00 | \$ 120.00 | \$ 24.00 | \$ 120.00 | \$ 24.63 | \$ 123.15 | \$ 25.28 | \$ 126.40 | \$ 25.95 | \$ 129.75 |
| TALL - 4XL | 5 | \$ 26.00 | \$ 130.00 | \$ 26.00 | \$ 130.00 | \$ 26.69 | \$ 133.45 | \$ 27.40 | \$ 137.00 | \$ 28.13 | \$ 140.65 |
| Subtotal | | \$ 5,944.00 | | \$ 5,944.00 | | \$ 6,093.97 | | \$ 6,247.72 | | \$ 6,407.29 | |
| Tax | | \$ 520.10 | | \$ 520.10 | | \$ 533.22 | | \$ 546.68 | | \$ 560.64 | |
| Total | | \$ 6,464.10 | | \$ 6,464.10 | | \$ 6,627.19 | | \$ 6,794.40 | | \$ 6,967.93 | |

| Womens Royal Blue Polo Shirts (Style # Tri-Mountain 166) With 2 Padded Patches (MTS - ATU Local 1309) | | | | | | | | | | | |
|---|-----|-------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|
| Revised Pricing | | | | | | | | | | | |
| Size | Qty | YEAR 1 | | YEAR 2 | | YEAR 3 | | YEAR 4 | | YEAR 5 | |
| | | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price |
| S | 2 | \$ 17.00 | \$ 34.00 | \$ 17.00 | \$ 34.00 | \$ 17.45 | \$ 34.90 | \$ 17.91 | \$ 35.82 | \$ 18.39 | \$ 36.78 |
| M | 40 | \$ 17.00 | \$ 680.00 | \$ 17.00 | \$ 680.00 | \$ 17.45 | \$ 698.00 | \$ 17.91 | \$ 716.40 | \$ 18.39 | \$ 735.60 |
| L | 35 | \$ 17.00 | \$ 595.00 | \$ 17.00 | \$ 595.00 | \$ 17.45 | \$ 610.75 | \$ 17.91 | \$ 626.85 | \$ 18.39 | \$ 643.65 |
| XL | 55 | \$ 17.00 | \$ 935.00 | \$ 17.00 | \$ 935.00 | \$ 17.45 | \$ 959.75 | \$ 17.91 | \$ 985.05 | \$ 18.39 | \$ 1,011.45 |
| 2XL | 41 | \$ 18.00 | \$ 738.00 | \$ 18.00 | \$ 738.00 | \$ 18.48 | \$ 757.68 | \$ 18.97 | \$ 777.77 | \$ 19.48 | \$ 798.68 |
| 3XL | 22 | \$ 19.00 | \$ 418.00 | \$ 19.00 | \$ 418.00 | \$ 19.51 | \$ 429.22 | \$ 20.04 | \$ 440.88 | \$ 20.58 | \$ 452.76 |
| 5XL | 5 | \$ 21.00 | \$ 105.00 | \$ 21.00 | \$ 105.00 | \$ 20.54 | \$ 102.70 | \$ 21.10 | \$ 105.50 | \$ 21.67 | \$ 108.35 |
| Subtotal | | \$ 3,505.00 | | \$ 3,505.00 | | \$ 3,593.00 | | \$ 3,688.27 | | \$ 3,787.27 | |
| Tax | | \$ 306.69 | | \$ 306.69 | | \$ 314.39 | | \$ 322.72 | | \$ 331.39 | |
| Total | | \$ 3,811.69 | | \$ 3,811.69 | | \$ 3,907.39 | | \$ 4,010.99 | | \$ 4,118.66 | |

6-YEAR TOTAL (Mens Royal Blue Polo Shirts (Style # Tri-Mountain 169)) \$ 33,317.72
 5-YEAR TOTAL (Womens Royal Blue Polo Shirts (Style # Tri-Mountain 166)) \$ 19,660.41
GRAND TOTAL (Mens & Womens)

Total Contract Amended Amount (5 Years) \$ **(7,744.12)**

NOTES: Revised Pricing above is a Fixed Price for all 5 contracted years. This includes the addition of the MTS - ATU Local 1309
 ATU Local 1309 Patch = \$1.00 (requires 2 patches per shirt)
 Pocket = \$1.00 ea

B0509.1-09

-3-



Att. B, AI 6, 12/8/11

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

December 31, 2009

ORIGINAL

MTS Doc. No. B0509.2-09
OPS 960.2

Mr. David Brown
Kingsbury Uniforms, Inc.
19401 S. Vermont Avenue, Suite I-104
Torrance, CA 90502

Dear Mr. Brown:

Subject: AMENDMENT NO. 2 TO MTS DOC. NO. B0509.0-09; BUS OPERATOR UNIFORMS,
MENS/WOMEN ROYAL BLUE POLO SHIRTS

This shall serve as Amendment No. 2 to our agreement for the bus operator uniforms as further described below.

SCOPE OF SERVICES

Due to high demand and better quality polo shirts for no additional cost, the following Bus Operator Uniform Garment revisions below shall be added to the contract effective January 01, 2010, through December 31, 2013:

1. Men's Royal Blue Polo Shirt (Style #Tri Mountain 169) shall be replaced with **Style #Port Authority K500P** Polo Shirt with pocket (Royal Blue).
2. Women's Royal Blue Polo Shirt (Style #Tri-Mountain 166) shall be replaced with **Style #Port Authority L500** Polo (Royal Blue).
3. Men's Light Blue Oxford (Style #Edwards1260-01) shall also be available in short sleeves, **Style #Edwards 1210-01**, Men's Oxford.
4. Women's Light Blue Oxford (Style #Edwards 5260-01) shall also be available in short sleeves, **Style #Edwards 5210-01**, Women's Oxford.

SCHEDULE

There is no change to the schedule of this contract.

PAYMENT

There is no change to the payment of this contract. The total value of this contract including this amendment shall not exceed \$717,823.13.

All other conditions remain unchanged. If you agree with the above, please sign below, and return the document marked "Original" to the Contracts Specialist at MTS. The other copy is for your records.

Sincerely,

Paul C. Jablonski
Chief Executive Officer

CBROWN-CL
CL-B0509.2-09.KINGSBURY.CA.JBYRNE

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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.

Agreed

David Brown
Kingsbury Uniforms

Date: 1/1/10





Metropolitan Transit System

Att. C, AI 6, 12/8/11

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



January 7, 2010

ORIGINAL

MTS Doc. No. B0509.3-09
OPS 960.2

Mr. David Brown
Kingsbury Uniforms, Inc.
19401 S. Vermont Avenue, Suite I-104
Torrance, CA 90502

Dear Mr. Brown:

Subject: AMENDMENT NO. 3 TO MTS DOC. NO. B0509.0-09; BUS OPERATOR UNIFORMS, BELT
OPTION

This shall serve as Amendment No. 3 to our agreement for the bus operator uniforms as further described below.

SCOPE OF SERVICES

The following Bus Operator Uniform revisions below shall be added as an option to the contract effective January 01, 2011, through December 31, 2013:

- Edwards - Security Garrison Belt – BC00, 1 3/4" width 9 oz. leather unisex belt with removable nickel silver buckle, black only.

SCHEDULE

There is no change to the schedule of this contract.

PAYMENT

Payment shall be based on actual costs not to exceed \$825.00 (est.) as reflected below without prior written approval from MTS. The total value of this contract including this amendment shall not exceed \$718,648.13.

Estimated Quantity:

Cost:

Total (Year 3 including Option Years 1 and 2):

25 belts per calendar year

\$11.00 each

\$825.00 (Estimate)

All other conditions remain unchanged. If you agree with the above, please sign below, and return the document marked "Original" to the Contracts Specialist at MTS. The other copy is for your records.

Sincerely,

Paul C. Jablonski
Chief Executive Officer

CBROWN-CL
CL-B0509.3-09.KINGSBURY.CA.JBYRNE

Agreed:

David Brown
Kingsbury Uniforms

Date:

1/14/11

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DRAFT

December 8, 2011

MTS Doc. No. B0509.4-09
OPS 960.2

Mr. David Brown
Kingsbury Uniforms, Inc.
19401 S. Vermont Ave. Suite I-104
Torrance, CA 90502

Dear Mr. Brown:

Subject: AMENDMENT NO. 4 TO MTS DOC. NO. B0509.0-09; BUS OPERATOR UNIFORMS -
OPTION YEARS 1 AND 2

This shall serve as Amendment No. 4 to our agreement for the bus operator uniforms as further described below.

SCOPE OF SERVICES

Pursuant to the specifications of MTS IFB No. B0509.0-09, the San Diego Metropolitan Transit System (MTS), on behalf of San Diego Transit Corp. (SDTC), shall exercise Option Year One (1), in the amount of \$144,003.72; and Option Year Two (2) in the amount of \$145,900.06 of the bus operator contract.

Kingsbury Uniforms, Inc. agrees to continue to provide bus operator uniforms in accordance with the terms and conditions as stated in MTS IFB No. B0509.0-09.

SCHEDULE

The option year 1 coverage period shall be effective January 1, 2012, through December 31, 2012; and the option year 2 coverage period shall be effective January 1, 2013, through December 31, 2013.

PAYMENT

Payment shall be based on actual costs not to exceed \$289,903.78 without prior written approval from MTS. The total value of this contract including this amendment shall not exceed \$718,648.13.

All other conditions remain unchanged. If you agree with the above, please sign below, and return the document marked "Original" to the Contracts Specialist at MTS. The other copy is for your records.

Sincerely,

Agreed:

Paul C. Jablonski
Chief Executive Officer

David Brown
Kingsbury Uniforms

Date: _____

Agenda Item No. 7

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

FEDERAL TRANSIT ADMINISTRATION 5311 PROGRAM OF PROJECTS

RECOMMENDATION:

That the Board of Directors adopt Resolution No. 11-18 (Attachment A) authorizing the use of \$234,837 of Federal Transit Administration (FTA) Section 5311 funds for operating assistance in nonurbanized areas.

Budget Impact

None at this time.

DISCUSSION:

The FTA provides funds for capital and operating assistance to agencies providing rural transportation through the Section 5311 Nonurbanized Area Formula Program. These funds do not come directly to the region but are apportioned to the states. On behalf of the state, the California Department of Transportation (Caltrans) in turn reapportions the funds to the region based solely on the regional rural population as a share of the state total rural population. The San Diego Association of Governments (SANDAG) allocates the region's funds to both North County Transit District (NCTD) and MTS based on the relative rural population in each service area. As shown within Attachment A, FTA 5311 funding would provide \$234,837 in operating assistance for MTS.

Recommendation

Grant requirements include submission of a resolution by the Board of Directors authorizing its submittal and project programming. Therefore, staff recommends that the Board approve Resolution No. 11-18 for the submission of a grant application and project programming. Caltrans requires that SANDAG certify that it will amend the Regional Transportation Improvement Program in the event of a grant award.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Nancy Dall 619.557.4537, nancy.dall@sdmts.com

Attachment: A. Resolution No. 11-18



SAN DIEGO METROPOLITAN TRANSIT SYSTEM

RESOLUTION NO. 11-18

Resolution Authorizing Federal Funding Under FTA Section 5311
with the California Department of Transportation

WHEREAS, the U.S. Department of Transportation is authorized to make grants to states through the Federal Transit Administration (FTA) to support capital and operating assistance projects for nonurbanized public transit services under Section 5311 of the Federal Transit Act; and

WHEREAS, the California Department of Transportation has been designated by the Governor of the State of California to administer Section 5311 grants for public transportation projects; and

WHEREAS, MTS desires to apply for said financial assistance to operate rural transit service in San Diego County; and

WHEREAS, MTS has, to the maximum extent feasible, coordinated and consulted with other transportation providers and users in the region, including consultation with San Diego County Health and Human Services;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED that:

1. MTS does hereby authorize the Chief Executive Officer, or designated representative, to file and execute any actions necessary on behalf of MTS with the California Department of Transportation to aid in the financing of operating or capital assistance projects pursuant to Section 5311 of the Federal Transit Act of 1964, as amended:
2. General Counsel is authorized to file and execute any actions necessary on behalf of MTS with the California Department of Transportation to aid in the financing of operating or capital assistance projects pursuant to Section 5311 of the Federal Transit Act of 1964, as amended.
3. Chief Financial Officer is authorized to provide additional information as the California Department of Transportation may require in connection with the application for Section 5311 projects.

PASSED AND ADOPTED, by the Board of Directors this _____ day of _____ 2011 by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

Chairperson
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

Clerk of the Board
San Diego Metropolitan Transit System

Office of the General Counsel
San Diego Metropolitan Transit System



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San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. 8

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

FINALIZED INTERNAL AUDIT REPORT ON SDTC REVENUE MANAGEMENT

RECOMMENDATION:

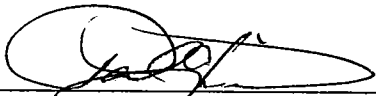
That the Board of Directors receive an internal audit report on San Diego Transit Corporation's (SDTC's) Revenue Management.

Budget Impact

None.

DISCUSSION:

During September 2011, the MTS Internal Auditor performed a review of the SDTC Revenue Management's procedures and internal controls. As a result of this review, three findings and recommendations were made for Management's consideration. Management has reviewed the recommendations and is taking action to address the issues identified.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Daniel Madzelan, 619.595.4920, daniel.madzelan@sdmts.com

DEC8-11.8.AUDIT RPT SDTC REV MGMT.DMADZELAN

Attachment: A. Audit Report – SDTC Revenue Management

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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.





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Att. A, AI 8, 12/8/11

Memorandum

DATE: 10/12/2011

LEG 492 (PC 50121)

TO: Susie Gutschmidt

FROM: Daniel Madzelan

SUBJECT: Audit Report – SDTC Revenue Management

EXECUTIVE SUMMARY:

Audit Objectives and Scope:

Audit objectives were to identify the key risks associated with SDTC Revenue Management operations, evaluate the effectiveness of current controls in mitigating those risks, and assess opportunities for improving existing controls. Based on current operating procedures, as well as consultation with Management, the audit focused on five areas: 1) Revenue Collection; 2) Revenue Reconciliations, 3) Token Reconciliations, 4) Short Fare Monitoring and Reporting, and 5) Control Environment/Management Oversight.

Testing concentrated on operations at the Imperial Avenue (IAD) and Kearney Mesa (KMD) divisions occurring in July, August, and September of 2011. The audit also examined monthly reporting of all months in calendar year 2011. Finally, testing procedures were performed on control activities occurring in calendar year 2010, specifically Management's audits of Contracted Services locations.

Audit Results:

Management has done a noteworthy job of identifying relevant risks to achieving their objectives, as well as implementing controls to mitigate and manage those risks. The evidence tested indicated controls were working as intended and overall were well designed. Audit did identify opportunities for improving existing procedures, primarily short fare monitoring and reporting control activities. Findings are as follows:

High Priority Finding:

- No findings considered high priority.

Medium Priority Finding:

- Short Fare Monitoring and Reporting: Current control activities do not generate reporting of short fare events in a format readily designed to assess and monitor compliance with department directives. Audit believes the information and communication around short fares can be significantly improved by performing analysis of short fare events within Microsoft Excel and utilizing Excel's functionality to generate more relevant reporting. Using such analysis over a two week period, Audit calculated a 42.7% compliance rate with department directives regarding communication of short fare issuance.

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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-1**

Low Priority Finding:

- Control Environment/Management Oversight – There were minor inconsistencies between the current SOPs and actual control activities. Additionally, some of the language in the SOPs could be enhanced to clarify expectations regarding Management's auditing procedures.
- Revenue Collection and Revenue Reconciliations – The preparer and or the reviewer of various daily reports were not always clearly documented by either initials or signatures on the reports. This could raise concerns regarding segregation of duties.

Subsequent pages of this report contain details regarding audit findings documented above, additional audit observations, as well as definitions of Audit Priority Findings.

Background:

Under the direction of the Revenue Manager, San Diego Transit's Revenue Department is responsible for revenue collection of approximately 256 buses, as well as for the maintenance of the fare box equipment. Probing and vaulting of bus fare boxes occurs Monday through Friday at the IAD and KMD locations. The probing and vaulting occurs in one of six lanes (three at each division). A separate vault is assigned to each lane. Each lane has security cameras strategically positioned to monitor the probing and vaulting activities.

Sectran provides armored-car service five days a week for each location. Sectran picks up the vaults each afternoon, counts the coin and currency in each vault, and provides daily reporting to the revenue department. This information is reconciled on a daily basis to ensure the integrity of the GFI system reporting of fares collected, as well as the integrity of Sectran's revenue counting.

Additionally, the Revenue Manager monitors the collection process for Contracted Services Operations.

Report Distribution:

Paul Jablonski, Cliff Telfer, Karen Landers – MTS
Claire Spielberg – SDTC

AUDIT FINDINGS AND MANAGEMENT ACTION PLANS:

Finding/Observation:

Short Fare Monitoring and Reporting: Currently Revenue Management manually identifies, on hard copy reports, instances of short fares issued inconsistent with department communication directives by comparing two different reports, as well as passes returned by bus drivers. Management provided Audit their analysis, as well as the Cash Transaction Log converted into Microsoft Excel. Audit re-performed Management's analysis in Excel for a two week period and utilizing functionality within Excel generated the following analysis:

| | Total – Short Fares | % | Total – Dollars Collected | % | Cost – Total Fares | % | Total Short – Uncollected | % |
|--|------------------------|-------|---------------------------------|-------|-----------------------|-------|------------------------------|-------|
| Total Short Fares Issued (8/21 – 9/3) | 1,078 | | \$1,297.86 | | \$4,969.30 | | \$3,671.44 | |
| Short Fares – Properly Communicated | 460 | 42.7% | \$453.50 | 34.9% | \$2,274.10 | 45.8% | \$1,820.60 | 49.6% |
| Short Fares – Not Properly Communicated | 618 | 57.3% | \$844.30 | 65.1% | \$2,695.2 | 54.2% | \$1,850.90 | 50.4% |

Based on the analysis, the overall communication compliance rate for the two week period was 42.7%. Additional reporting, such as short fares by fare type, was generated utilizing this approach. From that analysis, Audit determined 14.5% (88/618) of short fares not properly communicated were day passes issued where \$.01 was collected.

Short fares not properly communicated totaling \$1,850.90 represent 0.4% of the total revenue \$443,935.00 collected for the time period of 8/21 – 9/3/2011.

Finding Priority Rating:

Medium Priority Finding

Audit Recommendation:

Management should attempt to perform the process of identifying short fares not properly communicated in Excel, as opposed to manually on a hard copy report. Then utilizing Excel's functionality, design reporting that provides more meaningful information around short fare events. Initially, there would be additional work burden; however, over time this approach should not take much longer to perform than that already spent performing current control activities.

Once the process is established and working as intended, Management should consider implementing these new control activities at Contracted Service locations.

Audit is willing to provide all necessary support to Revenue Management with implementing such a process.

Management Response/Action Plan:

Revenue Management agrees using Excel is a better tool for reviewing short fares. We are now able to batch and sort the operators that are not making contact with the Transportation Department prior to issuing a short fare.

Management Estimated Action Plan Completion Date:

Revenue Management has already implemented this process. We are delivering 1 weeks' worth of data to Transportation each Wednesday. Process will also be implemented with Contract Service operations.

Finding/Observation:**Control Environment/Management Oversight:**

There were minor inconsistencies between the current SOPs and actual control activities. Specifically, there were reports listed as being included in the daily reconciliations packets that were not included in Audit's sample selections. Based on discussion with Management, one report was identified twice, but under different names. Another report identified as part of the daily packet was included only if necessary (based on work performed by the Maintenance Department).

While Management's procedures regarding their own auditing procedures are well designed and very effective, some of the language in the SOPs could be enhanced to set clearer expectations regarding performing these audits. In a previous audit report, it was recommended that Management perform "regular" audits of Sectran. The current SOP states audits are performed at random. Based on discussion with Management, audits are tending to be as required or as necessary, based on results of operations.

Also, with respect to Management's audits, not every audit included a summary of the results. Including a simple summary memorandum of the findings is considered a best practice for these types of projects.

Finding Priority Rating:

Low Priority Finding

Audit Recommendation:

- 1) Management, through the normal annual updating process, should modify their SOPs to ensure consistency with actual operational activities. Management should consider changing the language regarding their audit procedures to provide clarity regarding the frequency of occurrence.
- 2) Management should consider including a simple summary memorandum as part of their audit procedures.

Management Response/Action Plan:

Revenue Management is currently working on updating the SOPs.

Management Estimated Action Plan Completion Date:

The updated SOPs will be delivered to the Finance Department in the spring of 2012 when requested by Finance.

Finding/Observation:

Revenue Collection and Revenue Reconciliations:

There was not always clear documentation on various reports generated by Revenue Management as to who prepared the reporting/analysis or who reviewed the reporting/analysis. For example:

1. Fare Box Security Reports prepared daily did not include signatures or initials on the reporting, but there is tangible evidence of reviews taking place (markings/notations on the reports).
2. The daily revenue reconciliation packets were signed off as having been reviewed by the Revenue Manager, however the preparer of the packet did not sign off on the packet. Without this information it could raise the concern of a segregation of duty issue, whereby the Revenue Manager both prepares and reviews the report.

Additionally, there were instances when the preparer or reviewer did not include the date of preparation or review. It is considered a best practice to include the date of preparation and review to serve as evidence of timely completion of operating activities.

Finding Priority Rating:

Low Priority Reporting

Audit Recommendation:

Audit recommends the preparer and reviewer of reports used in performing daily control activities clearly indicate as such by initialing or signing their name to daily reports, as well as including the dates of when these events occurred.

Management Response/Action Plan:

We have modified the reconciliation form adding a signature and date line to be completed by the preparer and the reviewer. Revenue Analyst will initial and date all Security Reports along with markings and notations.

Management Estimated Action Plan Completion Date:

Complete as of report date.

OTHER AUDIT OBSERVATIONS:

IT System Reporting Observation:

Three of the five days reviewed required the Revenue Analyst to manually adjust reported lane totals on the Hummingbird R414 as a result of buses probed and vaulted being excluded from the report. Based on testing procedures performed, all manual adjustments were properly supported and calculated.

Having to manually adjust system generated reports can raise some concerns over the integrity of system reporting. Similarly, it also can raise some concern regarding the overall accuracy of the revenue reconciliation numbers provided, as the potential for misrepresented totals would exist in these instances.

- Based on testing procedures, there are mitigating controls in place to identify these events and ensure accurate reporting of these events in the daily reconciliation packets. As stated above, all manual adjustments to the R414 reports were properly supported and calculated. Thus, all evidence indicates Management's mitigating controls to compensate for and manage these events were working as designed and intended.

AUDIT FINDINGS RATINGS DEFINITIONS:

| | |
|-------------------------|--|
| High Priority Finding | <p>Immediate management attention is required. This is a serious internal control that if not mitigated could lead to:</p> <ul style="list-style-type: none">• Significant financial losses;• Serious violation of corporate strategies, policies, or values,• Reputational damage• Significant adverse regulatory impact (loss of operating licenses, material fines). |
| Medium Priority Finding | <p>Timely management attention is required. This is an internal control that if not mitigated could lead to:</p> <ul style="list-style-type: none">• Financial losses,• Loss of control, non-compliance with departmental policies or procedures,• Adverse regulatory impact. |
| Low Priority Finding | <p>Routine management attention is warranted. This is an internal control or risk issue which may lead to improvement in the quality or efficiencies of the organization or process.</p> |



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Agenda Item No. 9

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

SIEMENS LIGHT RAIL VEHICLE (LRV) PROCUREMENT - CONTRACT AMENDMENT

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L0914.7-10 (in substantially the same format as Attachment A), which would authorize Siemens to: (1) add an instructor's plug receptacle to the 57 LRVs being purchased; (2) add a front-end fender to the 57 LRVs; and (3) adjust the sales tax rate paid under the agreement.

Budget Impact

The purchase of low-floor vehicles is part of the Blue and Orange Line Rehabilitation Project. This amendment would result in a reduction of the total contract amount with Siemens from \$236,770,288.31 to \$234,744,808.72 for a net savings of \$2,025,479.59.

Attachment B contains a summary of the MTS Doc. No. L0914.0-10 and all amendments.

DISCUSSION:

On September 24, 2009, the MTS Board of Directors approved a contract with Siemens to procure 57 ultrashort, low-floor LRVs for the Blue and Orange Line Rehabilitation Project. The current contract total is \$236,770,288.31, which includes necessary modifications to MTS's existing fleet to ensure compatibility with the new vehicles. Proposed Amendment No. 7 would address additional work required to conform the new fleet to MTS needs. Amendment No. 7 would also adjust the contract total to reflect a change in the California sales tax rate.



Additional Work Proposed

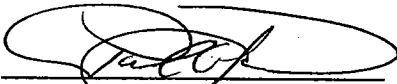
Amendment No. 7 would authorize Siemens to add two features to the LRVs: 1) instructor's plug receptacle; and 2) front-end fenders. The instructor's plug receptacle is necessary to assist MTS in instructing train operators using the new LRVs. During a training exercise, the instructor's plug is plugged into the receptacle and allows the instructor to quickly stop the vehicle by simply pressing a switch on the plug. This feature was inadvertently left off of the original design. It is being provided at a cost of \$1,140.65 per vehicle, plus sales tax, for a total of \$70,055.82. The front-end fender is needed to provide physical and aesthetic protection of the brake electro-hydraulic unit, windshield washer reservoir, high-voltage wiring, and hydraulic lines. Siemens has agreed to add the front-end fender at a cost of \$1,329.63 per vehicle, plus sales tax, for a total of \$81,662.65. The total additional work would cost \$151,718.47.

Sales Tax Reduction

Effective July 1, 2011, the California sales tax rate was reduced from 8.75% to 7.75%. Under this contract, MTS pays the pro-rata share of sales tax with each invoice it receives. Under California law, the obligation to pay sales tax to the state does not accrue until transfer of title of each LRV from Siemens to MTS. Transfer of title does not occur until MTS conditionally accepts each vehicle. Conditional acceptance of the first LRV under this contract did not occur until September 29, 2011. Therefore, the sales tax paid for all invoices under this contract should be 7.75%. For invoices processed before July 1, 2011, MTS paid the 8.75% sales tax rate.

When the 7.75% sales tax rate is applied to the entire contract, it results in a reduction of sales tax owed of \$2,177,198.05. MTS has paid the 7.75% sales tax rate on all invoices processed after July 1, 2011. For invoices processed before that date, payments at the 8.75% rate resulted in a \$650,395 overpayment of sales tax by MTS. With this Amendment No. 7, Siemens and MTS agree to refund this overpayment through sales tax credits on the next three months of invoices until MTS recoups the full \$650,395.

Amendment No. 7 makes note of the sales tax rate change and adjusts the contract's not-to-exceed total down accordingly. With the additional work noted above, this results in a net savings to MTS of \$2,025,479.59.



Paul C. Jablonski
Chief Executive Officer

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

DEC8-11.9.SIEMENS LRV AMD 7.KLANDERS

Attachments: A. Draft MTS Document No. L0914.7-10 (with Exhibits C and D only)
B. Summary of Contract and Amendments

ordered pursuant to this seventh amendment upon execution of this agreement. Going forward, payments for all items in this contract amendment shall be billed in accordance with Exhibit D of the Standard Procurement Agreement.

SALES TAX REFUND

Prior to July 1, 2011, the California sales tax assessed on purchases was 8.75%. Notwithstanding the fact that sales tax is not owed to the State until transfer of title (Payment Milestone 6 - Conditional Acceptance), the payment schedule set forth in Exhibit D of L0914.0-10 requires the payment of a pro-rata share of sales tax with each invoice. On July 1, 2011, the California sales tax assessed on purchases was reduced to 7.75%. Because Conditional Acceptance for the first vehicle was not reached until September 29, 2011, the 7.75% sales tax rate is applicable to all invoices under this Agreement.

The following is a summary of the Agreement totals before and after the reduction of the California sales tax:

| | Through Amendment 6 @ 8.75% sales tax | Through Amendment 6 @ 7.75% sales tax |
|---------------------|--|--|
| Total Product | \$217,719,805.34 | \$217,719,805.34 |
| Total Tax | \$19,050,482.97 | \$16,873,284.91 |
| Grand Total | \$236,770,288.31 | \$234,593,090.25 |
| Sales Tax Reduction | | \$2,177,198.05 |

The change in the sales tax rate resulted in an overpayment of sales tax by MTS on invoices processed before July 1, 2011. A reconciliation of MTS's overpayment of sales tax is attached as Exhibit C. The total overpayment amount is \$650,395.00. MTS shall be entitled to a credit against all sales tax payments owed on future invoices, beginning on December 12, 2011, until the full \$650,395.00 has been recouped. The estimated refund schedule is set forth in Exhibit D. Siemens shall be responsible for processing any request for a refund of taxes overpaid to the State related to this Agreement. All payments made by MTS after July 1, 2011, have been at the applicable 7.75% tax rate.

UPDATED AGREEMENT TOTALS THROUGH AMENDMENT NO. 7

The new total amount encumbered by this contract, after the addition of the instructor's plug and front-end fender for each vehicle and the sales tax adjustment, is as follows:

| | Through Amendment 6 @ 8.75% sales tax | Through Amendment 7 @ 7.75% sales tax |
|------------------|--|--|
| Total Product | \$217,719,805.34 | \$217,860,611.34 |
| Total Tax | \$19,050,482.97 | \$16,884,197.38 |
| Grand Total | \$236,770,288.31 | \$234,744,808.72 |
| Change/Reduction | | (\$2,025,479.59) |

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,

Paul C. Jablonski
Chief Executive Officer

Accepted:

Michael Cahill, President

Siemens Industry, Inc.
Infrastructure & Cities Sector
Rail Systems Division

Date: _____

Chris Halleus, Vice President, FBA

Siemens Industry, Inc.
Infrastructure & Cities Sector
Rail Systems Division

Date: _____

- Exhibit A – Instructor's Plug Scope of Work
- Exhibit B – Front-End Fender Scope of Work
- Exhibit C – Sales Tax Overpayment Reconciliation
- Exhibit D – Sales Tax Refund Schedule (credit against future invoices)

Project 11267 LRV Procurement
Sales tax issue

EXHIBIT C

| Payment for LRV | Inv. Date | Invoice # | Amount | Tax @ 8.75% | Total Payment | 1% sales tax |
|--------------------------------------|------------|-----------|------------|-------------|---------------|--------------|
| 1st Milestone Payment - 2% | 11/11/2009 | RI-83780 | 4,104,000 | 359,100 | 4,463,100 | 41,040 |
| 2nd Milestone Payment - 20% | 3/29/2010 | RI-87204 | 41,040,000 | 3,591,000 | 44,631,000 | 410,400 |
| Amend #3 - Modify Subsuppliers -22% | 6/4/2010 | RI-88963 | 251,124 | 21,973 | 273,097 | 2,511 |
| 3rd Milestone Payment - 5% | 8/13/2010 | RI-90875 | 10,317,074 | 902,744 | 11,219,818 | 103,171 |
| Remaining balance from Milestone 1-3 | 2/7/2011 | RI-98819 | 53,557 | 4,686 | 58,243 | 536 |
| 4th Milestone Payment - 23% (Shell # | 2/7/2011 | RI-98819 | 833,406 | 72,923 | 906,329 | 8,334 |
| 4th Milestone Payment - 23% (Shell # | 3/8/2011 | RI-106992 | 833,406 | 72,923 | 906,329 | 8,334 |
| 4th Milestone Payment - 23% (Shell # | 4/11/2011 | RI-108611 | 833,406 | 72,923 | 906,329 | 8,334 |
| 4th Milestone Payment - 23% (Shell # | 5/5/2011 | RI-110179 | 833,406 | 72,923 | 906,329 | 8,334 |
| 4th Milestone Payment - 23% (Shell # | 5/26/2011 | RI-111235 | 833,406 | 72,923 | 906,329 | 8,334 |
| 4th Milestone Payment - 23% (Shell # | 6/6/2011 | RI-111959 | 833,406 | 72,923 | 906,329 | 8,334 |
| 4th Milestone Payment - 23% (Shell # | 6/17/2011 | RI-112531 | 833,406 | 72,923 | 906,329 | 8,334 |
| 4th Milestone Payment - 23% (Shell # | 6/30/2011 | RI-113139 | 833,406 | 72,923 | 906,329 | 8,334 |
| | | | 62,433,005 | | 67,895,893 | |

| Payment for Spare Parts (Amend #2) | Inv. Date | Invoice # | Amount | Tax @ 8.75% | Total Payment | |
|------------------------------------|------------|-----------|-----------|-------------|---------------|-------|
| Spare part | 8/20/2010 | RI-91009 | 609,101 | 53,296 | 662,397 | 6,091 |
| Spare part | 11/12/2010 | RI-93417 | 304,550 | 26,648 | 331,199 | 3,046 |
| Spare part | 3/24/2011 | RI-107524 | 304,550 | 26,648 | 331,199 | 3,046 |
| | | | 1,218,201 | | 1,324,794 | |

| Payment for Retrofit (Amend #5) | Inv. Date | Invoice # | Amount | Tax @ 8.75% | Total Payment | |
|---------------------------------|-----------|-----------|-----------|-------------|---------------|--------|
| Retrofit - 30% | 2/18/2011 | RI-99260 | 1,388,245 | 121,471 | 1,509,717 | 13,882 |

Total

65,039,452

70,730,404

Overpayment of Sales Tax

650,395

Exhibit D

8-Dec-11

San Diego VIII - Estimated Refund Schedule

Sales Tax to be deducted from next invoices according to Exhibit C:

| | |
|---------------------|------------------|
| \$624,330.05 | SD8 LRV Project |
| \$ 12,182.01 | Spares Project |
| \$ 13,882.45 | Retrofit Project |
| <u>\$650,394.51</u> | |

LRV Project

| Milestone | Description | Projected Invoice Date | Milestone % | Milestone (\$) Amount | Sales Tax 7.75% | Remaining Balance |
|-----------|-------------|------------------------|-------------|--------------------------|--------------------|----------------------|
| | | | | | | \$ 624,330.05 |
| 6 | -LRV #08 | 13-Dec-11 | 10% | \$ 362,350.58 | \$ 28,082.17 | \$ 596,247.88 |
| 6 | -LRV #09 | 13-Dec-11 | 10% | \$ 362,350.58 | \$ 28,082.17 | \$ 568,165.71 |
| 5 | -LRV #12 | 15-Dec-11 | 40% | \$ 1,449,402.33 | \$ 112,328.68 | \$ 455,837.03 |
| 4 | -LRV #28 | 19-Dec-11 | 23% | \$ 833,406.34 | \$ 64,588.99 | \$ 391,248.04 |
| 5 | -LRV #13 | 21-Dec-11 | 40% | \$ 1,449,402.33 | \$ 112,328.68 | \$ 278,919.36 |
| 6 | -LRV #10 | 21-Dec-11 | 10% | \$ 362,350.58 | \$ 28,082.17 | \$ 250,837.19 |
| 6 | -LRV #11 | 21-Dec-11 | 10% | \$ 362,350.58 | \$ 28,082.17 | \$ 222,755.02 |
| 4 | -LRV #29 | 23-Dec-11 | 23% | \$ 833,406.34 | \$ 64,588.99 | \$ 158,166.03 |
| 4 | -LRV #30 | 09-Jan-12 | 23% | \$ 833,406.34 | \$ 64,588.99 | \$ 93,577.03 |
| 4 | -LRV #31 | 16-Jan-12 | 23% | \$ 833,406.34 | \$ 64,588.99 | \$ 28,988.04 |
| 5 | -LRV #14 | 23-Jan-12 | 40% | \$ 1,449,402.33 | \$ 112,328.68 | \$ (83,340.64) * |

Spares Project (Amendment #2)

| Milestone | Description | Projected Invoice Date | Milestone % | Milestone (\$) Amount | Sales Tax 7.75% | Remaining Balance |
|-----------|-------------|------------------------|-------------|--------------------------|--------------------|----------------------|
| | | | | | | \$ 12,182.01 |
| 2 | 2nd 25% | 28-Feb-12 | 30% | \$ 456,825.53 | \$ 35,403.98 | \$ (23,221.97) * |

Retrofit Project (Amendment #5)

| Milestone | Description | Projected Invoice Date | Milestone % | Milestone (\$) Amount | Sales Tax 7.75% | Remaining Balance |
|-----------|-------------|------------------------|-------------|--------------------------|--------------------|----------------------|
| | | | | | | \$ 13,882.45 |
| 3 | -LRV #03 | 23-Jan-11 | 60% | \$ 53,394.05 | \$ 4,138.04 | \$ 9,744.41 |
| 3 | -LRV #04 | 30-Jan-11 | 60% | \$ 53,394.05 | \$ 4,138.04 | \$ 5,606.37 |
| 3 | -LRV #05 | 06-Feb-12 | 60% | \$ 53,394.05 | \$ 4,138.04 | \$ 1,468.33 |
| 3 | -LRV #06 | 13-Feb-11 | 60% | \$ 53,394.05 | \$ 4,138.04 | \$ (2,669.70) * |

| | |
|----------------------|----------------------|
| Total | |
| Refund/Credit | \$ 650,394.51 |

* Negative balances show the amount to be paid by MTS with respective invoice.
Such balances will be stated separately in the invoice.

SUMMARY OF SIEMENS CONTRACT AND AMENDMENTS

| | | Current Contract | Amendment 7 |
|-----------------|--|-------------------------|-------------------------|
| Amendment No. | Purpose | 8.75% Sales Tax | 7.75% Sales Tax |
| Base Contract | Purchase 57 vehicles | \$205,200,000.00 | \$205,200,000.00 |
| Base Contract | Sales tax on 57 vehicles | \$17,955,000.00 | \$15,903,000.00 |
| SUBTOTAL | | \$223,155,000.00 | \$221,103,000.00 |
| 1 | Name changes | \$0.00 | \$0.00 |
| 2-Revised | spare parts, special tools & manuals | \$6,552,489.34 | \$6,552,489.34 |
| | Amendment 2 sales tax | \$573,342.82 | \$507,817.92 |
| | Amendment 2 total | \$7,125,832.16 | \$7,060,307.26 |
| SUBTOTAL | | \$230,280,832.16 | \$228,163,307.26 |
| 3 | Modify subsuppliers | \$1,141,472.00 | \$1,141,472.00 |
| | Amendment 3 sales tax | \$99,878.80 | \$88,464.08 |
| | Amendment 3 total | \$1,241,350.80 | \$1,229,936.08 |
| SUBTOTAL | | \$231,522,182.96 | \$229,393,243.34 |
| 4 | Add bidirectional train-to-wayside communications | \$198,360.00 | \$198,360.00 |
| | Amendment 4 sales tax | \$17,356.50 | \$15,372.90 |
| | Amendment 4 total | \$215,716.50 | \$213,732.90 |
| SUBTOTAL | | \$231,737,899.46 | \$229,606,976.24 |
| 5 | Install compatible communications system in existing fleet | \$4,627,484.00 | \$4,627,484.00 |
| | Amendment 5 sales tax | \$404,904.85 | \$358,630.01 |
| | Amendment 5 total | \$5,032,388.85 | \$4,986,114.01 |
| SUBTOTAL | | \$236,770,288.31 | \$234,593,090.25 |
| 6 | Brake system work and other term changes | \$0.00 | \$0.00 |
| SUBTOTAL | | \$236,770,288.31 | \$234,593,090.25 |
| 7 | Instructor's Plug | | \$65,017.00 |
| | Instructor's Plug sales tax | | \$5,038.82 |
| | Instructor's Plug total | | \$70,055.82 |
| | Front End Fender | | \$75,789.00 |
| | Front End Fender sales tax | | \$5,873.65 |
| | Front End Fender total | | \$81,662.65 |
| | Amendment 7 Total Change Order | | \$151,718.47 |
| | Amendment 7 Sales Tax Adjustment (on Current Contract) | | -\$2,177,198.05 |
| SUBTOTAL | | \$236,770,288.31 | \$234,744,808.72 |
| | Total Product | \$217,719,805.34 | \$217,860,611.34 |
| | Total Tax | \$19,050,482.97 | \$16,884,197.38 |
| | Grand Total | \$236,770,288.31 | \$234,744,808.72 |



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Agenda Item No. 10

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

INVESTMENT REPORT – OCTOBER 2011

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 2011. The combined total of all investments has increased by \$25 million in the current month largely due to receipt of \$19 million in subsidy funds restricted for capital asset acquisitions.

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 (unrestricted investments) reports the working capital for MTS operations allowing for employee payroll and vendors' goods and services.

During October, MTS transferred \$12 million to the Local Agency Investment Fund (LAIF) temporary investment account.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Tom Lynch, 619.557.4538, tom.lynch@sdmts.com

Attachment: A. Investment Report for October 2011

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**San Diego Metropolitan Transit System
Investment Report
October 31, 2011**

| | <u>Restricted</u> | <u>Unrestricted</u> | <u>Total</u> | Average rate of return |
|---|-----------------------|----------------------|-----------------------|---------------------------------------|
| Cash and Cash Equivalents | | | | |
| Bank of America - concentration sweep account | \$ 24,320,018 | \$ 8,304,248 | \$ 32,624,266 | 0.00% |
| Total Cash and Cash Equivalents | <u>24,320,018</u> | <u>8,304,248</u> | <u>32,624,266</u> | |
| Cash - Restricted for Capital Support | | | | |
| US Bank - retention trust account | 2,973,174 | - | 2,973,174 | N/A * |
| Local Agency Investment Fund (LAIF) Proposition 1B TSGP grant funds | <u>5,553,136</u> | <u>-</u> | <u>5,553,136</u> | 0.39% |
| Total Cash - Restricted for Capital Support | <u>8,526,311</u> | <u>-</u> | <u>8,526,311</u> | |
| Investments - Working Capital | | | | |
| Local Agency Investment Fund (LAIF) San Diego County Investment Pool | <u>-</u> | <u>38,450,082</u> | <u>38,450,082</u> | 0.39% |
| Total Investments - Working Capital | <u>-</u> | <u>39,140,684</u> | <u>39,140,684</u> | |
| Investments - Restricted for Debt Service | | | | |
| US Bank - Treasury Strips - market value (Par value \$39,474,000) | 38,519,745 | - | 38,519,745 | |
| Rabobank - Payment Undertaking Agreement | <u>82,053,636</u> | <u>-</u> | <u>82,053,636</u> | 7.69% |
| Total Investments Restricted for Debt Service | <u>120,573,381</u> | <u>-</u> | <u>120,573,381</u> | |
| Total cash and investments | <u>\$ 153,419,710</u> | <u>\$ 47,444,932</u> | <u>\$ 200,864,642</u> | |

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



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Agenda Item No. 11

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

LEGAL SERVICES - CONTRACT AWARD

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) or appropriate staff persons to execute contracts on an as-needed basis to attorneys and firms from the prequalified list (Attachment A) for MTS and its subsidiaries.

Budget Impact

The funding for these contract services is approved by the MTS Board on an annual basis within the MTS, San Diego Transit Corporation (SDTC), and San Diego Trolley, Inc. (SDTI) (hereinafter "the Agencies") operating budgets. The current combined fiscal year 2012 funding assigned for these services is approximately \$1,638,500.

DISCUSSION:

The intent of the Legal Services RFP (MTS Doc. No. G1389.0-11) was to establish a list of qualified attorneys and law firms to advise, assist, and represent the Agencies in the areas of law as described in the Scope of Work. This list of qualified attorneys and law firms will remain effective for up to a seven-year period. Although the Agencies have historically needed legal assistance in the categories described in the Scope of Work, the Agencies do not guarantee work to any qualified attorney for any category. Conversely, the Agencies may hire specific attorneys for specified durations for work that is outside of the scope of the Legal Services RFP.



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.

MTS solicited qualified attorneys and law firms to provide legal services for each entity (MTS, SDTI, SDTC, San Diego and Arizona Eastern [SD&AE] Railway Company, and San Diego Vintage Trolley, Inc. [SDVTI]). In general, the Agencies have in common the categories of labor and employment, pension, third-party liability, and workers' compensation. MTS also needs qualified attorneys in the areas of environmental law, land use, construction contract law, real estate, condemnation, taxicab regulation, finance, public employee law, Americans with Disabilities Act (ADA), civil rights, criminal law, historic designation, conflicts of interest, railroad operating law, storm water prevention and pollution, corporate transactional law, and intellectual property.

On September 13, 2011, 29 proposals were received. All proposals received were found responsive to the minimum requirements of the RFP and or the pass/fail criteria (No. 1 below).

MTS evaluated the proposals received based on the following criteria:

1. Pass/Fail Criteria

- a) Proposer has demonstrated the ability to meet the insurance requirements described in the Agreement. Proof of ability should be attached to your proposal. (P/F)
- b) Proposer has demonstrated at least five (5) years of relevant experience as an attorney. Experience is relevant if it falls within a category in the Scope of Work. (P/F)
- c) Proposer has demonstrated previous experience working for or with public agencies, transit entities, or corporations. (P/F)
- d) Proposer is a licensed member of the California Bar and in good standing. Please attach proof from the California Bar. (P/F)

If the Proposer does not meet any of the criteria mentioned above, their proposal may not be considered for evaluation:

2. Qualifications of the Firm or Sole Practitioner 50%

Technical experience in performing legal services of a similar nature; experience working with public agencies; strength and stability of the firm or sole practitioner; strength, stability, experience, and technical competence of subcontractors; assessment by client references; references with demonstrated success in providing similar services.

3. Staffing, Firm Organization, and Management Plan 15%

Qualifications of attorneys and legal staff, particularly key attorneys and the Managing Partner; key personnel's level of involvement in performing related work cited in "Qualifications of the Firm" section; logic of firm organization; adequacy of labor commitment. Your response should also include your

procedures for delegating work and the types of work given to paralegals, law clerks, and associates in order to provide cost-effective services to MTS.

4. Work Plan 15%

Depth of Proposer's understanding of MTS's requirements as set forth in Section B, Scope of Work, and within this RFP; overall quality of work plan; logic, clarity, and specificity of work plan; appropriateness of labor distribution among the activities; ability to meet legal services proposed; reasonableness of legal service proposed; methods or processes used for data retention and confidentiality; evidence of insurability.

5. Cost and Price 20%

The reasonableness of the total cost proposal and the competitiveness of this amount with other offers received; adequacy of data in support of figures quoted; reasonableness of hourly rates; basis on which prices are quoted.

Firms and attorneys were given an overall score that included qualifications and price. Based on its review, the evaluation committee has determined that the proposals from the attached list of proposed qualified attorney firms (Attachment A) best meet the requirements set forth in the RFP and, that based upon consideration of both technical and price factors, has found their offers to be the most advantageous and of the greatest value to the Agencies. The evaluation committee is recommending the Board authorize staff to award fixed-price contracts to those attorneys and firms on the prequalified list (MTS Doc. No. G1389.0-11) on an as-needed basis for a period of up to seven years.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: James Dow, 619.557.4562, jim.dow@sdmts.com

DEC8-11.11.ATTORNEYS AND FIRMS.JDOW

Attachment: A. Proposed List of Qualified Attorney Firms



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

Att. A, AI 11, 12/8/11

Request for Proposals (RFP)
MTS Doc. No. G1389.0-11
Legal Services

PROPOSED LIST OF QUALIFIED ATTORNEY FIRMS

| # | PROPOSAL FIRM NAME | TYPE OF LAW |
|---|--------------------------------------|---|
| 1 | BAKER & MILLER PLLC | <ul style="list-style-type: none"> - Railroad Operating Law - Environmental Law - Historic Designation |
| 2 | BEST BEST & KRIEGER LLP | <ul style="list-style-type: none"> - Environmental Law - Labor and Employment Law - Construction Contracts and Claims - Eminent Domain & Condemnation - Finance - Americans with Disabilities Act (ADA) - Civil Rights - Criminal Law - Real Estate - Railroad Operating Law - Storm Water Prevention & Pollution - Public Entity - Corporate Transaction - Intellectual Property |
| 3 | DAVID C. SKYER | <ul style="list-style-type: none"> - Liability Attorney |
| 4 | DLA PIPER | <ul style="list-style-type: none"> - Other (Finance Pension) |
| 5 | HANSON BRIDGETT | <ul style="list-style-type: none"> - Railroad Operating Law - Labor and Employment Law - Construction Contracts and Claims - Eminent Domain & Condemnation - Insurance - Taxicab Regulation - Americans with Disabilities Act (ADA) - Civil Rights - Public Entity - Intellectual Property |
| 6 | LAUGHLIN, FALBO, LEVY & MORESI LLP | <ul style="list-style-type: none"> - Worker's Compensation |
| 7 | LIEBMAN, QUIGLEY, SHEPPARD & SOULEMA | <ul style="list-style-type: none"> - Liability Attorney - Civil Rights |
| 8 | LIEDLE, LOUNSBERY, LARSON & LIDL LLP | <ul style="list-style-type: none"> - Liability Attorney - Labor and Employment Law - Construction Contracts and Claims - Americans with Disabilities Act (ADA) - Civil Rights |



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PROPOSED LIST OF QUALIFIED ATTORNEY FIRMS - continued

| # | PROPOSAL FIRM NAME | TYPE OF LAW |
|----|--|--|
| 9 | MANNING & KASS, ELLROD, RAMIREZ, TRESTER LLP | <ul style="list-style-type: none"> - Liability Attorney - Worker's Compensation - Labor and Employment Law - Construction Contracts and Claims - Americans with Disabilities Act (ADA) - Civil Rights - Criminal Law - Real Estate |
| 10 | MARK H. BARBER, Law Offices of | <ul style="list-style-type: none"> - Worker's Compensation |
| 11 | MCDUGAL, LOVE, ECKIS, BOEHMER & FOLEY | <ul style="list-style-type: none"> - Liability Attorney - Environmental Law - Labor and Employment Law - Construction Contracts and Claims - Eminent Domain & Condemnation - Americans with Disabilities Act (ADA) - Civil Rights - Historic Designation - Conflicts of Interest - Storm Water Prevention and Pollution - Public Entity |
| 12 | MICHAEL E. RIPLEY, Law Office of | <ul style="list-style-type: none"> - Liability Attorney |
| 13 | NOSSAMAN LLP | <ul style="list-style-type: none"> - Finance - Environmental Law - Eminent Domain & Condemnation - Insurance - Real Estate - Railroad Operating Law - Storm Water Prevention and Pollution - Corporate Transaction |
| 14 | OPPER & VARCO LLP | <ul style="list-style-type: none"> - Environmental Law - Real Estate |
| 15 | PAUL, PLEVIN, SULLIVAN & CONNAUGHTON LLP | <ul style="list-style-type: none"> - Labor and Employment - Americans with Disabilities Act (ADA) - Civil Rights - Public Entity |
| 16 | R. MARTIN BOHL, Law Offices of | <ul style="list-style-type: none"> - Real Estate |
| 17 | RYAN MERCALDO & WORTHINGTON LLP | <ul style="list-style-type: none"> - Liability Attorney - Labor and Employment Law - Construction Contracts and Claims - Insurance |
| 18 | TROVILLION, INVEISS & DEMAKIS | <ul style="list-style-type: none"> - Worker's Compensation |
| 19 | WHEATLEY BINGHAM & BAKER LLP | <ul style="list-style-type: none"> - Liability Attorney - Americans with Disabilities Act (ADA) - Civil Rights |



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Agenda Item No. 12

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

FEDERAL TRANSIT ADMINISTRATION 5316 GRANT APPLICATIONS

RECOMMENDATION:

That the Board of Directors adopt Resolution No. 11-17 (Attachment A) authorizing the Chief Executive Officer (CEO) to submit Job Access and Reverse Commute (JARC) applications for fiscal years 2012 and 2013 for Federal Transit Administration (FTA) Section 5316 funding.

Budget Impact

None at this time.

DISCUSSION:

The FTA provides funds for operating assistance to agencies providing transportation through the Section 5316 Job Access and Reverse Commute Program. These funds come directly to the region but are to be apportioned by the metropolitan planning organization through a competitive grant application process. The San Diego Association of Governments (SANDAG) is currently accepting applications for the available funding for fiscal years 2012 and 2013.



Recommendation

FTA requirements include submission of a resolution by the Board of Directors authorizing MTS to submit the grant application. Therefore, staff recommends that the Board adopt Resolution No. 11-17 (Attachment A) authorizing the CEO to submit applications for fiscal years 2012 and 2013 JARC for FTA funding 5316 for a total amount of \$1,140,200.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Nancy Dall, 619.557.4537, nancy.dall@sdmts.com

DEC8-11.12.FTA 5316 GRANT APPL FOR JARC.NDALL

Attachment: A. Resolution No. 11-17

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

RESOLUTION NO. 11-17

Resolution Authorizing the Filing of an Application for Job Access Reverse Commute Program Funds through the San Diego Association of Governments for Operation of Fixed-Bus Service Routes Committing the Necessary Local Match for the Project(s) and Stating the Assurance of the San Diego Metropolitan Transit System to Complete the Project

WHEREAS, the San Diego Association of Governments (SANDAG) is making funds available for the Job Access and Reverse Commute Program (JARC) through a competitive process for fiscal years 2012 and 2013; and

WHEREAS, the San Diego Metropolitan Transit System wishes to receive \$1,140,200 in Job Access Reverse Commute Program funds for the following project(s): operation of fixed-bus service Routes 905, 929, 932, 955, 960, 967, and 968; and

WHEREAS, San Diego Metropolitan Transit System understands that the Job Access Reverse Commute Program funding is fixed at the programmed amount, and therefore any cost increase cannot be expected to be funded through the Job Access Reverse Commute Program; and

WHEREAS, San Diego Metropolitan Transit System understands that projects funded through the Job Access Reverse Commute Program require matching funds to be provided by the project sponsor;

NOW THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED by the Metropolitan Transit System Board of Directors that San Diego Metropolitan Transit System is authorized to submit an application to the San Diego Association of Governments for Job Access Reverse Commute funding in the amount of \$1,140,200 for operation of fixed-bus service Routes 905, 929, 932, 955, 960, 967, and 968; and

BE IT FURTHER RESOLVED that if an award is made by SANDAG to fund the operation of fixed-bus Routes 905, 929, 932, 955, 960, 967, and 968, the Board of Directors commits to providing \$4,601,434 of matching funds, which is not less than the required amount of \$1,140,200 based on the required proportion to the grant request amount, and authorizes the San Diego Metropolitan Transit System Chief Executive Officer, or designated representative, to file and execute any actions necessary on behalf of Metropolitan Transit System with the San Diego Association of Governments to accept the grant funding and execute a grant agreement

1. General Counsel, or designated representative, is authorized to execute and file all assurances or any other documents required by the San Diego Association of Governments.

2. The Chief Financial Officer, or designated representative, is authorized to provide additional information as the San Diego Association of Governments may require in connection with the application for Section 5316 projects.

PASSED AND ADOPTED, by the Board of Directors this ____ day of _____ 2011 by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

Chairperson
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

Clerk of the Board
San Diego Metropolitan Transit System

Office of the General Counsel
San Diego Metropolitan Transit System

DEC8-11.12.AttA.JARC RESO 11-17.NDALL



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Agenda Item No. 13

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

TAXICAB ADVISORY COMMITTEE MEMBER ELECTION RESULTS

RECOMMENDATION:


That the Board of Directors ratify the appointment of Mr. Berhanu Lemma and Mr. Hussein Nuur as new members to the Taxicab Advisory Committee (TAC).

Budget Impact

None.

DISCUSSION:

On September 15, 2011, the MTS Board authorized an interim balloted election of two taxicab drivers to fill the vacant seats on the TAC for the remaining two years in the 2011-2013 Committee term. The election was held on November 15-17, 2011, and the ballots were counted on November 21, 2011. The MTS Internal Auditor observed and certified the election, and there were three external observers present to observe the actions of the Vote Validation Subcommittee. The two top-vote recipients were Mr. Berhanu Lemma and Mr. Hussein Nuur. The new members will be seated in January.



Paul C. Jablonski
Chief Executive Officer

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

DEC8-11.13.TAXI ELECTION RESULTS.JSCOTT



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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.



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Agenda Item No. 14

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

SRTP 830

December 8, 2011

SUBJECT:

DISCONTINUANCE OF ROUTE 830 – MURPHY CANYON PREMIUM EXPRESS

RECOMMENDATION:

That the Board of Directors approve the discontinuance of Route 830.

Budget Impact

The Murphy Canyon Premium Express service was fully subsidized since its implementation. The San Diego Association of Governments (SANDAG) and the United States Navy Region Southwest (Navy) plan to discontinue funding for the service in January. Continuation of the service would cost MTS \$177,000 annually.

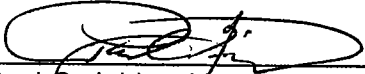
DISCUSSION:

At the request of the Navy, MTS partnered with SANDAG to implement a pilot service from military housing in Murphy Canyon/Tierrasanta to 8th Street Trolley Station and Naval Base San Diego/32nd Street. This service began in November 2010 with the understanding that it would be full-cost recovery for MTS. After extensive marketing of the service and despite the Department of Defense's reimbursement of the cost of the fare to the passenger, this service has experienced extremely low ridership. This low ridership led SANDAG to decide to discontinue subsidy for the service as of the January service change. SANDAG and the Navy are working to move existing patrons of the service to vanpools.

Based on the loss of subsidy, the low ridership, and the accommodation of existing Route 830 passengers on alternative services, MTS staff recommends the discontinuance of the service in January 2012. Major reductions are defined by the Federal Transit Administration as those that reduce a route's miles or hours by more than 25%. MTS Policy No. 42 also states that any service change affecting more than



25% of a route's weekly in-service miles or hours is considered a "major service change" and requires a properly noticed public hearing prior to Board action. In accordance with this policy, the Board held a public hearing on the proposed Route 830 discontinuance on November 10, 2011. At that time, MTS received no comments in opposition to the staff recommendation.



Paul C. Jablonski
Chief Executive Officer

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

DEC8-11.14.MURPHY CANYON EXPRESS.SCOONEY.doc



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Agenda Item No. 15

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

INSURANCE BROKERAGE AND CONSULTATION SERVICES - CONTRACT AMENDMENT

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to enter into MTS Doc. No. G1035.2-07 (Attachment A) with BB&T John Burnham Insurance Services to extend the existing insurance brokerage and consultation services contract (MTS Doc. No. G1035.1-07) for an additional six-month period.

Budget Impact

The total amendment cost would not exceed \$48,690. The term of the contract extension would be for a period of six months. The total costs would be charged against each of the three agencies involved according to services provided. Funds have been identified and allocated within each agency. The estimated six-month breakdown between agencies is noted within the table below.

| ESTIMATED FY 2012 BUDGET IMPACT | | | | | |
|---------------------------------|----------|---------|---------|---------|----------|
| AGENCY: | MTS | SDTC | SDTI | SD&AE | TOTAL |
| Six-Month Extension | \$30,676 | \$8,569 | \$8,423 | \$1,022 | \$48,690 |
| | 63% | 17.60% | 17.30% | 2.10% | 100% |



DISCUSSION:

At the direction of the MTS Board, staff released a Request for Proposals (RFP) on October 11, 2006. From that RFP, BB&T John Burnham Insurance Services was identified as the top contender and was contracted for three years with two 1-year options to provide the insurance services requested. To accommodate and implement a new RFP for Insurance Brokerage and Consulting Services (MTS Doc. No. G1397.0-12), an additional period of six months was identified as necessary to conclude the process. Therefore, staff recommends authorizing the CEO to execute MTS Doc. No. G1035.2-07 with BB&T John Burnham Insurance Services to extend the existing contract for an additional six-month period at a cost not to exceed \$48,690.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: James Dow, 619.557.4562, jim.dow@sdmts.com

DEC8-11.15.INS BROKER & CONSULT SVCS BB&T JOHN BURNHAM.JDOW

Attachment: A. MTS Doc. No. G1035.2-07

DRAFT

December 8, 2011

MTS Doc. No. G1035.2-07
LEG 491 (PC 50633)

Ms. Iris J. Gladney
BB&T John Burnham Insurance Services
750 B Street, Suite 2400
San Diego, CA 92101-2476

Dear Ms. Gladney:

Subject: AMENDMENT NO. 2 TO MTS DOC. NO. G1035.0-07 - INSURANCE BROKERAGE AND
CONSULTATION SERVICES

This letter will serve as Amendment No. 2 to MTS Doc. No. G1035.0-07. This contract amendment authorizes additional costs not to exceed \$48,690 for professional services. The total value of this contract, including this amendment, is \$523,034. This amendment also exercises an agreed-upon contract extension of six months covering the period January 1, 2012, through June 30, 2012. All terms, requirements, and provisions as indicated in the Standard Conditions Services contract remain in effect. Additional authorization is contingent upon MTS approval.

If you agree with the above, please sign below, and return the document marked "Original" to the Contracts Specialist at MTS. The other copy is for your records.

Sincerely

Accepted:

Paul C. Jablonski
Chief Executive Officer

Iris J. Gladney
BB&T John Burnham Insurance Services

Date: _____



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619.231.1466, FAX: 619.234.3407

Agenda Item No. 16

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

STATE TRANSIT ASSISTANCE (STA) CLAIMS

RECOMMENDATION:

That the Board of Directors adopt Resolution No. 11-19 (Attachment A) approving fiscal year (FY) 2012 State Transit Assistance (STA) claims.

Budget Impact

Due to uncertainty regarding the availability of STA funds, receipt of this \$19,479,776 was not included in the FY 2012 Budget adopted by the Board. Staff will meet with the Budget Development Committee to develop recommendations for spending any STA funds actually received.

DISCUSSION:

STA Claims - \$19,479,776

Discretionary STA funds are distributed to MTS on the basis of population. Formula STA funds are distributed to San Diego Transit Corporation (SDTC), San Diego Trolley, Inc. (SDTI), MTS Contract Services, and other operators on the basis of revenue generated.

State law requires that MTS make the findings set forth in Resolution No. 11-16 (Attachment A) before the County Auditor may distribute funds.



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.

The County Auditor has informed MTS that \$19,479,776 in STA funds is available for distribution to MTS for fiscal year 2012. In the event that additional STA funds become available, it may be necessary to revise this STA claim.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Nancy Dall, 619.557.4537, nancy.dall@sdmts.com

Attachment: A. MTS Resolution No. 11-19

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

RESOLUTION NO. 11-19

Resolution Approving the MTS Area FY 2012 STA Claim

WHEREAS, California Public Utilities Code Sections 99313.3, 99313.6, and 99314.5(d) established a State Transit Assistance (STA) fund and grants the San Diego Metropolitan Transit System (MTS) authority to allocate monies from this fund; and

WHEREAS, MTS, through its various operating entities and divisions, including San Diego Transit Corporation (SDTC), San Diego Trolley, Inc. (SDTI), and MTS Contracted Services (collectively referred to as "MTS") qualifies for STA monies under the provision of Public Utilities Code Section 99260 et seq.; and

WHEREAS, the County Auditor has informed MTS that its eligible STA allocation for FY 2012 is \$19,479,776; and

WHEREAS, MTS's proposed expenditures of STA monies are in conformance with the *Regional Transportation Plan and Transportation Improvement Program*; and

WHEREAS, the level of passenger fares and charges is sufficient to enable MTS to meet the fare revenue requirements of Public Utilities Code sections 99268.2, 99268.3, 99268.4, 99268.5 and 99268.9, as they may be applicable to MTS; and

WHEREAS, MTS is making full use of federal funds available under the Urban Mass Transportation Act of 1964, as amended; and

WHEREAS, the sum of MTS's allocations of STA and local transportation funds do not exceed the amounts it is eligible to receive during the fiscal year; and

WHEREAS, priority consideration has been given to claims to offset reductions in federal operating assistance and the unanticipated increase in the cost of fuel, to enhance existing public transportation services, and to meet high-priority, area-wide public transportation needs; and

WHEREAS, MTS has made reasonable efforts to implement FY 2012 productivity improvements recommended pursuant to Public Utilities Code section 99244, including continuing efforts to improve trolley cost effectiveness and evaluating opportunities to expand MTS Contracted Services as recommended in the Fiscal Year 2007-2009 triennial performance audit dated April 2010; and

WHEREAS, within the last thirteen months, MTS has received a certification from the California Highway Patrol verifying that MTS is in compliance with section 1808.1 of the Vehicle Code, as required in Public Utilities Code section 99251; and

WHEREAS, MTS is in compliance with the eligibility requirements of Public Utilities Code section 99314.6.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED that the MTS Board does hereby direct and empower MTS staff to prepare and transmit allocation instructions to the County Auditor to disburse to MTS the FY 2012 STA amount totaling \$19,479,776.

PASSED AND ADOPTED by the Board this _____ day of _____ 2011, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

Chairman
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



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Agenda Item No. 17

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

TRAPEZE SOFTWARE – SOLE-SOURCE CONTRACT AWARD

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. B0569.0-12 with Trapeze Software Group, Inc. (in substantially the same format as Attachment A) for INFO-IVR and ATIS Real-Time software and implementation services.

Budget Impact

The total for Trapeze INFO-IVR and ATIS Real-Time software and implementation services would be \$130,000 funded by MTS Capital Improvement Project (CIP) 11318 (Teleinfo – IVRS).

DISCUSSION:

MTS currently utilizes multiple software products made or owned by Trapeze Software Group, Inc. (Trapeze) related to paratransit and fixed-route operations. These products are utilized by MTS, MTS riders, and MTS authorized contractors who are contracted to operate Para Transit and Fixed Route Services on behalf of MTS. The software is proprietary to Trapeze and cannot be purchased, maintained, or serviced by any other company or third party vendor.

The system upgrade and services being requested for procurement is an upgrade and replacement for current IVR software and system used by the Customer Service Center (Tele-Info) and MTS passengers who elect to get information from the interactive voice response telephone system. The current IVR system consists of the Trapeze ATIS components listed above as well as an additional specialized server (from Ontira) which houses the IVR 'speech' system and interfaces the telephone lines to the route information in Trapeze. This project will allow MTS Information Technology to replace

both of these components with a 'Trapeze-only' solution that will fully integrate the Trapeze ATIS route information system with a new IVR system (Trapeze INFO-IVR) and add real-time vehicle position information (Trapeze ATIS Real Time).

MTS has a significant investment in Trapeze products, which are only available through Trapeze directly. These Trapeze software products continue to serve MTS and MTS customers. This new 'all Trapeze' replacement IVR solution will replace existing, poorly integrated Trapeze-Ontira systems that have long surpassed their useful lives. Additionally, the replacement system will provide real-time vehicle information to the public through the IVR component and an interface to the Orbital ACS bus dispatch system. This 'all-Trapeze' solution will be fully integrated, maintained directly by Trapeze, and will leverage our existing investment in Trapeze products.

Staff has negotiated significant price reductions and reviewed professional services and travel costs and compared against similar services. Staff has determined that pricing for the INFO-IVR and ATIS Real-Time software and implementation services is fair and reasonable and recommends Board approval to award MTS Doc. No. B0569.0-12 to Trapeze for these services.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Stevan White, 619.238.0100, Ext. 6412, Stevan.White@sdmts.com

DEC8-11.17.TRAPEZE INFO-IVR ATIS SOFTWARE.MLAWRENCE

Attachment: A. Draft MTS Doc. No. B0569.0-12 (without attachments)

DRAFT

Att. A, AI 17, 12/8/11

STANDARD SERVICES AGREEMENT

B0569.0-12
CONTRACT NUMBER
CIP 11318
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: Trapeze Software Group Address: 8360 East Via De Ventura Ste. L-200

Form of Business: Corporation Scottsdale, AZ 85258

(Corporation, partnership, sole proprietor, etc.)

Telephone: 905-629-8727

Authorized person to sign contracts: Brian Beattie CFO
Name Title

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

Provide Trapeze INFO-IVR and ATIS Real-Time software and implementation services as set forth in the Scope of Work (attached as Exhibit A), Standard Terms and Conditions (attached as Exhibit B), and the Federal Requirements (attached as Exhibit C).

The total amount of the contract shall not exceed \$130,000.

| 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 |
| <u>\$130,000</u> | <u>CIP 11318</u> | <u>12</u> |

By: _____
Chief Financial Officer Date

(____ total pages, each bearing contract number)

SA-SERVICES REVISED (REV 05-09)



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

Agenda Item No. 30

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

FISCAL YEAR 2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT
(LINDA MUSENGO)

RECOMMENDATION:

That the Board of Directors receive the Fiscal Year 2011 Comprehensive Annual Financial Report (CAFR).

Budget Impact

None at this time.

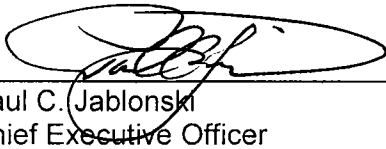
DISCUSSION:

MTS staff and auditors Caporicci & Larson will present the Fiscal Year 2011 CAFR. 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. 121 – No. 124 issued by the American Institute of Certified Public Accountants (AICPA) Auditing Standards Board during the past year.

- SAS No. 121 – Revised Applicability of Statement on Auditing Standards No. 100, Interim Financial Information
- SAS No. 122 – Statements on Auditing Standards: Clarification and Recodification
- SAS No. 123 – Omnibus Statement on Auditing Standards 2011
- SAS No. 124 – Financial Statements Prepared in Accordance with a Financial Reporting Framework Generally Accepted in Another Country

In addition, Mr. Caporicci will discuss the exposure draft of proposed statement of the Governmental Accounting Standards Board, Accounting and Financial Reporting for Pensions, amendment to Statement 27.



Paul C. Jablonski
Chief Executive Officer

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

DEC8-11.30.FY 2011 CAFR.LMUSENGO

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

San Diego Metropolitan Transit System

San Diego, California

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

For the years ended June 30, 2011 and 2010

PREPARED BY SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINANCE DEPARTMENT

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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, 2011 and 2010 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, 2011 and 2010 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, 2011 and 2010 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.

MTS MILESTONES

In October 2009, MTS was honored as Outstanding Transit Agency of the Year at the American Public Transportation Association (APTA) annual conference. 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.

During 2011, MTS celebrated two important anniversaries: SDTC marked 125 years of continuous bus service and SDTI recognized 30 years of trolley service.

ECONOMIC CONDITION AND OUTLOOK

San Diego has shown continued but limited recovery from the economic downturn that has affected all parts of nation since 2008, fueled by increased military spending and moderate improvements in tourism and biotech industries. It is expected that future cuts in government spending and employment will slow the recovery during the coming year. San Diego's gross regional product (GRP), the total value of the region's economy, has been forecast to reach \$174 billion in 2010 and \$181 billion in 2011, increasing from the \$169 billion estimated for 2009. It is expected that gains in employment, consumer spending and related sales tax revenues will lag behind other indicators. MTS ridership in 2011 increased by 2.7% largely due to increases in gasoline prices.

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 FY2004, 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. The economy has made some improvements over the past year but has yet to recover from the economic downturn. Accordingly, sales tax receipts throughout California have not yet rebounded to pre-crisis levels, which has had a predictable continuing negative effect on the subsidy revenue available to MTS from both TDA and *TransNet* funds. MTS continues to monitor its costs and initiate additional revenue programs. These activities 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. During 2011, MTS continued its ongoing programs to upgrade its bus fleet and the Blue Line Trolley. In early July 2011, MTS accepted delivery of the first of 57 new trolley cars currently under construction. 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, 2010. This is the fifth 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 is 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.

Respectfully submitted,



Paul Jablonski
Chief Executive Officer



Cliff Telfer
Chief Financial Officer

November 30, 2011

Listing of Board of Directors and Management

BOARD OF DIRECTORS

| Members | Board position (elected position) |
|-------------------|--|
| Harry Mathis | Chairman, since 1/06 |
| Ron Roberts | Vice Chairman, since 12/89 (Supervisor, County Board of Supervisors) |
| Steve Castaneda | Board Member, since 1/11 (Councilmember, 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) |
| Mary England | Board Member, since 12/10 (Mayor Pro Tem, City of Lemon Grove) |
| 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) |
| John Minto | Board Member, since 1/11 (Councilmember, City of Santee) |
| Al Ovrom, Jr. | Board Member, since 12/08, (Councilmember, City of Coronado) |
| 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

| Executive Committee | Accessible Services Advisory Committee | Ad Hoc Airport Regional Policy Committee | Ad Hoc Public Security Committee |
|----------------------------------|---|---|---|
| Harry Mathis, Chair | Thomas Clabby, Chair (Former Board Member) | Harry Mathis | Jim Cunningham |
| John Minto | | | Ernie Ewin |
| Al Ovrom | | | Todd Gloria |
| Ron Roberts | | | Jim Janney |
| Tony Young | | | Harry Mathis |
| Audit Oversight Committee | Budget Development Committee | Joint Committee on Regional Transit | Los Angeles-San Diego Rail Corridor Agency |
| Ernie Ewin, Chair | Jim Cunningham | Jim Cunningham | Jerry Rindone (Former Board Member) |
| Harry Mathis | Harry Mathis | Ernie Ewin | |
| John Minto | Bob McClellan | Harry Mathis | |
| Al Ovrom | Ron Roberts | | |
| Ron Roberts | Tony Young | | |
| Tony Young | | | |
| SANDAG Board | SANDAG Regional Planning Committee | SANDAG Transportation Committee | Taxicab Committee |
| Harry Mathis | Al Ovrom | Harry Mathis | Marti Emerald, Chair |

Listing of Board of Directors and Management, Continued

MTS MANAGEMENT

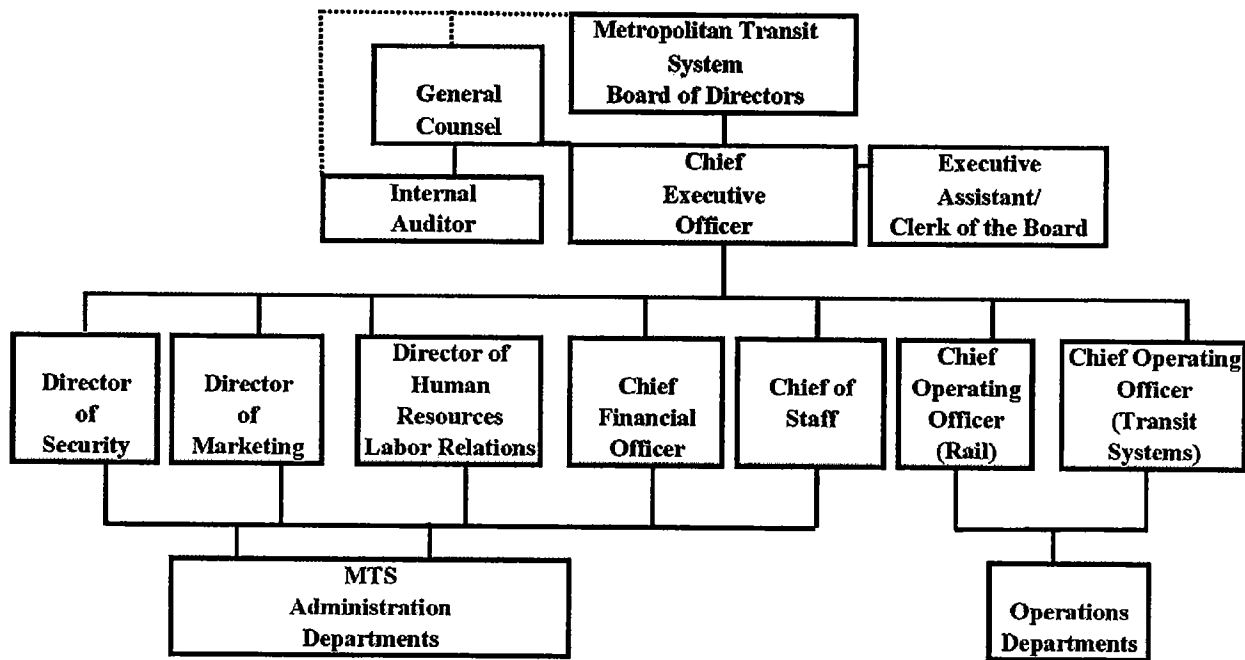
Staff

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

Position

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

Executive Level Organization Chart



Certificate of Achievement for Excellence in Financial Reporting - GFOA

**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, 2010

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.



Linda C. Sandson

President

Jeffrey R. Enen

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 years ended June 30, 2011 and 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 MTS' internal control over financial reporting. Accordingly, we expressed no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide 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, 2011 and 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress of Defined Benefit Pension Plans, and Schedule of Funding Progress of Other Postemployment Benefits Plans be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in

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

accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinion on the MTS' basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
November 30, 2011

Management's Discussion and Analysis**June 30, 2011 and 2010**

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, 2011 and 2010. This information should be used in conjunction with the Letter of Transmittal, which can be found on pages i through iv of this report.

Financial Highlights

- Net assets, as reported in the statement of net assets, totaled \$1,254 million as of June 30, 2011, \$1,258 million as of June 30, 2010 and \$1,250 million as of June 30, 2009. Of this amount, \$173 million was unrestricted as of June 30, 2011, \$177 million was unrestricted as of June 30, 2010, and \$172 million was unrestricted as of June 30, 2009. Total net assets decreased by \$4 million in the current year and increased by \$8 million in the prior year. The current year decrease is largely attributable to a decrease in Federal revenue and *TransNet* funding for capital projects, partially offset by increased State Transit Assistance and Proposition 1B funds.
- For the year ended June 30, 2011, 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 41.68% compared to 39.70% for the year ended June 30, 2010 and 42.71% for the year ended June 30, 2009. The current year increase is due primarily to a decrease in the amortization cost associated with 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 2011, MTS presents comparative statements for FY2011 and FY2010.

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.

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).

Management's Discussion and Analysis, Continued

June 30, 2011 and 2010

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 \$1,254 million at the close of the most recent fiscal year and \$1,258 million at the end of FY2010.

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 \$98 million, of which the largest projects under construction include the procurement of 57 light rail vehicles, \$68 million; land acquisitions and expansions, \$19 million; and CNG station improvements totaling \$5 million. Prior year construction-in-progress totaled \$86 million, of which the largest projects under construction included 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. 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 FY2011, MTS transferred completed projects worth \$39 million to SDTC, SDTI, Other Contracted Services and other governments. In FY2010, MTS transferred completed projects worth \$43.6 million to SDTC, SDTI, Other Contracted Services and other governments.

The balance in unrestricted assets decreased by \$4 million during the current year and increased \$5 million in the prior year.

| | June 30, 2011 | June 30, 2010 | Change | June 30, 2009 | Change |
|--|-------------------------|-------------------------|-----------------------|-------------------------|---------------------|
| Assets: | | | | | |
| Current and other assets | \$ 299,353,436 | \$ 300,276,165 | \$ (922,729) | \$ 321,192,470 | \$ (20,916,305) |
| Capital assets | 1,198,153,827 | 1,204,818,407 | (6,664,580) | 1,203,656,117 | 1,162,290 |
| Total assets | <u>1,497,507,263</u> | <u>1,505,094,572</u> | <u>(7,587,309)</u> | <u>1,524,848,587</u> | <u>(19,754,015)</u> |
| Liabilities: | | | | | |
| Long-term liabilities outstanding | 197,238,134 | 213,421,810 | (16,183,676) | 230,400,972 | (16,979,162) |
| Other liabilities | 46,571,745 | 33,788,351 | 12,783,394 | 44,298,723 | (10,510,372) |
| Total liabilities | <u>243,809,879</u> | <u>247,210,161</u> | <u>(3,400,282)</u> | <u>274,699,695</u> | <u>(27,489,534)</u> |
| Net assets: | | | | | |
| Invested in capital assets net of related debt | 1,073,561,720 | 1,078,178,383 | (4,616,663) | 1,075,104,676 | 3,073,707 |
| Restricted assets for capital projects | 7,007,293 | 2,548,338 | 4,458,955 | 2,699,649 | (151,311) |
| Unrestricted | 173,128,371 | 177,157,690 | (4,029,319) | 172,344,567 | 4,813,123 |
| Total net assets | <u>\$ 1,253,697,384</u> | <u>\$ 1,257,884,411</u> | <u>\$ (4,187,027)</u> | <u>\$ 1,250,148,892</u> | <u>\$ 7,735,519</u> |

San Diego Metropolitan Transit System

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Management's Discussion and Analysis, Continued

June 30, 2011 and 2010

Increases in operating revenue are attributable to the effects of increasing gasoline prices 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 FY2011 and FY2010 are attributable to a decrease in *TransNet* and FTA funding for capital projects, which is partially offset by the restoration of State Transit Assistance (STA) funding in the current year and an increase in Proposition 1B funding. A decrease in operating expense is attributable to a decrease in the amortization cost associated with the net pension asset.

| | June 30, 2011 | June 30, 2010 | Change | June 30, 2009 | Change |
|---|-------------------------|-------------------------|-----------------------|-------------------------|---------------------|
| Revenues: | | | | | |
| Operating revenues: | | | | | |
| Charges for services | \$ 85,514,160 | \$ 85,078,266 | \$ 435,894 | \$ 86,185,653 | \$ (1,107,387) |
| Other operating revenue | 4,687,850 | 4,264,061 | 423,789 | 4,874,700 | (610,639) |
| Nonoperating revenues: | | | | | |
| Federal revenue | 48,814,276 | 67,575,804 | (18,761,528) | 68,171,984 | (596,180) |
| Transportation Development Act | 61,509,431 | 64,977,093 | (3,467,662) | 75,517,474 | (10,540,381) |
| State Transit Assistance | 15,044,930 | - | 15,044,930 | 9,121,443 | (9,121,443) |
| State revenue - other | 18,520,399 | 6,230,977 | 12,289,422 | 4,092,420 | 2,138,557 |
| <i>TransNet</i> funds | 19,117,834 | 84,460,840 | (65,343,006) | 19,039,223 | 65,421,617 |
| Other nonoperating revenue | 16,250,239 | 10,900,482 | 5,349,757 | 11,914,503 | (1,014,021) |
| Total revenues | <u>269,459,119</u> | <u>323,487,523</u> | <u>(54,028,404)</u> | <u>278,917,400</u> | <u>44,570,123</u> |
| Expenses: | | | | | |
| Operating expenses | 291,893,326 | 313,084,786 | (21,191,460) | 284,154,997 | 28,929,789 |
| Nonoperating expenses | 8,559,112 | 13,777,062 | (5,217,950) | 11,858,487 | 1,918,575 |
| Total expenses | <u>300,452,438</u> | <u>326,861,848</u> | <u>(26,409,410)</u> | <u>296,013,484</u> | <u>30,848,364</u> |
| Increase (decrease) in net assets before capital contributions | <u>(30,993,319)</u> | <u>(3,374,325)</u> | <u>(27,618,994)</u> | <u>(17,096,084)</u> | <u>13,721,759</u> |
| Capital contributions | 26,806,292 | 11,109,844 | 15,696,448 | 1,668,471 | 9,441,373 |
| Increase/(decrease) in net assets | <u>(4,187,027)</u> | <u>7,735,519</u> | <u>(11,922,546)</u> | <u>(15,427,613)</u> | <u>23,163,132</u> |
| Net assets-beginning 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> |
| Net assets-end of year | <u>\$ 1,253,697,384</u> | <u>\$ 1,257,884,411</u> | <u>\$ (4,187,027)</u> | <u>\$ 1,250,148,892</u> | <u>\$ 7,735,519</u> |

Management's Discussion and Analysis, Continued

June 30, 2011 and 2010

Capital Asset and Debt Administration

Capital assets. MTS' investment in capital assets net of depreciation as of June 30, 2011 and 2010 amounted to \$1,198 million and \$1,205 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 continued its multi-year program to acquire 57 light rail vehicles for a total cost of \$68 million through the end of FY2011.
- Improvements to bus and trolley stations completed this year amounted to \$54 million
- Completed capital projects totaling \$33 million were transferred from SANDAG and other governments to MTS and its component units during FY2011.

| | CAPITAL ASSETS (Net of depreciation) | | |
|--------------------------|---|-------------------------|-------------------------|
| | 2011 | 2010 | 2009 |
| Land | \$ 224,793,077 | \$ 221,853,921 | \$ 221,853,921 |
| Buildings | 654,759,920 | 648,756,302 | 684,533,624 |
| Vehicles | 179,108,727 | 203,196,464 | 205,194,291 |
| Equipment & other | 42,137,343 | 45,174,474 | 49,710,233 |
| Construction-in-progress | 98,005,155 | 85,837,246 | 42,364,049 |
| Total | <u>\$ 1,198,804,222</u> | <u>\$ 1,204,818,407</u> | <u>\$ 1,203,656,118</u> |

Additional information on MTS' capital assets can be found in Note 5 to the financial statements.

Long-term debt. At the end of the current fiscal year, MTS has one capital lease obligation outstanding in the amount of \$5.3 million. 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 \$165.8 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 2010, MTS retired 14% and refunded 41%, or \$30 million, of the bonds outstanding. Additional information about MTS' long-term debt can be found in Note 10 to the financial statements.

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

Att. A, AI 30, 12/8/11

Statements of Net Assets

June 30, 2011 and 2010

| | 2011 | 2010 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 25,661,196 | \$ 44,246,852 |
| Investments restricted for debt service payable within one year | 1,558,561 | 1,447,266 |
| Accounts and other receivables | 7,918,271 | 7,765,988 |
| Due from other governments | 74,544,075 | 57,225,348 |
| Materials and supplies inventory | 10,977,710 | 10,443,264 |
| Prepaid expenses and other current assets | 2,166,775 | 2,076,453 |
| Total current assets | 122,826,588 | 123,205,171 |
| Noncurrent assets: | | |
| Cash and certificates of deposit restricted for capital support | 8,079,635 | 4,805,538 |
| Investments restricted for debt service and capital projects | 117,867,198 | 118,050,149 |
| Contracts receivable | 977,171 | 977,171 |
| Unamortized bond issuance cost | 392,206 | 527,498 |
| Capital assets (net of accumulated depreciation) | 1,198,153,827 | 1,204,818,407 |
| Net pension assets | 49,210,638 | 52,710,638 |
| Total noncurrent assets | 1,374,680,675 | 1,381,889,401 |
| Total assets | 1,497,507,263 | 1,505,094,572 |

See Accompanying Notes to Basic Financial Statements.

San Diego Metropolitan Transit System

Att. A, AI 30, 12/8/11

Statements of Net Assets, Continued

June 30, 2011 and 2010

| | 2011 | 2010 |
|---|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 14,874,163 | 8,784,564 |
| Due to other governments | 7,243,634 | 2,402,740 |
| Unearned revenue | 2,476,354 | 2,394,449 |
| Accrued expenses | 8,020,334 | 7,224,191 |
| Retentions payable | 48,287 | 27,115 |
| Due within one year: | | |
| Bond premium | - | 25,148 |
| Compensated absences payable | 6,583,610 | 6,635,173 |
| Accrued damage, injury, and employee claims | 3,460,982 | 2,577,359 |
| Long-term debt | 2,305,820 | 2,270,346 |
| Long-term debt payable from restricted assets | 1,558,561 | 1,447,266 |
| Total current liabilities | 46,571,745 | 33,788,351 |
| Noncurrent liabilities: | | |
| Retentions payable from restricted assets | 1,996,640 | 2,257,200 |
| Long-term debt payable from restricted assets | 116,942,900 | 118,050,149 |
| Due in more than one year: | | |
| Bond premium | - | 211,661 |
| Compensated absences payable | 5,823,470 | 5,703,396 |
| Accrued damage, injury, and employee claims | 10,967,018 | 12,065,641 |
| Accrued other post employment benefits | 10,458,280 | 9,111,500 |
| Long-term debt, due in more than one year | 51,049,826 | 66,022,263 |
| Total noncurrent liabilities | 197,238,134 | 213,421,810 |
| Total liabilities | 243,809,879 | 247,210,161 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 1,073,561,720 | 1,078,178,383 |
| Restricted for capital projects | 7,007,293 | 2,548,338 |
| Unrestricted | 173,128,371 | 177,157,690 |
| Total net assets | \$ 1,253,697,384 | \$ 1,257,884,411 |

See Accompanying Notes to Basic Financial Statements.

San Diego Metropolitan Transit System

Att. A, AI 30, 12/8/11

Statements of Revenues, Expenses, and Changes in Net Assets

For the years ended June 30, 2011 and 2010

| | 2011 | 2010 |
|--|-------------------------|-------------------------|
| Operating revenues: | | |
| Passenger revenue | \$ 84,764,142 | \$ 84,167,615 |
| Advertising | 620,774 | 782,986 |
| Charter | 129,244 | 127,665 |
| Miscellaneous | 4,687,850 | 4,264,061 |
| Total operating revenues | 90,202,010 | 89,342,327 |
| Operating expenses: | | |
| Personnel costs | 104,328,659 | 109,511,444 |
| Outside services | 64,037,168 | 63,573,977 |
| Transit operations funding | 4,053,368 | 3,758,340 |
| Materials and supplies | 7,677,528 | 6,680,355 |
| Energy costs | 21,931,847 | 22,892,291 |
| Risk management | 3,923,954 | 4,858,835 |
| Miscellaneous | 4,899,334 | 3,571,062 |
| Depreciation | 81,041,468 | 98,238,482 |
| Total operating expenses | 291,893,326 | 313,084,786 |
| Operating (loss) | (201,691,316) | (223,742,459) |
| Public support and nonoperating revenues (expenses): | | |
| Federal revenue | 48,814,276 | 67,575,804 |
| Transportation Development Act (TDA) funds | 61,509,431 | 64,977,093 |
| State Transit Assistance (STA) funds | 15,044,930 | - |
| State revenue - other | 18,520,399 | 6,230,977 |
| TransNet funds | 19,117,834 | 84,460,840 |
| Other local subsidies | 7,842,623 | 1,261,520 |
| Investment earnings | 7,695,139 | 9,708,051 |
| Interest expense | (8,419,739) | (12,702,198) |
| Gain (loss) on disposal of assets | 712,477 | (69,089) |
| Other expenses | (4,081) | (289,006) |
| Amortization of bond issuance costs | (135,292) | (785,858) |
| Total public support and nonoperating revenues (expenses) | 170,697,997 | 220,368,134 |
| Income (loss) before contributed capital | (30,993,319) | (3,374,325) |
| Capital contributions | 26,806,292 | 11,109,844 |
| Change in net assets | (4,187,027) | 7,735,519 |
| Net assets, beginning of year | 1,257,884,411 | 1,250,148,892 |
| Net assets, end of year | \$ 1,253,697,384 | \$ 1,257,884,411 |

See Accompanying Notes to Basic Financial Statements.

San Diego Metropolitan Transit System

Att. A, AI 30, 12/8/11

Statements of Cash Flows

For the years ended June 30, 2011 and 2010

| | 2011 | 2010 |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Receipts from customers and users | \$ 91,363,633 | \$ 91,129,342 |
| Payments to suppliers | (104,677,121) | (124,472,708) |
| Payments to employees | (99,487,577) | (98,438,088) |
| Payments for damage and injury | (196,506) | (753,488) |
| Net cash provided (used) by operating activities | (112,997,571) | (132,534,942) |
| Cash flows from noncapital financing activities: | | |
| Public support funds received | 158,222,593 | 222,661,836 |
| Net cash provided (used) by noncapital financing activities | 158,222,593 | 222,661,836 |
| Cash flows from capital and related financing activities: | | |
| Debt service costs | (17,013,090) | (17,758,341) |
| Property acquisition | (46,371,156) | (88,668,849) |
| Proceeds from disposal of assets | 2,607,891 | 281,507 |
| Net cash provided (used) by capital and related financing activities | (60,776,355) | (106,145,683) |
| Cash flows from investing activities: | | |
| Interest received on investments | 239,774 | 479,533 |
| Investments liquidated | - | 35,630,000 |
| Net cash provided (used) by investing activities | 239,774 | 36,109,533 |
| Net increase (decrease) in cash and cash equivalents | (15,311,559) | 20,090,744 |
| Cash and cash equivalents, beginning of year | 49,052,390 | 28,961,646 |
| Cash and cash equivalents, end of year | \$ 33,740,831 | \$ 49,052,390 |
| Cash and Cash Equivalents | | |
| Cash and cash equivalents | \$ 25,661,196 | \$ 44,246,852 |
| Cash and certificates of deposit restricted for capital support | 8,079,635 | 4,805,538 |
| Total cash and cash equivalents | \$ 33,740,831 | \$ 49,052,390 |

See Accompanying Notes to Basic Financial Statements.

San Diego Metropolitan Transit System

Att. A, AI 30, 12/8/11

Statements of Cash Flows, Continued

For the years ended June 30, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|--|--------------------------------|--------------------------------|
| Reconciliation of Operating Income (Loss) to | | |
| Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | \$ (201,691,316) | \$ (223,742,459) |
| Adjustments to reconcile operating income (loss) to | | |
| net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 81,041,468 | 98,238,482 |
| Amortization of Net Pension Assets | 3,500,000 | 10,415,000 |
| (Increase) decrease in: | | |
| Accounts and other receivables | 816,298 | 385,322 |
| Materials and supplies inventory | (534,446) | (1,807,622) |
| Prepaid and other current assets | (90,322) | (56,834) |
| Increase (decrease) in: | | |
| Accounts payable | 2,077,408 | (10,981,249) |
| Accrued expenses | 591,143 | (7,481,779) |
| Unearned revenue | 81,905 | 451,349 |
| Accrued OPEB liability | 1,346,780 | 1,064,694 |
| Compensated absences payable | 68,511 | 264,154 |
| Accrued damage, injury and employee claims | (205,000) | 716,000 |
| Total adjustments | <u>88,693,745</u> | <u>91,207,517</u> |
| Net cash provided (used) by operating activities | <u><u>\$ (112,997,571)</u></u> | <u><u>\$ (132,534,942)</u></u> |
| Noncash investing, capital, and financing activities: | | |
| Contributions of capital assets from SANDAG | \$ 32,864,379 | \$ 8,889,863 |
| Contributions/adjustments of capital assets from other governments | 7,596 | 2,219,986 |
| Contributions of capital assets to other governments | <u>(6,065,683)</u> | <u>-</u> |
| Total contributions of capital assets | <u><u>\$ 26,806,292</u></u> | <u><u>\$ 11,109,849</u></u> |
| Increase in fair value of investments | <u><u>\$ 1,436,364</u></u> | <u><u>\$ 3,058,937</u></u> |

See Accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Notes to Basic Financial Statements

For the years ended June 30, 2011 and 2010

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Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

(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 certain 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 FY2004, 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 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, was renewed on June 23, 2011, as an open-ended agreement terminable upon six months' notice by either party. 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.

Notes to Basic Financial Statements, Continued**For the years ended June 30, 2011 and 2010**

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, was renewed on June 23, 2011, as an open-ended agreement terminable upon six months' notice by either party. 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.

(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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. MTS also has the option of following subsequent private-sector guidance subject to this same limitation. MTS has elected not to follow subsequent private-sector guidance.

MTS receives funding primarily from the following revenue sources:

Passenger Revenue

Passenger fares comprised approximately 37 percent and 36 percent of MTS' \$231.4 million and \$230.9 million operating budget for FY2011 and 2010, respectively.

Notes to Basic Financial Statements, Continued**For the years ended June 30, 2011 and 2010**

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 prior year MTS received funds from the American Recovery and Reinvestment Act of 2009 (ARRA); residual receipts from this program are expected in FY2012. MTS has not received notification that 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.

Compressed Natural Gas Rebate

Refunds on nontaxable uses of fuel are issued by the IRS. Authorization to continue the refund program was extended retroactively through December 2011, 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 continuing economic downturn, the collection of sales tax has decreased from last FY2010, 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.

Notes to Basic Financial Statements, Continued**For the years ended June 30, 2011 and 2010**

The California state budget has been negatively 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 included in the California state budget for fiscal year 2012, subject to budget adjustments that may occur in response to continuing fiscal uncertainties.

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.

(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.

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

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 2010, 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.

(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 asset improvements are recorded as assets. SDTC has recorded assets received from the City of San Diego and the County Transit System at net book value in order to reflect SDTC's custodial accountability for the assets.

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 |

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

(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.

(j) Net Pension Asset

A pension asset was created when MTS paid into the SDTC retirement plan an amount 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.

(k) Compensated Absences

It is MTS' policy to permit employees to accumulate earned but unused personal leave time up to a maximum of 400 hours, which includes both vacation and sick pay benefits. All personal leave time is accrued when incurred.

(l) Long-Term Obligations

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 current or 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.

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Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

(o) Implementation of New GASB Pronouncements

In fiscal year 2011, MTS adopted the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*
- GASB Statement No. 59, *Investment Instruments Omnibus*

GASB Statement No. 54 establishes criteria for classifying fund balances into specifically defined classifications to provide a clear hierarchy of fund balance classifications and improved reporting. Because this statement is applicable to governmental funds only, it will not be applied to MTS financial statements.

GASB Statement No. 59 updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. Because this statement does not apply to local government investment pools, it is not applicable to MTS activity in the current year.

(2) Cash, Cash Equivalents, and Investments

A summary of cash, cash equivalents, and investments at June 30, 2011 and 2010:

| | 2011 | 2010 |
|---|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 25,661,196 | \$ 44,246,852 |
| Cash and certificates of deposit restricted for capital support | 8,079,635 | 4,805,538 |
| Investments restricted for debt service payable within one year | 1,558,561 | 1,447,266 |
| Investments restricted for debt service and capital projects | 117,867,198 | 118,050,149 |
| Total cash and investments | \$ 153,166,590 | \$ 168,549,805 |

Cash, cash equivalents, and investments consisted as follows on June 30, 2011 and 2010:

| Type | Fair Value | |
|--|-----------------------|-----------------------|
| | 2011 | 2010 |
| Cash and cash equivalents: | | |
| Demand deposits | \$ 11,548,693 | \$ 17,689,497 |
| Retention Trust Account | 1,996,640 | 2,257,200 |
| San Diego County Investment Pool | 10,671,869 | 18,515,759 |
| State of California - Local Agency Investment Fund | 9,523,629 | 10,589,934 |
| Total cash and cash equivalents | 33,740,831 | 49,052,390 |
| Investments: | | |
| U.S. Treasuries | 37,372,123 | 35,941,175 |
| Bank Investment Contract | 82,053,636 | 83,556,240 |
| Total investments | 119,425,759 | 119,497,415 |
| Total cash, cash equivalents, and investments | \$ 153,166,590 | \$ 168,549,805 |

Notes to Basic Financial Statements, Continued**For the years ended June 30, 2011 and 2010**

At year end the carrying amount of demand deposits was \$11,548,693 and the bank balance was \$13,276,931 compared to \$17,689,498 and \$18,230,525 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.

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 8.1% of the Investment Pool as of June 30, 2011.

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

Notes to Basic Financial Statements, Continued**For the years ended June 30, 2011 and 2010**

by a named agent of the depository. Repurchase agreements are 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, 2011, MTS had \$10,671,869 invested in the San Diego County Investment Pool, compared to \$18,515,759 at June 30, 2010.

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, 2011, MTS had \$9,523,629 invested in LAIF, which had invested 5.01% of the pool investment funds in Structured Notes and Asset-Backed Securities compared to \$10,589,934 and 5.42% at June 30, 2010.

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 MTS investment in pension obligation bonds was liquidated when the variable rate bonds were refunded. Interest in the amount of \$0 and \$364,000 earned by MTS from the bond investment was included in interest income recorded in the Statement of Revenues, Expenses and Changes in Net Assets for FY2011 and FY2010. Interest expense in the amount of \$0 and \$351,000 paid by SDTC related to the variable rate bonds was included in interest expense recorded in the Statement of Revenues, Expenses and Changes in Net Assets for FY2011 and FY2010.

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.

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

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, 2011 and 2010, are shown below:

| <u>Maturity</u> | <u>2011</u> | <u>2010</u> |
|---------------------|-----------------------|-----------------------|
| Current to one year | \$ 33,740,831 | \$ 49,052,391 |
| One to five years | 37,372,123 | 19,648,875 |
| Five to ten years | - | 16,292,299 |
| Ten to twenty years | 82,053,636 | 83,556,240 |
| Total | \$ 153,166,590 | \$ 168,549,805 |

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Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

(3) Accounts Receivable

(a) Accounts and other receivables

As of June 30, 2011 and 2010, the net realizable accounts and other receivables consisted of the following:

| | 2011 | 2010 |
|---|---------------------|---------------------|
| Pension plan receivable | \$ 3,404,093 | \$ 3,425,086 |
| Interest receivable | 3,034,670 | 3,126,008 |
| Miscellaneous trade receivables | 1,122,283 | 885,694 |
| Advertising receivable | 357,225 | 329,200 |
| Total accounts and other receivables | \$ 7,918,271 | \$ 7,765,988 |

(b) Due from other governments

As of June 30, 2011 and 2010, amounts due from other governments consisted of the following:

| | 2011 | 2010 |
|---|----------------------|----------------------|
| FTA Grant Funds | \$ 61,758,562 | \$ 36,794,127 |
| SANDAG - Pass Sales | 4,561,279 | 5,256,681 |
| U.S. Treasury Department | 2,408,901 | 11,018 |
| SANDAG - project/route Reimbursements | 2,123,653 | 661,609 |
| County of San Diego - MediCal | 1,463,661 | 3,356,441 |
| SANDAG - <i>TransNet</i> | 613,827 | 10,100,000 |
| Department of Homeland Security | 593,129 | 11,871 |
| North County Transit District | 384,436 | 121,016 |
| City of Chula Vista | 285,663 | 833,163 |
| State of California | 230,658 | - |
| City of San Diego | 69,500 | 79,422 |
| County of San Diego | 50,806 | - |
| Total due from other governments | \$ 74,544,075 | \$ 57,225,348 |

(4) Inventory

At June 30, 2011 and 2010, inventory consists of the following repair and maintenance parts for revenue vehicles:

| | 2011 | 2010 |
|-------------------------|----------------------|----------------------|
| San Diego Transit Corp. | \$ 2,148,917 | \$ 2,069,707 |
| San Diego Trolley, Inc. | 8,828,793 | 8,373,557 |
| Total inventory | \$ 10,977,710 | \$ 10,443,264 |

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Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

(5) Capital Assets

MTS converted \$39 million in capital assets from CIP to assets in service compared to \$45 million in FY2010. Capital asset additions totaling \$33.0 million were contributed by SANDAG and other governments, including \$44 thousand to MTS General Operations, \$134 thousand to Other Contracted Services, \$30.3 million to SDTC, and \$2.6 million to SDTI. In FY2010, the contributions from SANDAG and other governments totaled \$11.1 million. In addition, MTS sold trolley cars with a net book value of \$1.5 million to the City of Mendoza, Argentina.

A summary of changes in capital assets is as follows:

| | Balance July 1, 2010 | Additions | Deletions | Reclassifications and Transfers | Balance June 30, 2011 |
|---|-------------------------|----------------------|------------------------|------------------------------------|--------------------------|
| Capital assets, not depreciated | | | | | |
| Land and right-of-way | \$ 221,853,921 | \$ 3,073,330 | \$ (134,174) | \$ - | \$ 224,793,077 |
| Construction-in-progress | 85,837,247 | 50,986,876 | (39,469,364) | - | 97,354,759 |
| Total capital assets, not depreciated | 307,691,168 | 54,060,206 | (39,603,538) | - | 322,147,836 |
| Capital assets, depreciated: | | | | | |
| Buildings and structures | 1,189,723,913 | 54,273,407 | - | - | 1,243,997,320 |
| Buses and Vehicles | 431,463,317 | 2,679,941 | (8,061,325) | - | 426,081,933 |
| Equipment and other | 78,846,167 | 4,425,839 | - | 345,858 | 83,617,864 |
| Capital lease property | 12,437,839 | - | - | (345,858) | 12,091,981 |
| Total capital assets, depreciated | 1,712,471,236 | 61,379,187 | (8,061,325) | - | 1,765,789,098 |
| Less accumulated depreciation for: | | | | | |
| Buildings and structures | (544,935,292) | (47,891,913) | - | - | (592,827,205) |
| Buses and vehicles | (228,266,853) | (25,308,711) | 6,602,359 | - | (246,973,205) |
| Equipment and other | (33,694,751) | (7,439,912) | - | (345,858) | (41,480,521) |
| Capital lease property | (8,447,101) | (400,932) | - | 345,858 | (8,502,175) |
| Total accumulated depreciation | (815,343,997) | (81,041,468) | 6,602,359 | - | (889,783,106) |
| Total capital assets, depreciated, net | 897,127,239 | (19,662,281) | (1,458,966) | - | 876,005,992 |
| Total capital assets | \$ 1,204,818,407 | \$ 34,397,925 | \$ (41,062,504) | \$ - | \$ 1,198,153,828 |

Depreciation expense for capital assets for the years ended June 30, 2011 and 2010 was comprised of the following:

| | 2011 | 2010 |
|-------------------------------|----------------------|----------------------|
| General operations | \$ 1,252,350 | \$ 1,264,931 |
| Other contracted services | 10,489,238 | 10,304,987 |
| San Diego Transit Corporation | 13,670,867 | 13,803,216 |
| San Diego Trolley, Inc. | 55,629,013 | 72,865,348 |
| Total | \$ 81,041,468 | \$ 98,238,482 |

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Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

(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 FY2005 contribution and \$69,050,638 was funded for prior year unfunded accrued actuarial liability. As of June 30, 2011, the Net Pension Asset amounted to \$49,210,638, compared to \$52,710,638 for FY10.

(7) Due to other governments

At June 30, 2011 and 2010, amounts due to other governments consisted of the following:

| | 2011 | 2010 |
|---|---------------------|---------------------|
| SANDAG - STA funds for construction projects in process | \$ 4,305,040 | \$ 450,040 |
| SANDAG - CIP Reimbursement | 1,958,650 | 75,123 |
| SANDAG - Pass Sales | 424,912 | 500,508 |
| City of El Cajon - TDA Funds | 140,336 | - |
| FTA | - | 17,077 |
| City of Lemon Grove - TDA Funds | 121,170 | 121,170 |
| City of San Diego - Shared Revenue | 109,047 | 94,704 |
| SANDAG - Compass Card Program | 94,906 | - |
| City of La Mesa - TDA Funds | 51,500 | - |
| City of Coronado - TDA Funds | 20,600 | 20,600 |
| North County Transit District | 17,473 | 2,608 |
| County of San Diego - MediCal | - | 1,120,910 |
| Total due to other governments | \$ 7,243,634 | \$ 2,402,740 |

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

(8) Unearned revenue

At June 30, 2011 and 2010, unearned revenue consisted of the following:

| | 2011 | 2010 |
|--|---------------------|---------------------|
| Fare media payments received in advance | \$ 1,015,042 | \$ 1,074,483 |
| Lease payments received in advance | 608,681 | 221,389 |
| Advertising revenue received in advance | 406,800 | 610,200 |
| County funds - 4S Ranch development | 347,083 | 476,977 |
| City of San Diego funds - Aldine Drive development | 91,018 | - |
| Local Grant Funds - Balboa Park development | 7,730 | 11,400 |
| Total | \$ 2,476,354 | \$ 2,394,449 |

(9) Commodity Swap

On March 29, 2010, MTS entered into a commodity swap agreement with Deutsche Bank AG 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 Deutsche Bank guaranteed that the total price paid by MTS would be equal to \$5.07 MMBTU as fixed in the contract.

| Type | Objective | Notional Quantity | Effective Date | Matures | Terms |
|---------------|--|-------------------|----------------|-----------|----------------------------------|
| Fuel contract | Hedge natural gas market price changes | 730,000 MMBTU | 7/1/2010 | 6/30/2011 | Pay fixed price \$5.07 per MMBTU |

During the period of the agreement MTS paid \$3,021,580 to British Petroleum for natural gas purchases and paid an additional \$746,060 to Deutsche Bank under the terms of the pricing guarantee.

| Instrument | Amount Paid at June 30, 2011 | Classification | Fair Value at June 30, 2011 | Notional Quantity |
|-------------------|------------------------------|-----------------------|-----------------------------|-------------------|
| Commodity forward | \$ 3,767,640 | Derivative Instrument | \$ 3,021,580 | 730,000 MMBTU |

While the commodity swap did not provide a reduction in the total cost of natural gas, it did shield MTS from seasonal price variances. MTS entered into a new contract with Deutsche Bank effective July 1, 2011.

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Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

(10) Long-Term Debt

(a) Summary

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

| | Balance July 1, 2010 | Addition | Reductions | Balance June 30, 2011 | Amount due within one year | Amount due in more than one year |
|---|-------------------------|---------------|-----------------|--------------------------|-------------------------------|--|
| MTS: | | | | | | |
| Capital lease obligations | \$ 6,691,299 | \$ 5,317,686 | \$ (6,691,299) | \$ 5,317,686 | 550,820 | \$ 4,766,866 |
| Finance obligation | 119,948,726 | - | (1,447,265) | 118,501,461 | 1,558,561 | 116,942,900 |
| Deferred gain on refunding | - | 788,266 | (15,306) | 772,960 | - | 772,960 |
| Deferred amounts for issuance premium | 236,809 | - | (236,809) | - | - | - |
| Compensated absences payable | 812,153 | 850,839 | (784,548) | 878,444 | 412,869 | 465,575 |
| Accrued damage, injury, and employee claims | 328,000 | 95,039 | (52,039) | 371,000 | 371,000 | - |
| Accrued other post employment benefits | 2,173,800 | 442,840 | (64,903) | 2,551,737 | - | 2,551,737 |
| Total MTS | 130,190,787 | 7,494,670 | (9,292,169) | 128,393,288 | 2,893,250 | 125,500,038 |
| San Diego Transit Corporation | | | | | | |
| Pension Obligation Bonds | 61,150,000 | - | (13,885,000) | 47,265,000 | 1,755,000 | 45,510,000 |
| Compensated absences payable | 8,778,265 | 3,570,036 | (3,603,044) | 8,745,257 | 3,603,044 | 5,142,213 |
| Accrued damage, injury, and employee claims | 10,289,000 | 2,465,388 | (2,466,388) | 10,288,000 | 2,466,388 | 7,821,612 |
| Accrued other post employment benefits | 2,211,800 | 1,304,840 | (756,794) | 2,759,846 | - | 2,759,846 |
| Total San Diego Transit Corporation | 82,429,065 | 7,340,264 | (20,711,226) | 69,058,103 | 7,824,432 | 61,233,671 |
| San Diego Trolley, Inc. | | | | | | |
| Compensated absences payable | 2,748,150 | 2,708,708 | (2,673,479) | 2,783,379 | 2,567,697 | 215,682 |
| Accrued damage, injury, and employee claims | 4,026,000 | 248,536 | (505,536) | 3,769,000 | 623,594 | 3,145,406 |
| Accrued other post employment benefits | 4,725,900 | 529,220 | (108,423) | 5,146,697 | - | 5,146,697 |
| Total San Diego Trolley, Inc. | 11,500,050 | 3,486,464 | (3,287,438) | 11,699,076 | 3,191,291 | 8,507,785 |
| Total | \$224,119,902 | \$ 18,321,398 | \$ (33,290,833) | \$209,150,467 | \$ 13,908,973 | \$195,241,494 |

Reconciliation to Statement of Net Assets:

Due within one year:

| | |
|---|----------------------|
| Compensated absences payable | \$ 6,583,610 |
| Accrued damage, injury, and employee claims | 3,460,982 |
| Long-term debt | 2,305,820 |
| Long-term debt payable from restricted assets | 1,558,561 |
| | <u>\$ 13,908,973</u> |

Noncurrent liabilities:

| | |
|---|----------------------|
| Long-term debt payable from restricted assets | \$116,942,900 |
| Compensated absences payable | 5,823,470 |
| Accrued damage, injury, and employee claims | 10,967,018 |
| Accrued other post employment benefits | 10,458,280 |
| Long-term debt | 51,049,826 |
| | <u>\$195,241,494</u> |

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

(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 May 2011, San Diego County refunded the underlying debt obligation in order to secure a more favorable interest rate, which will result in a \$1.3 million reduction in future principal and interest payments under the terms of the lease agreement. A \$772,960 net economic gain from the refunding, which is the difference between the present value of the minimum payments on the refunded debt and the present value of the minimum payment payments on the refunding debt, has been deferred. The deferred gain will be amortized as a component of interest expense over the life of the refunding debt, which is the same life as the refunded debt.

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

The assets acquired through capital leases are as follows:

| | 2011 | 2010 |
|--------------------------------------|---------------------|---------------------|
| Building - MTS Tower | \$ 12,091,981 | \$ 12,091,981 |
| Toshiba telecommunications equipment | - | 345,858 |
| Less accumulated depreciation | (8,502,174) | (8,447,100) |
| Total | \$ 3,589,807 | \$ 3,990,739 |

The following is a summary of future minimum payments under capital leases as of June 30, 2011:

| | Tower Lease Payment |
|---|--------------------------------|
| Year ending June 30: | |
| 2012 | \$ 730,885 |
| 2013 | 749,612 |
| 2014 | 736,704 |
| 2015 | 750,550 |
| 2016 | 731,665 |
| 2017-2020 | 2,599,357 |
| Total minimum lease payment | 6,298,773 |
| Less amount representing interest | (981,087) |
| Present value of minimum lease payments | \$ 5,317,686 |

At June 30, 2011, the future minimum payments were \$5,317,686

San Diego Metropolitan Transit System

Att. A, AI 30, 12/8/11

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

(c) Finance Obligations

The following is a summary of changes in finance obligations for the year ended June 30, 2011:

| | Balance July 1, 2010 | Addition | Reductions | Balance June 30, 2011 | Amount due within one year | Amount due in more than one year |
|----------------------------------|-------------------------|-------------|------------------------|--------------------------|-------------------------------|--|
| 1995 LRV Lease/Leaseback | \$119,948,726 | \$ - | \$ (1,447,265) | \$118,501,461 | \$ 1,558,561 | \$116,942,900 |
| Pension Obligation Bonds | 61,150,000 | - | (13,885,000) | 47,265,000 | 1,755,000 | 45,510,000 |
| Total finance obligations | \$181,098,726 | \$ - | \$ (15,332,265) | \$165,766,461 | \$ 3,313,561 | \$162,452,900 |

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 that 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, 2011, the remaining future obligations total \$118,501,461.

| Year ending June 30: | Principal | Interest | Total |
|----------------------|----------------------|----------------------|----------------------|
| 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 | 21,495,358 | 5,560,115 | 27,055,473 |
| 2017-2021 | 28,117,251 | 22,278,934 | 50,396,185 |
| 2022-2026 | 42,483,003 | 7,153,620 | 49,636,623 |
| Total | \$118,501,461 | \$ 58,353,258 | \$176,854,719 |

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.

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

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. This is in essence a hedge versus the assumed investment rate of 8% used by the actuary to determine the Actuarial Accrued 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.

The Taxable Pension Obligation Refunding Bonds 2009 Series A of \$30,000,000 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. The refunding bonds were issued in 2009 to retire the Series B Bonds of \$38,800,000 issued in 2004, which were variable rate bonds that matured in annual installments between 2024 and 2034.

At June 30, 2011, the outstanding balance of the Pension Obligation Bonds is \$47,265,000.

| Year ending June 30: | Principal | Interest | Total |
|----------------------|----------------------|----------------------|----------------------|
| 2012 | \$ 1,755,000 | \$ 2,112,620 | \$ 3,867,620 |
| 2013 | 1,830,000 | 2,034,800 | 3,864,800 |
| 2014 | 1,915,000 | 1,950,882 | 3,865,882 |
| 2015 | 2,005,000 | 1,861,100 | 3,866,100 |
| 2016 | 19,900,000 | 1,408,065 | 21,308,065 |
| 2017-2021 | 12,195,000 | 3,573,144 | 15,768,144 |
| 2022-2024 | 7,665,000 | 541,136 | 8,206,136 |
| Total | <u>\$ 47,265,000</u> | <u>\$ 13,481,747</u> | <u>\$ 60,746,747</u> |

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

(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.

| | <u>Beginning of fiscal year</u> | <u>Current year claims and changes in estimates</u> | <u>Claims payments</u> | <u>End of fiscal year liability</u> |
|-------------|-------------------------------------|---|----------------------------|---|
| MTS: | | | | |
| 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 |
| 2010-2011 | 14,643,000 | 2,808,963 | (3,023,963) | 14,428,000 |

Following is summary of accrued damage injury, and employee claims for fiscal years 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|---|----------------------|----------------------|
| Accrued damage, injury and employee claims | | |
| Current portion | \$ 3,460,982 | \$ 2,577,359 |
| Non-current portion | 10,967,018 | 12,065,641 |
| Total | <u>\$ 14,428,000</u> | <u>\$ 14,643,000</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 \$14,428,000 at June 30, 2011 and \$14,643,000 at June 30, 2010.

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

Notes to Basic Financial Statements, Continued**For the years ended June 30, 2011 and 2010**

(12) Contingencies

Pending legal actions. MTS, SDTC, and SDTI have been named in certain legal actions pending at June 30, 2011. 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 FY2009, the State of California audited MediCal claims for FY2006, 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 and all prior and subsequent years. As a result of the audit and revised claim procedure MTS has refunded \$1.48 million in MediCal receipts to the state against an estimated reserve of \$1.1 million that was recorded in FY2010.

Pledged Revenue. SDTC has pledged future revenues pursuant to the provisions of the Pension Obligation Bonds issued by SDTC in FY2004 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 FY2007 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, because the federal and state statutes provide exemption from income tax for not for profit corporations, and because the fiscal tax year 2007 is now closed management does not anticipate future examinations of these returns or any future tax liability.

CNG Rebate Program. During FY2011, Congress reauthorized the Compressed Natural Gas rebate program retroactively from December 2009 through December 2011. It is not known if the program will be extended for future years. In connection with an audit of the CNG rebate program for the tax quarter ending June 30, 2008, the Internal Revenue Service has issued a preliminary ruling disallowing MTS CNG rebates totaling \$729,598 plus \$93,252 interest through August 18, 2011. MTS has secured legal counsel to vigorously defend its position that the rebates were correctly granted to MTS. The appeal process is ongoing. The legal dispute centers around the fact that a former MTS contractor also claimed the rebate during the applicable time periods. This resulted in a duplicate rebate being granted for the same CNG transaction. In the event MTS' appeal is unsuccessful, there is a potential that the IRS will seek to disallow additional rebates granted during the 2008 and 2009 tax years. The potential exposure to loss during this time period is approximately \$8 million. The likelihood and amount of possible loss are not estimable at this time.

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

(13) Post-Employment Health Care Benefits

Plan Description: During FY2010, 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 participated in HMO and PPO plans offered by Kaiser and Anthem. As of January 1, 2011 the same change was effective for SDTI union retirees. During FY2011, there have been no changes to the plan provided to SDTC employees' unions. Total MTS payments for the year ended June 30, 2011 were \$64,903 for 11 retirees currently receiving post-employment health care benefits. Total SDTI payments for the year ended June 30, 2011 were \$108,423 for 27 retirees currently receiving benefits. Total SDTC payments for the year ended June 30, 2011 were \$447,173 for 41 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 2011 is as follows:

Net OPEB Obligation (NOO)

| | MTS | SDTI | SDTC | Total |
|--|---------------------|---------------------|---------------------|----------------------|
| NOO at June 30, 2010 | \$ 2,173,800 | \$ 4,725,900 | \$ 2,211,800 | \$ 9,111,500 |
| Benefit payments paid outside of a trust | (64,903) | (108,423) | (756,794) | (930,120) |
| Estimated contributions to a trust | - | - | - | - |
| Annual Required Contribution | 438,140 | 519,020 | 1,300,140 | 2,257,300 |
| Accrued interest on June 30, 2010 NOO | 97,800 | 212,700 | 99,500 | 410,000 |
| Amortization of June 30, 2010 NOO | (93,100) | (202,500) | (94,800) | (390,400) |
| NOO at June 30, 2011 | <u>\$ 2,551,737</u> | <u>\$ 5,146,697</u> | <u>\$ 2,759,846</u> | <u>\$ 10,458,280</u> |

Eligibility. Employees are eligible after attaining age/service years of 50/10 for MTS and SDTI management, 50/15 for SDTI union, 53/10 for SDTC management, and 55/5 for SDTC unions.

| Participants as of June 30, 2009 (most current available) | Total |
|--|--------------|
| 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> |

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

Funding policy. The contribution requirements of plan members and MTS are established by management and may be amended. The contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011 MTS contributions to the plan were \$930,120 (or 47.9% of total gross health costs), while retirees contributed \$1,011,571 (or 52.10% of total gross health costs).

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) as a level percentage of projected payroll on a closed basis over a period not to exceed thirty years. The following table show 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:

| | All Groups |
|---|---------------|
| Normal Cost | \$ 937,900 |
| Amortization of Unfunded AAL | 1,319,400 |
| Annual Required Contribution | 2,257,300 |
| Interest on beginning of year NOO | 410,000 |
| Amortization of beginning of year NOO | (390,400) |
| Annual OPEB cost | 2,276,900 |
| Contributions or Benefit Payments | (685,320) |
| Implicit subsidy payments | (244,800) |
| Increase in net OPEB obligation | 1,346,780 |
| Net OPEB obligation - beginning of year | 9,111,500 |
| Net OPEB obligation - end of year | \$ 10,458,280 |

MTS' Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan and the Net OPEB Obligation for fiscal years 2009, 2010 and 2011 were as follows:

| Fiscal year ended | Annual OPEB Cost | % of Annual OPEB cost Contributed | Net OPEB Obligation |
|-------------------|------------------|-----------------------------------|---------------------|
| June 30, 2009 | \$ 4,760,282 | 13.11% | \$ 8,046,806 |
| June 30, 2010 | \$ 2,283,894 | 53.38% | \$ 9,111,500 |
| June 30, 2011 | \$ 2,276,900 | 40.85% | \$ 10,458,280 |

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 \$60,162,800 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.

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

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)

| Validation Date | Actuarial Value of Assets | Entry Age Normal AAL | Unfunded AAL | Funded Status | Annual Covered Payroll | UAAL as a % of Payroll |
|-----------------|---------------------------|----------------------|--------------|---------------|------------------------|------------------------|
| 6/30/2009 | \$ - | \$ 2,701 | \$ 2,701 | 0.00% | \$ 8,281 | 32.62% |

SDTI (in 000s)

| Validation Date | Actuarial Value of Assets | Entry Age Normal AAL | Unfunded AAL | Funded Status | Annual Covered Payroll | UAAL as a % of Payroll |
|-----------------|---------------------------|----------------------|--------------|---------------|------------------------|------------------------|
| 6/30/2009 | \$ - | \$ 7,565 | \$ 7,565 | 0.00% | \$ 26,788 | 28.24% |

SDTC (in 000s)

| Validation Date | Actuarial Value of Assets | Entry Age Normal AAL | Unfunded AAL | Funded Status | Annual Covered Payroll | UAAL as a % of Payroll |
|-----------------|---------------------------|----------------------|--------------|---------------|------------------------|------------------------|
| 6/30/2009 | \$ - | \$ 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 June 2009 study, which was completed during FY10, considered the plan changes that are described above. The next study, which we will based on activity through June 2011, will be completed during the coming year.

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.

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

(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.

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 2011, 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:

SDTI (in 000s)

| Validation | Actuarial | Entry Age | Unfunded | Funded | Annual | UAAL as a |
|-------------------|------------------|-------------------|-----------------|---------------|----------------|------------------|
| Date | Value of | Normal AAL | AAL | Status | Covered | % of |
| | Assets | | | | Payroll | Payroll |
| 6/30/2009 | \$ 65,117 | \$ 74,005 | \$ 8,888 | 87.99% | \$ 23,501 | 37.82% |

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

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

Annual Pension Cost

For fiscal year 2011, MTS' and SDTI's annual required employer contributions were \$1,850,282 and \$2,105,351, respectively. The required contribution for fiscal year 2011 was determined as part of the June 30, 2008, 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, 2009, the most recent valuation date, was 17 years for MTS and 24 years for SDTI.

Trend Information for MTS (in 000s)

| Fiscal Year Ended June 30: | Annual Required Contribution (ARC) | Actual Contribution | Percentage of APC Contributed |
|---|---|--------------------------------|--|
| 2009 | \$ 1,699 | \$ 1,699 | 100% |
| 2010 | \$ 1,851 | \$ 1,851 | 100% |
| 2011 | \$ 1,850 | \$ 1,850 | 100% |

Trend Information for SDTI (in 000s)

| Fiscal Year Ended June 30: | Annual Required Contribution (ARC) | Actual Contribution | Percentage of APC Contributed |
|---|---|--------------------------------|--|
| 2009 | \$ 2,341 | \$ 2,341 | 100% |
| 2010 | \$ 2,102 | \$ 2,102 | 100% |
| 2011 | \$ 2,105 | \$ 2,105 | 100% |

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

(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 will be members of a defined contribution 401K plan.

During the current year SDTC enacted significant changes to the SDTC defined benefit plan that became effective in April 2011. Under the new terms of the plan all employees in the IBEW bargaining unit hired after ratification will participate in a defined contribution 401(a) plan with a 3% employer contribution and an additional 2% matching. In addition, workers who remain in the defined benefit plan will begin contributing toward their pension plan at the rate of 1% at ratification, 2% in April 2012 and 3% in April 2013. The actuarial study completed in July 2011 considered these changes

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.

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) 7.50% investment rate of return, (b) projected salary increase of 3.5% to 14% depending on age, service, and type of employment; (c) 3% 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, 2010, the most recent valuation date, was 30 years.

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

SDTC (in 000s)

| Validation Date | Actuarial Value of Assets | Entry Age Normal AAL | Unfunded AAL | Funded Status | Annual Covered Payroll | UAAL as a % of Payroll |
|----------------------------|--|---------------------------------|-------------------------|--------------------------|---------------------------------------|---------------------------------------|
| 7/1/2010 | \$ 152,896 | \$ 226,821 | \$ 73,925 | 67.41% | \$ 31,889 | 231.82% |

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2011 and 2010

Annual Pension Cost

For fiscal year ended June 30, 2011, the annual pension cost of \$7,753,347 for the pension plan was equal to SDTC's required and actual contributions. The required contribution was determined as part of the July 1, 2009 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 |
|---|---|--------------------------------|--|
| 2009 | \$ 5,275 | \$ 5,275 | 100% |
| 2010 | \$ 5,670 | \$ 5,670 | 100% |
| 2011 | \$ 7,753 | \$ 7,753 | 100% |

(15) Other Required Individual Fund Disclosures

SDTC had unrestricted net deficits of \$16,837,903 at June 30, 2011 compared to \$26,691,517 at June 30, 2010. SDTI had unrestricted net deficits of \$3,260,643 as of June 30, 2010. 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.

(16) Subsequent Events

Management, having evaluated subsequent events, has determined that no events or transactions occurring through November 30, 2011, the date the consolidated financial statements were issued, required adjustment to, or disclosure in the consolidated financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Required Supplementary Information

For the year ended June 30, 2011

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)

| Validation Date | Actuarial Value of Assets | Entry Age Normal AAL | Unfunded AAL | Funded Status | Annual Covered Payroll | UAAL as a % of Payroll |
|----------------------------|--|---------------------------------|-------------------------|--------------------------|---------------------------------------|---------------------------------------|
| 6/30/2007 | \$ 54,017 | \$ 59,846 | \$ 5,829 | 90.26% | \$ 21,679 | 26.89% |
| 6/30/2008 | \$ 59,712 | \$ 65,261 | \$ 5,549 | 91.50% | \$ 22,479 | 24.69% |
| 6/30/2009 | \$ 65,117 | \$ 74,005 | \$ 8,888 | 87.99% | \$ 23,501 | 37.82% |

SDTC (in 000s)

| Validation Date | Actuarial Value of Assets | Entry Age Normal AAL | Unfunded AAL | Funded Status | Annual Covered Payroll | UAAL as a % of Payroll |
|----------------------------|--|---------------------------------|-------------------------|--------------------------|---------------------------------------|---------------------------------------|
| 7/1/2008 | \$ 164,760 | \$ 195,624 | \$ 30,864 | 84.22% | \$ 33,251 | 92.82% |
| 7/1/2009 | \$ 144,196 | \$ 202,089 | \$ 57,893 | 71.35% | \$ 33,894 | 170.81% |
| 7/1/2010 | \$ 152,896 | \$ 226,821 | \$ 73,925 | 67.41% | \$ 31,889 | 231.82% |

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.

Required Supplementary Information

For the year ended June 30, 2011

POST EMPLOYMENT 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)

| Validation Date | Actuarial Value of Assets | Entry Age Normal AAL | Unfunded AAL | Funded Status | Annual Covered Payroll | UAAL as a % of Payroll |
|------------------------|----------------------------------|-----------------------------|---------------------|----------------------|-------------------------------|-------------------------------|
| 6/30/2007 | \$ - | \$ 8,292 | \$ 8,292 | 0.00% | \$ 9,573 | 86.62% |
| 6/30/2009 | \$ - | \$ 2,701 | \$ 2,701 | 0.00% | \$ 8,281 | 32.62% |

SDTC (in 000s)

| Validation Date | Actuarial Value of Assets | Entry Age Normal AAL | Unfunded AAL | Funded Status | Annual Covered Payroll | UAAL as a % of Payroll |
|------------------------|----------------------------------|-----------------------------|---------------------|----------------------|-------------------------------|-------------------------------|
| 6/30/2007 | \$ - | \$ 26,473 | \$ 26,473 | 0.00% | \$ 35,935 | 73.67% |
| 6/30/2009 | \$ - | \$ 21,378 | \$ 21,378 | 0.00% | \$ 37,463 | 57.06% |

SDTI (in 000s)

| Validation Date | Actuarial Value of Assets | Entry Age Normal AAL | Unfunded AAL | Funded Status | Annual Covered Payroll | UAAL as a % of Payroll |
|------------------------|----------------------------------|-----------------------------|---------------------|----------------------|-------------------------------|-------------------------------|
| 6/30/2007 | \$ - | \$ 15,399 | \$ 15,399 | 0.00% | \$ 17,749 | 86.76% |
| 6/30/2009 | \$ - | \$ 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 next scheduled actuarial review and analysis of OPEB liability and funding status will be performed in FY2012 based on the year ending June 30, 2011.

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SUPPLEMENTARY INFORMATION

Combining Schedule of Net Assets

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

Combining Statement 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, 2011

| Assets | Contracted Services | | | | | Total |
|---|---------------------|---------------------|-------------|--------------|----|---------------|
| | General Operations | Contracted Services | SDTC | SDTI | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 25,983,341 | \$ - | \$ (13,550) | \$ (308,595) | \$ | 25,661,196 |
| Investments restricted for debt service payable within one year | 1,558,561 | - | - | - | | 1,558,561 |
| Accounts and other receivables | 4,249,631 | 19,222 | 3,517,554 | 131,864 | | 7,918,271 |
| Due from other governments | 69,569,756 | 1,633,792 | 1,731,814 | 1,608,713 | | 74,544,075 |
| Internal balances | (9,180,350) | 4,808,233 | 398,568 | 3,973,549 | | - |
| Materials and supplies inventory | - | - | 2,148,917 | 8,828,793 | | 10,977,710 |
| Prepaid expenses and other current assets | 1,886,559 | 145,137 | 15,079 | 120,000 | | 2,166,775 |
| Total current assets | 94,067,498 | 6,606,384 | 7,798,382 | 14,354,324 | | 122,826,588 |
| Noncurrent assets: | | | | | | |
| Cash and certificates of deposit restricted for capital support | 8,079,635 | - | - | - | | 8,079,635 |
| Investments restricted for debt service and capital projects | 117,867,198 | - | - | - | | 117,867,198 |
| Contracts receivable | - | - | - | 977,171 | | 977,171 |
| Unamortized bond issuance cost | - | - | 392,206 | - | | 392,206 |
| Capital assets (net of accumulated depreciation) | 154,906,141 | 71,346,123 | 131,979,010 | 839,922,553 | | 1,198,153,827 |
| Net pension assets | - | - | 49,210,638 | - | | 49,210,638 |
| Total noncurrent assets | 280,852,974 | 71,346,123 | 181,581,854 | 840,899,724 | | 1,374,680,675 |
| Total assets | 374,920,472 | 77,952,507 | 189,380,236 | 855,254,048 | | 1,497,507,263 |

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San Diego Metropolitan Transit System
Combining Schedule of Net Assets, Continued
June 30, 2011

| Liabilities | General Operations | Contracted Services | SDTC | SDTI | Total |
|---|--------------------|---------------------|----------------|----------------|------------------|
| | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 6,414,082 | 5,797,402 | 2,480,320 | 182,359 | 14,874,163 |
| Due to other governments | 7,243,634 | - | - | - | 7,243,634 |
| Unearned revenue | 1,370,294 | 273,227 | 239,797 | 593,036 | 2,476,354 |
| Accrued expenses | 3,344,117 | - | 2,460,909 | 2,215,308 | 8,020,334 |
| Retentions payable | 48,287 | - | - | - | 48,287 |
| Due within one year: | | | | | |
| Compensated absences payable | 412,869 | - | 3,603,044 | 2,567,697 | 6,583,610 |
| Accrued damage, injury, and employee claims | 371,000 | - | 2,466,388 | 623,594 | 3,460,982 |
| Long-term debt | 550,820 | - | 1,755,000 | - | 2,305,820 |
| Long-term debt payable from restricted assets | 1,558,561 | - | - | - | 1,558,561 |
| Total current liabilities | 21,313,664 | 6,070,629 | 13,005,458 | 6,181,994 | 46,571,745 |
| Noncurrent liabilities: | | | | | |
| Retentions payable from restricted assets | 1,996,640 | - | - | - | 1,996,640 |
| Long-term debt payable from restricted assets | 116,942,900 | - | - | - | 116,942,900 |
| Due in more than one year: | | | | | |
| Compensated absences payable | 465,575 | - | 5,142,213 | 215,682 | 5,823,470 |
| Accrued damage, injury, and employee claims | - | - | 7,821,612 | 3,145,406 | 10,967,018 |
| Accrued other post employment benefits | 2,551,737 | - | 2,759,846 | 5,146,697 | 10,458,280 |
| Long-term debt, due in more than one year | 5,539,826 | - | 45,510,000 | - | 51,049,826 |
| Total noncurrent liabilities | 127,496,678 | - | 61,233,671 | 8,507,785 | 197,238,134 |
| Total liabilities | 148,810,342 | 6,070,629 | 74,239,129 | 14,689,779 | 243,809,879 |
| Net Assets | | | | | |
| Invested in capital assets, net of related debt | 30,314,034 | 71,346,123 | 131,979,010 | 839,922,553 | 1,073,561,720 |
| Restricted for capital projects | 7,007,293 | - | - | - | 7,007,293 |
| Unrestricted | 188,788,803 | 535,755 | (16,837,903) | 641,716 | 173,128,371 |
| Total net assets | \$ 226,110,130 | \$ 71,881,878 | \$ 115,141,107 | \$ 840,564,269 | \$ 1,253,697,385 |

San Diego Metropolitan Transit System

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2011

| | General Operations | Contracted Services | SDTC | SDTI | Eliminations | Total |
|----------------------------|-----------------------|------------------------|---------------|---------------|--------------|---------------|
| Operating revenues: | | | | | | |
| Passenger revenue | \$ - | \$ 24,036,027 | \$ 26,055,594 | \$ 34,672,521 | \$ - | \$ 84,764,142 |
| Advertising | 620,774 | - | - | - | - | 620,774 |
| Charter | - | - | 129,244 | - | - | 129,244 |
| Miscellaneous | 4,137,944 | - | 22,336 | 527,570 | - | 4,687,850 |
| Total operating revenues | 4,758,718 | 24,036,027 | 26,207,174 | 35,200,091 | - | 90,202,010 |
| Operating expenses: | | | | | | |
| Personnel costs | 14,930,966 | 413,419 | 59,370,442 | 29,613,832 | - | 104,328,659 |
| Outside services | 8,910,906 | 49,797,656 | 1,977,649 | 3,350,957 | - | 64,037,168 |
| Transit operations funding | 100,738,556 | - | - | - | (96,685,188) | 4,053,368 |
| Materials and supplies | 17,337 | - | 4,408,793 | 3,251,398 | - | 7,677,528 |
| Energy costs | 203,506 | 7,718,720 | 5,630,468 | 8,379,153 | - | 21,931,847 |
| Risk management | 612,372 | 7,650 | 1,915,022 | 1,388,910 | - | 3,923,954 |
| Miscellaneous | (19,982,030) | 1,598,229 | 8,451,547 | 14,831,588 | - | 4,899,334 |
| Depreciation | 1,252,350 | 10,489,238 | 13,670,867 | 55,629,013 | - | 81,041,468 |
| Total operating expenses | 106,683,963 | 70,024,912 | 95,424,788 | 116,444,851 | (96,685,188) | 291,893,326 |
| Operating income (loss) | (101,925,245) | (45,988,885) | (69,217,614) | (81,244,760) | 96,685,188 | (201,691,316) |

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San Diego Metropolitan Transit System

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

For the Year Ended June 30, 2011

| | General Operations | Contracted Services | SDTC | SDTI | Eliminations | Total |
|--|-----------------------|------------------------|----------------|----------------|---------------|------------------|
| Public support and nonoperating revenues: | | | | | | |
| Federal revenue | 48,814,276 | 4,641,054 | 19,894,239 | 14,912,278 | (39,447,571) | 48,814,276 |
| Transportation Development Act (TDA) funds | 61,509,430 | 27,860,105 | 16,696,983 | 5,496,617 | (50,053,704) | 61,509,431 |
| State Transit Assistance (STA) funds | 15,044,930 | - | 12,737,970 | - | (12,737,970) | 15,044,930 |
| State revenue - other | 18,520,399 | 996,868 | - | - | (996,868) | 18,520,399 |
| TransNet funds | 24,617,834 | 691,549 | 14,746,643 | 5,000,000 | (25,938,192) | 19,117,834 |
| Other local subsidies | 7,842,623 | 1,310,071 | 3,560,458 | - | (4,870,529) | 7,842,623 |
| Investment earnings | 7,695,139 | - | - | - | - | 7,695,139 |
| Interest expense | (6,204,663) | - | (2,215,076) | - | - | (8,419,739) |
| Gain (loss) on disposal of assets | 4,749 | - | 14,800 | 692,928 | - | 712,477 |
| Other expenses | - | - | (4,081) | - | - | (4,081) |
| Amortization of bond issuance costs | (103,711) | - | (31,581) | - | - | (135,292) |
| Total public support and nonoperating revenues | 177,741,006 | 35,499,647 | 65,400,355 | 26,101,823 | (134,044,834) | 170,697,997 |
| Income (loss) before transfers and contributed capital | 75,815,761 | (10,489,238) | (3,817,259) | (55,142,937) | (37,359,646) | (30,993,319) |
| Transfers | (37,359,646) | - | - | - | 37,359,646 | - |
| Capital contributions | (36,138,339) | 2,189,156 | 43,479,198 | 17,276,277 | - | 26,806,292 |
| Total transfers and capital contributions | (73,497,985) | 2,189,156 | 43,479,198 | 17,276,277 | 37,359,646 | 26,806,292 |
| Changes in net assets | 2,317,776 | (8,300,082) | 39,661,939 | (37,866,660) | - | (4,187,027) |
| Net assets, beginning of year | 223,792,354 | 80,181,960 | 75,479,168 | 878,430,929 | - | 1,257,884,411 |
| Net assets, end of year | \$ 226,110,130 | \$ 71,881,878 | \$ 115,141,107 | \$ 840,564,269 | \$ - | \$ 1,253,697,384 |

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San Diego Metropolitan Transit System
Combining Schedule of Cash Flows
For the Year Ended June 30, 2011

| | General Operations | Contracted Services | SDTC | SDTI | Total |
|--|-----------------------|------------------------|---------------|---------------|---------------|
| Cash flows from operating activities: | | | | | |
| Receipts from customers and users | \$ 4,820,004 | \$ 24,345,591 | \$ 26,544,599 | \$ 35,653,439 | \$ 91,363,633 |
| Payments to suppliers | (14,043,338) | (58,097,704) | (14,139,373) | (18,396,706) | (104,677,121) |
| Payments to employees | (14,732,375) | (407,920) | (55,127,332) | (29,219,950) | (99,487,577) |
| Payments for damage and injury | (1,091) | (7,650) | (305,822) | 118,057 | (196,506) |
| Net cash provided (used) by operating activities | (23,956,800) | (34,167,683) | (43,027,928) | (11,845,160) | (112,997,571) |
| Cash flows from noncapital financing activities: | | | | | |
| Public support funds received | 54,803,469 | 34,167,683 | 59,279,959 | 9,971,482 | 158,222,593 |
| Net cash provided (used) by noncapital financing activities | 54,803,469 | 34,167,683 | 59,279,959 | 9,971,482 | 158,222,593 |
| Cash flows from capital and related financing activities: | | | | | |
| Debt service costs | (908,934) | - | (16,104,156) | - | (17,013,090) |
| Property acquisition | (46,371,156) | - | - | - | (46,371,156) |
| Proceeds from disposal of assets | 4,749 | - | 14,800 | 2,588,342 | 2,607,891 |
| Net cash provided (used) by capital and related financing activities | (47,275,341) | - | (16,089,356) | 2,588,342 | (60,776,355) |
| Cash flows from investing activities: | | | | | |
| Interest received on investments | 239,774 | - | - | - | 239,774 |
| Net cash provided (used) by investing activities | 239,774 | - | - | - | 239,774 |
| Net increase (decrease) in cash and cash equivalents | (16,188,898) | - | 162,675 | 714,664 | (15,311,559) |
| Cash and cash equivalents, beginning of year | 50,251,874 | - | (176,225) | (1,023,259) | 49,052,390 |
| Cash and cash equivalents, end of year | \$ 34,062,976 | \$ - | \$ (13,550) | \$ (308,595) | \$ 33,740,831 |

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San Diego Metropolitan Transit System
Combining Schedule of Cash Flows, Continued
For the Year Ended June 30, 2011

| | General Operations | Contracted Services | SDTC | SDTI | Total |
|--|-----------------------|------------------------|-----------------|-----------------|------------------|
| Reconciliation of Operating Income (Loss) to | | | | | |
| Net Cash Provided (Used) by Operating Activities: | | | | | |
| Operating income (loss) | \$ (25,715,591) | \$ (45,988,885) | \$ (61,222,955) | \$ (68,763,885) | \$ (201,691,316) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | | |
| Depreciation and amortization | 1,252,350 | 10,489,238 | 13,670,867 | 55,629,013 | 81,041,468 |
| Amortization of Net Pension Assets | - | - | 3,500,000 | - | 3,500,000 |
| (Increase) decrease in: | | | | | |
| Accounts and other receivables | 438,096 | 1,982 | 362,626 | 13,594 | 816,298 |
| Materials and supplies inventory | - | - | (79,210) | (455,236) | (534,446) |
| Prepaid and other current assets | 102,035 | (134,042) | 3,378 | (61,693) | (90,322) |
| Increase (decrease) in: | | | | | |
| Accounts payable | (116,337) | 1,447,254 | 302,908 | 443,583 | 2,077,408 |
| Accrued expenses | (454,910) | - | 175,415 | 870,638 | 591,143 |
| Unearned revenue | 50,329 | 16,770 | (119,994) | 134,800 | 81,905 |
| Accrued OPEB liability | 377,937 | - | 548,046 | 420,797 | 1,346,780 |
| Compensated absences payable | 66,291 | - | (33,009) | 35,229 | 68,511 |
| Accrued damage, injury and employee claims | 43,000 | - | (136,000) | (112,000) | (205,000) |
| Total adjustments | 1,758,791 | 11,821,202 | 18,195,027 | 56,918,725 | 88,693,745 |
| Net cash provided (used) by operating activities | \$ (23,956,800) | \$ (34,167,683) | \$ (43,027,928) | \$ (11,845,160) | \$ (112,997,571) |

Supplemental noncash disclosures:

During the year other governments contributed \$32,871,975 in capital assets and MTS contributed \$6,065,683 to other governments.
During the year the fair value of investments increased by \$1,436,364.

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**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, 2011**

| | 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 | \$ 85,488,627 | \$ 83,954,414 | \$ 84,764,142 | \$ - | \$ 84,764,142 | \$ 809,728 |
| Advertising | 1,359,800 | 1,293,800 | 620,774 | - | 620,774 | (673,026) |
| Charter | 30,000 | - | 129,244 | - | 129,244 | 129,244 |
| Miscellaneous | 3,969,247 | 3,933,617 | 4,687,850 | (75,000) | 4,612,850 | 679,233 |
| Total operating revenues | 90,847,674 | 89,181,831 | 90,202,010 | (75,000) | 90,127,010 | 945,179 |
| Operating expenses: | | | | | | |
| Personnel costs | 103,935,787 | 114,027,415 | 104,328,659 | 8,922,587 | 113,251,246 | 776,169 |
| Outside services | 63,171,511 | 64,774,802 | 64,037,168 | - | 64,037,168 | 737,634 |
| Transit operations funding | 3,636,745 | 3,732,329 | 4,053,368 | - | 4,053,368 | (321,039) |
| Materials and supplies | 6,996,741 | 7,001,791 | 7,677,528 | 48,722 | 7,726,250 | (724,459) |
| Energy costs | 20,424,798 | 21,100,200 | 21,931,847 | - | 21,931,847 | (831,647) |
| Risk management | 4,132,419 | 4,052,922 | 3,923,954 | 205,000 | 4,128,954 | (76,032) |
| Miscellaneous | 2,603,526 | 3,093,119 | 4,899,334 | (1,844,144) | 3,055,190 | 37,929 |
| Depreciation | - | - | 81,041,468 | (81,041,468) | - | - |
| Total operating expenses | 204,901,527 | 217,782,578 | 291,893,326 | (73,709,303) | 218,184,023 | (401,445) |
| Operating income (loss) | (114,053,853) | (128,600,747) | (201,691,316) | 73,634,303 | (128,057,013) | 543,734 |

Att. A, AI 30, 12/8/11

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, 2011

| | 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 | 38,624,305 | 38,487,618 | 48,814,276 | (10,700,269) | 38,114,007 | (373,611) |
| Transportation Development Act (TDA) funds | 53,551,401 | 53,551,399 | 61,509,431 | (7,904,480) | 53,604,951 | 53,552 |
| State Transit Assistance (STA) funds | - | 12,737,970 | 15,044,930 | (2,306,960) | 12,737,970 | - |
| State revenue - other | 1,600,000 | 1,600,000 | 18,520,399 | (17,492,214) | 1,028,185 | (571,815) |
| TransNet funds | 19,014,315 | 20,060,688 | 19,117,834 | 1,320,593 | 20,438,427 | 377,739 |
| Other local subsidies | 4,452,306 | 5,105,161 | 7,842,623 | (2,963,673) | 4,878,950 | (226,211) |
| Investment earnings | 7,880,764 | 7,805,764 | 7,695,139 | 18,200 | 7,713,339 | (92,425) |
| Interest expense | (11,161,455) | (10,826,688) | (8,419,739) | (2,225,231) | (10,644,970) | 181,718 |
| Gain (loss) on disposal of assets | - | - | 712,477 | (712,477) | - | - |
| Other expenses | - | - | (4,081) | - | (4,081) | (4,081) |
| Amortization of bond issuance costs | - | - | (135,292) | 135,292 | - | - |
| Total public support and nonoperating revenues | 113,961,636 | 128,521,912 | 170,697,997 | (42,831,219) | 127,866,778 | (655,134) |
| Income (loss) before contributed capital | (92,217) | (78,835) | (30,993,319) | 30,803,084 | (190,235) | (111,400) |
| Reserve revenue | 92,217 | 78,835 | - | 14,169 | 14,169 | (64,666) |
| Capital contributions | - | - | 26,806,292 | (26,806,292) | - | - |
| Changes in net assets | - | - | (4,187,027) | \$ 4,010,961 | \$ (176,066) | \$ (176,066) |
| Net assets, beginning of year | | | 1,257,884,411 | | | |
| Net assets, end of year | | | <u>\$ 1,253,697,384</u> | | | |

Att. A, AI 30, 12/8/11

**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, 2011**

| | 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 | \$ 1,359,800 | \$ 1,293,800 | \$ 620,774 | \$ - | \$ 620,774 | \$ (673,026) |
| Miscellaneous | 2,209,285 | 2,264,917 | 3,108,835 | (75,000) | 3,033,835 | 768,918 |
| Total operating revenues | 3,569,085 | 3,558,717 | 3,729,609 | (75,000) | 3,654,609 | 95,892 |
| Operating expenses: | | | | | | |
| Personnel costs | 12,990,032 | 13,647,820 | 14,292,430 | (444,228) | 13,848,202 | (200,382) |
| Outside services | 9,249,745 | 8,834,498 | 8,731,640 | - | 8,731,640 | 102,858 |
| Transit operations funding | 3,636,745 | 3,732,329 | 100,738,556 | (96,685,189) | 4,053,367 | (321,038) |
| Materials and supplies | 18,250 | 20,050 | 16,437 | - | 16,437 | 3,613 |
| Energy costs | 146,687 | 168,594 | 196,354 | - | 196,354 | (27,760) |
| Risk management | 322,917 | 495,311 | 582,081 | (43,000) | 539,081 | (43,770) |
| Miscellaneous | (19,749,358) | (20,159,801) | (20,169,163) | - | (20,169,163) | 9,362 |
| Depreciation | - | - | 1,229,721 | (1,229,721) | - | - |
| Total operating expenses | 6,615,018 | 6,738,801 | 105,618,056 | (98,402,138) | 7,215,918 | (477,117) |
| Operating income (loss) | (3,045,933) | (3,180,084) | (101,888,447) | 98,327,138 | (3,561,309) | (381,225) |

Att. A, AI 30, 12/8/11

**San Diego Metropolitan Transit System
General Operations**

**Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual, Combined
For the Year Ended June 30, 2011**

| | 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 | 17,500 | 87,500 | 48,814,276 | (48,672,525) | 141,751 | 54,251 |
| Transportation Development Act (TDA) funds | 3,636,745 | 3,732,329 | 61,509,430 | (57,589,356) | 3,920,074 | 187,745 |
| State Transit Assistance (STA) funds | - | - | 15,044,930 | (15,044,930) | - | - |
| State revenue - other | - | - | 18,520,399 | (18,489,082) | 31,317 | 31,317 |
| <i>TransNet</i> funds | - | - | 24,617,834 | (24,617,599) | 235 | 235 |
| Other local subsidies | - | - | 7,842,623 | (7,834,202) | 8,421 | 8,421 |
| Investment earnings | 7,880,764 | 7,805,764 | 7,695,139 | 18,200 | 7,713,339 | (92,425) |
| Interest expense | (8,489,076) | (8,445,509) | (6,204,663) | (2,225,231) | (8,429,894) | 15,615 |
| Gain (loss) on disposal of assets | - | - | 4,749 | (4,749) | - | - |
| Amortization of bond issuance costs | - | - | (103,711) | 103,711 | - | - |
| Total public support and nonoperating revenues | 3,045,933 | 3,180,084 | 177,741,006 | (174,355,763) | 3,385,243 | 205,159 |
| Income (loss) before contributed capital | - | - | 75,852,559 | (76,028,625) | (176,066) | (176,066) |
| Transfers | - | - | (37,359,646) | 37,359,646 | - | - |
| Capital contributions | - | - | (36,138,339) | 36,138,339 | - | - |
| Changes in net assets | - | - | 2,354,574 | \$ (2,530,640) | \$ (176,066) | \$ (176,066) |
| Net assets, beginning of year | | | 204,869,048 | | | |
| Net assets, end of year | | | <u>\$ 207,223,622</u> | | | |

Att. A, AI 30, 12/8/11

**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, 2011**

| | 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: | | | | | | | |
| Miscellaneous | \$ 819,900 | \$ 819,900 | \$ 849,975 | \$ - | \$ 849,975 | \$ 30,075 | |
| Total operating revenues | 819,900 | 819,900 | 849,975 | - | 849,975 | 30,075 | |
| Operating expenses: | | | | | | | |
| Personnel costs | 568,713 | 553,864 | 554,387 | - | 554,387 | (523) | |
| Outside services | 152,700 | 152,700 | 154,577 | - | 154,577 | (1,877) | |
| Materials and supplies | 2,500 | 2,500 | 900 | - | 900 | 1,600 | |
| Energy costs | 10,600 | 10,600 | 7,152 | - | 7,152 | 3,448 | |
| Miscellaneous | 185,250 | 185,811 | 186,566 | - | 186,566 | (755) | |
| Depreciation | - | - | 5,549 | (5,549) | - | - | |
| Total operating expenses | 919,763 | 905,475 | 909,131 | (5,549) | 903,582 | 1,893 | |
| Operating income (loss) | (99,863) | (85,575) | (59,156) | 5,549 | (53,607) | 31,968 | |
| Reserve revenue | 99,863 | 85,575 | - | 53,607 | 53,607 | (31,968) | |
| Changes in net assets | \$ - | \$ - | (59,156) | \$ 59,156 | \$ - | \$ - | |
| Net assets, beginning of year | | | 508,731 | | | | |
| Net assets, end of year | | | \$ 449,575 | | | | |

Att. A, AI 30, 12/8/11

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, 2011

| | 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 | \$ 155,106 | \$ 160,000 | \$ 179,134 | \$ - | \$ 179,134 | \$ 19,134 |
| Total operating revenues | 155,106 | 160,000 | 179,134 | - | 179,134 | 19,134 |
| Operating expenses: | | | | | | |
| Personnel costs | 77,160 | 87,160 | 84,149 | - | 84,149 | 3,011 |
| Outside services | 35,000 | 30,000 | 24,689 | - | 24,689 | 5,311 |
| Risk management | 33,300 | 34,100 | 30,291 | - | 30,291 | 3,809 |
| Miscellaneous | 2,000 | 2,000 | 567 | - | 567 | 1,433 |
| Depreciation | - | - | 17,080 | (17,080) | - | - |
| Total operating expenses | 147,460 | 153,260 | 156,776 | (17,080) | 139,696 | 13,564 |
| Operating income (loss) | 7,646 | 6,740 | 22,358 | 17,080 | 39,438 | 32,698 |
| Reserve revenue | (7,646) | (6,740) | - | (39,438) | (39,438) | (32,698) |
| Changes in net assets | - | - | 22,358 | (22,358) | - | - |
| Net assets, beginning of year | | | 18,414,575 | | | |
| Net assets, end of year | | | \$ 18,436,933 | | | |

Att. A, AI 30, 12/8/11

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, 2011

| | 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 | \$ 24,703,594 | \$ 23,045,547 | \$ 24,036,027 | \$ 24,036,027 | \$ - | \$ 24,036,027 | \$ 990,480 |
| Total operating revenues | 24,703,594 | 23,045,547 | 24,036,027 | 24,036,027 | - | 24,036,027 | 990,480 |
| Operating expenses: | | | | | | | |
| Personnel costs | 501,104 | 519,763 | 413,419 | 413,419 | - | 413,419 | 106,344 |
| Outside services | 48,563,714 | 50,269,624 | 49,797,656 | 49,797,656 | - | 49,797,656 | 471,968 |
| Materials and supplies | 15,090 | - | - | - | - | - | - |
| Energy costs | 6,765,416 | 7,111,756 | 7,718,720 | 7,718,720 | - | 7,718,720 | (606,964) |
| Risk management | - | - | 7,650 | 7,650 | - | 7,650 | (7,650) |
| Miscellaneous | 1,434,284 | 1,662,086 | 1,598,229 | 1,598,229 | - | 1,598,229 | 63,857 |
| Depreciation | - | - | 10,489,238 | 10,489,238 | (10,489,238) | - | - |
| Total operating expenses | 57,279,608 | 59,563,229 | 70,024,912 | 70,024,912 | (10,489,238) | 59,535,674 | 27,555 |
| Operating income (loss) | (32,576,014) | (36,517,682) | (45,988,885) | (45,988,885) | 10,489,238 | (35,499,647) | 1,018,035 |

Att. A, AI 30, 12/8/11

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, 2011

| | 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 | 5,024,197 | 4,817,510 | 4,641,054 | - | 4,641,054 | (176,456) |
| Transportation Development Act (TDA) funds | 24,370,863 | 28,096,825 | 27,860,105 | - | 27,860,105 | (236,720) |
| State revenue - other | 1,600,000 | 1,600,000 | 996,868 | - | 996,868 | (603,132) |
| <i>TransNet</i> funds | 576,464 | 613,000 | 691,549 | - | 691,549 | 78,549 |
| Other local subsidies | 1,004,490 | 1,390,347 | 1,310,071 | - | 1,310,071 | (80,276) |
| Total public support and nonoperating revenues | 32,576,014 | 36,517,682 | 35,499,647 | - | 35,499,647 | (1,018,035) |
| Income (loss) before contributed capital | - | - | (10,489,238) | 10,489,238 | - | - |
| Capital contributions | - | - | 2,189,156 | (2,189,156) | - | - |
| Changes in net assets | \$ - | \$ - | (8,300,082) | \$ 8,300,082 | \$ - | \$ - |
| Net assets, beginning of year | | | 80,181,960 | | | |
| Net assets, end of year | | | \$ 71,881,878 | | | |

Att. A, AI 30, 12/8/11

**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, 2011**

| | 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 | \$ 27,208,351 | \$ 25,851,504 | \$ 26,055,594 | \$ - | \$ - | \$ 26,055,594 | \$ 204,090 |
| Charter | 30,000 | - | 129,244 | - | - | 129,244 | 129,244 |
| Miscellaneous | 60,000 | 60,000 | 22,336 | - | - | 22,336 | (37,664) |
| Total operating revenues | 27,298,351 | 25,911,504 | 26,207,174 | - | - | 26,207,174 | 295,670 |
| Operating expenses: | | | | | | | |
| Personnel costs | 59,628,870 | 69,297,251 | 59,370,442 | 9,734,964 | 9,734,964 | 69,105,406 | 191,845 |
| Outside services | 1,867,760 | 1,889,164 | 1,977,649 | - | - | 1,977,649 | (88,485) |
| Materials and supplies | 4,140,874 | 4,031,033 | 4,408,793 | (575) | (575) | 4,408,218 | (377,185) |
| Energy costs | 5,348,285 | 5,524,187 | 5,630,468 | - | - | 5,630,468 | (106,281) |
| Risk management | 1,716,285 | 1,669,552 | 1,915,022 | 136,000 | 136,000 | 2,051,022 | (381,470) |
| Miscellaneous | 7,828,774 | 8,458,822 | 8,451,547 | - | - | 8,451,547 | 7,275 |
| Depreciation | - | - | 13,670,867 | (13,670,867) | (13,670,867) | - | - |
| Total operating expenses | 80,530,848 | 90,870,009 | 95,424,788 | (3,800,478) | (3,800,478) | 91,624,310 | (754,301) |
| Operating income (loss) | (53,232,497) | (64,958,505) | (69,217,614) | 3,800,478 | 3,800,478 | (65,417,136) | (458,631) |

Att. A, AI 30, 12/8/11

**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, 2011**

| | 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 | 16,782,608 | 16,782,608 | 19,894,239 | - | 19,894,239 |
| Transportation Development Act (TDA) funds | 22,236,601 | 19,656,604 | 16,696,983 | - | 16,696,983 |
| State Transit Assistance (STA) funds | - | 12,737,970 | 12,737,970 | - | 12,737,970 |
| TransNet funds | 13,437,851 | 14,447,688 | 14,746,643 | - | 14,746,643 |
| Other local subsidies | 3,447,816 | 3,714,814 | 3,560,458 | - | 3,560,458 |
| Interest expense | (2,672,379) | (2,381,179) | (2,215,076) | - | (2,215,076) |
| Gain (loss) on disposal of assets | - | - | 14,800 | (14,800) | - |
| Other expenses | - | - | (4,081) | - | (4,081) |
| Amortization of bond issuance costs | - | - | (31,581) | 31,581 | - |
| Total public support and nonoperating revenues | 53,232,497 | 64,958,505 | 65,400,355 | 16,781 | 65,417,136 |
| Income (loss) before contributed capital | - | - | (3,817,259) | 3,817,259 | - |
| Capital contributions | - | - | 43,479,198 | (43,479,198) | - |
| Changes in net assets | - | - | 39,661,939 | \$ (39,661,939) | \$ - |
| Net assets, beginning of year | | | 75,479,168 | | |
| Net assets, end of year | | | \$ 115,141,107 | | |

Att. A, AI 30, 12/8/11

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, 2011

| | 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 | \$ 33,576,682 | \$ 35,057,363 | \$ 34,672,521 | \$ - | \$ 34,672,521 | \$ (384,842) |
| Miscellaneous | 724,956 | 628,800 | 527,570 | - | 527,570 | (101,230) |
| Total operating revenues | 34,301,638 | 35,686,163 | 35,200,091 | - | 35,200,091 | (486,072) |
| Operating expenses: | | | | | | |
| Personnel costs | 30,169,908 | 29,921,557 | 29,613,832 | (368,149) | 29,245,683 | 675,874 |
| Outside services | 3,302,592 | 3,598,816 | 3,350,957 | - | 3,350,957 | 247,859 |
| Materials and supplies | 2,820,027 | 2,948,208 | 3,251,398 | 49,297 | 3,300,695 | (352,487) |
| Energy costs | 8,153,810 | 8,285,063 | 8,379,153 | - | 8,379,153 | (94,090) |
| Risk management | 2,059,917 | 1,853,959 | 1,388,910 | 112,000 | 1,500,910 | 353,049 |
| Miscellaneous | 12,902,576 | 12,944,201 | 14,831,588 | (1,844,144) | 12,987,444 | (43,243) |
| Depreciation | - | - | 55,629,013 | (55,629,013) | - | - |
| Total operating expenses | 59,408,830 | 59,551,804 | 116,444,851 | (57,680,009) | 58,764,842 | 786,962 |
| Operating income (loss) | (25,107,192) | (23,865,641) | (81,244,760) | 57,680,009 | (23,564,751) | 300,890 |

Att. A, AI 30, 12/8/11

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, 2011

| | 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 | 16,800,000 | 14,912,278 | (1,475,315) | 13,436,963 |
| Transportation Development Act (TDA) funds | 3,307,192 | 2,065,641 | 5,496,617 | (368,829) | 5,127,788 |
| TransNet funds | 5,000,000 | 5,000,000 | 5,000,000 | - | 5,000,000 |
| Gain (loss) on disposal of assets | - | - | 692,928 | (692,928) | - |
| Total public support and nonoperating revenues | 25,107,192 | 23,865,641 | 26,101,823 | (2,537,072) | 23,564,751 |
| Income (loss) before contributed capital | - | - | (55,142,937) | 55,142,937 | - |
| Capital contributions | - | - | 17,276,277 | (17,276,277) | - |
| Changes in net assets | - | - | (37,866,660) | \$ 37,866,660 | \$ - |
| Net assets, beginning of year | | | 878,430,929 | | |
| Net assets, end of year | | | \$ 840,564,269 | | \$ - |

Att. A, AI 30, 12/8/11

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**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, 2011, as listed in the table of contents, and have issued our report thereon dated November 30, 2011. 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.

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.

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

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.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
November 30, 2011

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.

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FINANCIAL TRENDS

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San Diego Metropolitan Transit System

Net Assets by Component

Last Seven Fiscal Years

| | 2011 | 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 | 1,073,561,720 | 1,078,178,383 | 1,075,104,676 | 1,079,967,043 | 1,097,675,395 | 1,134,242,639 | 695,486,022 |
| Restricted for capital projects | 7,007,293 | 2,548,338 | 2,699,649 | - | - | - | - |
| Unrestricted | 173,128,371 | 177,157,690 | 172,344,567 | 185,609,462 | 163,244,170 | (33,761,144) | (35,563,034) |
| Total business-type activities net assets | 1,253,697,384 | 1,257,884,411 | 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 | 1,073,561,720 | 1,078,178,383 | 1,075,104,676 | 1,079,967,043 | 1,097,675,395 | 1,246,202,145 | 1,116,153,673 |
| Restricted for capital projects | 7,007,293 | 2,548,338 | 2,699,649 | - | - | - | - |
| Unrestricted | 173,128,371 | 177,157,690 | 172,344,567 | 185,609,462 | 163,244,170 | 2,107,304 | 149,552,553 |
| Total primary government net assets | 1,253,697,384 | 1,257,884,411 | 1,250,148,892 | 1,265,576,505 | 1,260,919,565 | 1,248,309,449 | 1,265,706,226 |

Source: Audited financial statements

In FY 2011 MTS elected to present additional information regarding restricted net assets and accordingly provides this information.

In FY 2007 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.

In FY 2006 MTS elected to present statistical data prospectively from 2005 forward, and will present one additional year of activity to a maximum of ten years as of 2014.

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San Diego Metropolitan Transit System

Changes in Net Assets

Last Seven Fiscal Years

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|----------------|---------------|-----------------|---------------|---------------|-----------------|---------------|
| Operating revenues | | | | | | | |
| Passenger revenue | \$ 84,764,142 | \$ 84,167,615 | \$ 85,192,330 | \$ 75,938,626 | \$ 68,634,694 | \$ 67,579,729 | \$ 63,802,747 |
| Advertising | 620,774 | 782,986 | 924,522 | 1,118,697 | 1,001,597 | 838,663 | 1,339,470 |
| Charter | 129,244 | 127,665 | 68,801 | 63,435 | 44,999 | 30,940 | 895,092 |
| Miscellaneous | 4,687,850 | 4,264,061 | 4,874,700 | 3,671,549 | 3,703,043 | 1,734,582 | 18,240 |
| Total operating revenues | 90,202,010 | 89,342,327 | 91,060,353 | 80,792,307 | 73,384,333 | 70,183,914 | 66,055,549 |
| Operating expenses: | | | | | | | |
| Personnel costs | 104,328,659 | 109,511,444 | 101,912,799 | 102,847,479 | 91,205,761 | 90,490,021 | 91,485,718 |
| Outside services | 64,037,168 | 63,573,977 | 65,139,831 | 64,940,409 | 62,629,613 | 57,709,213 | 70,259,897 |
| Transit operations funding | 4,053,368 | 3,758,340 | 3,003,698 | 3,852,449 | 5,438,052 | 6,758,525 | 6,244,510 |
| Materials and supplies | 7,677,528 | 6,680,355 | 7,190,088 | 7,590,216 | 7,266,337 | 8,157,794 | 8,756,096 |
| Energy costs | 21,931,847 | 22,892,291 | 25,283,357 | 27,210,670 | 22,767,220 | 24,304,787 | 14,140,307 |
| Risk management | 3,923,954 | 4,858,835 | 4,074,104 | 3,898,094 | 5,614,889 | 5,078,068 | 5,212,337 |
| Miscellaneous | 4,899,334 | 3,571,062 | 2,052,140 | 1,974,588 | 944,296 | 2,335,990 | 2,563,968 |
| Depreciation | 81,041,468 | 98,238,482 | 75,498,980 | 85,543,426 | 74,472,549 | 66,798,819 | 49,138,639 |
| Total operating expenses | 291,893,326 | 313,084,786 | 284,154,997 | 297,857,331 | 270,338,717 | 261,633,217 | 247,801,472 |
| Operating income (loss) | (201,691,316) | (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 | 170,849,493 | 224,506,234 | 176,978,790 | 200,879,074 | 184,332,341 | 155,746,015 | 209,482,693 |
| Investment earnings | 7,695,139 | 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 | (8,419,739) | (12,702,198) | (11,153,556) | (10,666,621) | (14,229,812) | (11,499,050) | (10,312,657) |
| Gain (loss) on disposal of assets | 712,477 | (69,089) | 294,006 | 87,898 | (1,260,113) | (1,800,414) | 291,047 |
| Other expenses | (4,081) | (289,006) | (641,552) | (141,711) | (355,528) | (187,452) | (184,767) |
| Amortization of bond issuance costs | (135,292) | (785,858) | (63,379) | (322,852) | - | - | - |
| Total public support and nonoperating revenues | 170,697,997 | 220,368,134 | 175,998,560 | 203,230,067 | 181,835,968 | 151,039,509 | 213,810,364 |
| Income (loss) before contributed capital | (30,993,319) | (3,374,325) | (17,096,084) | (13,834,957) | (15,118,416) | (40,409,794) | 32,064,441 |
| Capital contribution | 26,806,292 | 11,109,844 | 1,668,471 | 18,491,897 | 27,728,531 | 23,013,017 | 30,007,339 |
| Changes in net assets | \$ (4,187,027) | \$ 7,735,519 | \$ (15,427,613) | \$ 4,656,940 | \$ 12,610,115 | \$ (17,396,777) | \$ 62,071,780 |

Source: Audited financial statements

In FY 2007 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.

In FY 2006 MTS elected to present statistical data prospectively from 2005 forward, and will present one additional year of activity to a maximum of ten years as of 2014.

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REVENUE CAPACITY

San Diego Metropolitan Transit System

Att. A, AI 30, 12/8/11

Operating Revenue by Source (in 000s)

Last Seven 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 |
| 2011 | 26,056 | 19,894 | 29,435 | 18,307 | - | 166 |
| 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 |
| 2011 | 34,673 | 14,912 | 5,497 | 5,000 | - | 1,220 |
| 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 |
| 2011 | 24,036 | 4,641 | 28,857 | 2,002 | - | - |

Source: Audited financial statements

In FY2006 MTS elected to present statistical data prospectively from 2005 forward, and will present one additional year of activity to a maximum of ten years as of 2014.

San Diego Metropolitan Transit System

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Fare Structure

Last Five Fiscal Years

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|------------|------------|------------|------------|-------------|
| Bus Cash Fares | | | | | |
| One-way fare, local routes | \$ 2.25 | \$ 2.25 | \$ 2.25 | \$ 2.00 | \$ 1.75 |
| Senior/disabled, local routes | 1.10 | 1.10 | 1.10 | - | - |
| Urban | - | - | - | 2.25 | 2.25 |
| Express | 2.50 | 2.50 | 2.50 | 2.50 | 2.50-4.00 |
| Senior/disabled Express | 1.25 | 1.25 | 1.25 | - | - |
| Premium | 5.00 | 5.00 | 5.00 | 5.00 | - |
| Senior/disabled Premium | 2.50 | 2.50 | 2.50 | - | - |
| Rural bus | 5.00-10.00 | 5.00-10.00 | 5.00-10.00 | 5.00-10.00 | - |
| Senior/disabled Rural bus | 2.50- 5.00 | 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 | 2.50 | - | - |
| Senior/disabled one-way fare all stations | 1.25 | 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 | 5.00 | - | - | - |
| Region plus day pass | 14.00 | 14.00 | - | - | - |
| Bus and Trolley Monthly Passes | | | | | |
| Regional monthly pass | 72.00 | 72.00 | 68.00 | 64.00 | - |
| Senior/disabled Regional | 18.00 | 18.00 | 17.00 | 16.00 | 14.50 |
| Youth Regional | 36.00 | 36.00 | 34.00 | 32.00 | 29.00 |
| Half-month/14-Day | 43.00 | 43.00 | 41.00 | - | - |
| Premium monthly pass | 100.00 | 100.00 | 90.00 | - | - |
| Senior/disabled Premium | 25.00 | 25.00 | 22.50 | - | - |
| Youth Premium | 50.00 | 50.00 | 45.00 | - | - |
| Half-month/14-Day | 60.00 | 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.

In 2007 MTS elected to present fare structure statistical data prospectively from 2007 forward, and will present one additional year of activity to a maximum of ten years as of 2016. There were no changes to the fare structure for several years prior to 2008.

San Diego Metropolitan Transit System

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Farebox Recovery Percentages

Last Seven 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 | 28.46 | 54.26 | 42.06 |
| 2011 | 31.22 | 57.41 | 40.37 |

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

In FY2006 MTS elected to present statistical data prospectively from 2005 forward, and will present one additional year of activity to a maximum of ten years as of 2014.

DEBT CAPACITY

San Diego Metropolitan Transit System

Ratio of Outstanding Debt by Type

Last Seven Fiscal Years

| Year ended June 30 | Capital Lease- Tower | Capital Lease - Equipment | 1990 LRV Sale/Lease- back | 1995 LRV Lease/Lease- back | Certificates of Participation | | Pension Obligation Bonds | Total | Percentage of Personal Income | Debt per Capita |
|-----------------------|----------------------------|---------------------------------|---------------------------------|----------------------------------|-------------------------------------|---------------|--------------------------------|----------------|-------------------------------------|--------------------|
| | | | | | 2002 | 2003 | | | | |
| 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 | 0.42% | 82 |
| 2011 | 5,317,686 | - | - | 118,501,460 | - | - | 47,265,000 | 171,084,146 | 0.39% | 75 |

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.

MTS made a \$12.2 million principal payment on the variable rate Pension Obligation Bonds in FY2011.

MTS retired the capital equipment lease and refunded the Tower capital lease in FY2011.

In FY2006 MTS elected to present statistical data prospectively from 2005 forward, and will present one additional year of activity to a maximum of ten years as of 2014.

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DEMOGRAPHIC AND ECONOMIC STATISTICS

San Diego Metropolitan Transit System

Att. A, AI 30, 12/8/11

Regional Population and Personal Income Statistics

Last Seven 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 | 44,339,315 | 19,382 | 10.50% |
| 2011 | 2,287,701 | 47,185,564 | 20,626 | 10.40% |

SOURCES:

(1) San Diego Association of Governments, January 2010 Estimate. SANDAG has not released a 2011 estimate

(2) FY 2011 data is not currently available

Estimate based on the statewide increase of personal income of 6.42% between June 30, 2010 and June 30, 2011

Percentage was obtained through the U.S. Department of Commerce website

(3) California Employment Development Department, June 2011

In FY2006 MTS elected to present statistical data prospectively from 2005 forward, and will present one additional year of activity to a maximum of ten years as of 2014.

San Diego Metropolitan Transit System
Full-Time and Part-Time Employees by Function
Last Seven Fiscal Years

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| Full-Time and Part-Time Employees at June 30 | | | | |
|---|------------|------------------------------|------------------------------|--------------|
| | <u>MTS</u> | <u>San Diego Transit</u> | <u>San Diego Trolley</u> | <u>Total</u> |
| 2005 | 73 | 927 | 528 | 1,528 |
| 2006 | 90 | 880 | 539 | 1,509 |
| 2007 | 121 | 866 | 527 | 1,514 |
| 2008 | 117 | 844 | 533 | 1,494 |
| 2009 | 114 | 824 | 530 | 1,468 |
| 2010 | 110 | 782 | 528 | 1,420 |
| 2011 | 116 | 758 | 543 | 1,417 |

Source: MTS payroll records

In FY2006 MTS elected to present statistical data prospectively from 2005 forward, and will present one additional year of activity to a maximum of ten years as of 2014.

San Diego Metropolitan Transit System
Ten Largest Employers in San Diego County

Att. A, AI 30, 12/8/11

| Company Name | Number of Employees (1) | Percent of 1,402,900 million County Total (2) |
|-------------------------------------|----------------------------|---|
| Federal Government | 38,900 | 2.77% |
| State of California | 38,700 | 2.76% |
| University of California, San Diego | 26,654 | 1.90% |
| San Diego Unified School District | 21,073 | 1.50% |
| County of San Diego | 16,803 | 1.20% |
| Sharp Healthcare | 13,175 | 0.94% |
| City of San Diego | 12,384 | 0.88% |
| Scripps Health | 10,617 | 0.76% |
| Kaiser Permanente | 7,121 | 0.51% |
| U.S. Postal Service | 6,464 | 0.46% |

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.

MTS presents only current employment data for the county of San Diego

OPERATING INFORMATION

San Diego Metropolitan Transit System

Operating Indicators by Function

Last Seven Fiscal Years

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Operating Cost: | | | | | | | |
| San Diego Transit | \$ 83,456,613 | \$ 93,831,484 | \$ 81,271,392 | \$ 80,031,464 | \$ 73,256,992 | \$ 73,284,403 | \$ 80,187,053 |
| San Diego Trolley | 60,395,041 | 60,912,966 | 58,536,769 | 55,949,228 | 55,951,561 | 55,014,599 | 47,661,707 |
| MTS-Contract Services | 59,535,674 | 58,037,290 | 59,639,023 | 61,450,734 | 57,286,732 | 54,387,095 | 51,815,445 |
| Farebox Revenue: | | | | | | | |
| San Diego Transit | \$ 26,055,593 | \$ 26,708,013 | \$ 27,881,541 | \$ 23,680,179 | \$ 22,297,629 | \$ 22,263,739 | \$ 21,383,099 |
| San Diego Trolley | 34,672,528 | 33,049,793 | 33,453,633 | 31,120,169 | 27,401,733 | 27,933,766 | 25,855,241 |
| MTS-Contract Services | 24,036,025 | 24,409,802 | 23,857,156 | 21,138,278 | 18,935,332 | 17,382,224 | 16,564,407 |
| Total Passengers: | | | | | | | |
| San Diego Transit | 27,252,222 | 26,920,502 | 29,762,278 | 28,094,257 | 26,075,859 | 24,889,685 | 24,426,571 |
| San Diego Trolley | 31,612,877 | 30,468,981 | 36,928,284 | 37,620,944 | 35,114,385 | 33,829,833 | 29,334,362 |
| MTS-Contract Services | 22,664,343 | 21,988,343 | 21,645,421 | 21,460,283 | 21,142,942 | 18,907,112 | 18,448,621 |
| Revenue Miles: | | | | | | | |
| San Diego Transit | 8,177,701 | 8,623,561 | 9,221,197 | 9,522,460 | 9,622,029 | 9,958,013 | 10,087,350 |
| San Diego Trolley | 7,518,512 | 7,743,230 | 7,894,528 | 8,002,889 | 7,940,011 | 8,180,189 | 7,060,498 |
| MTS-Contract Services | 11,196,215 | 11,449,530 | 12,178,979 | 12,501,267 | 12,453,692 | 12,241,939 | 12,701,361 |
| Subsidy / Total Passenger | | | | | | | |
| San Diego Transit | \$ 2.11 | \$ 2.50 | \$ 1.79 | \$ 2.01 | \$ 1.95 | \$ 2.05 | \$ 2.41 |
| San Diego Trolley | 0.81 | 0.92 | 0.68 | 0.66 | 0.81 | 0.80 | 0.74 |
| MTS-Contract Services | 1.57 | 1.53 | 1.66 | 1.88 | 1.81 | 1.96 | 1.91 |

Source: NTD Report, and audited financial statements

In FY2006 MTS elected to present statistical data prospectively from 2005 forward, and will present one additional year of activity to a maximum of ten years as of 2014.

San Diego Metropolitan Transit System

Service Performance Data

Last Seven Fiscal Years

| Service Provided | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| San Diego Transit | | | | | | | |
| Vehicle Revenue Miles | 8,177,701 | 8,623,561 | 9,221,197 | 9,522,460 | 9,622,029 | 9,958,013 | 10,089,671 |
| Vehicle Revenue Hours | 753,549 | 788,560 | 843,438 | 870,432 | 853,044 | 840,408 | 829,742 |
| Passengers | 27,252,222 | 26,920,502 | 29,762,278 | 28,094,257 | 26,075,859 | 24,889,685 | 24,425,116 |
| Passenger Miles | 100,500,080 | 98,162,772 | 107,408,405 | 100,255,833 | 98,202,798 | 93,579,662 | 93,745,993 |
| Number of Vehicles | 236 | 238 | 247 | 267 | 267 | 274 | 280 |
| San Diego Trolley | | | | | | | |
| Vehicle Revenue Miles | 7,518,512 | 7,743,230 | 7,894,528 | 8,002,889 | 7,940,011 | 8,180,189 | 7,060,498 |
| Vehicle Revenue Hours | 422,795 | 442,457 | 409,519 | 439,377 | 432,440 | 468,829 | 368,184 |
| Passenger Car Hours | 429,189 | 448,290 | 416,147 | 445,277 | 438,555 | 480,396 | 379,050 |
| Passengers | 31,612,877 | 30,468,981 | 36,928,284 | 37,620,944 | 35,114,385 | 33,829,833 | 29,334,362 |
| Passenger Miles | 193,062,561 | 186,509,312 | 220,638,983 | 206,923,846 | 207,726,689 | 208,875,499 | 187,987,995 |
| Number of Vehicles | 128 | 134 | 133 | 134 | 134 | 134 | 123 |
| MTS-Contract Services | | | | | | | |
| Vehicle Revenue Miles | 11,196,215 | 11,449,530 | 12,178,979 | 12,501,267 | 12,453,692 | 12,241,939 | 12,701,361 |
| Vehicle Revenue Hours | 926,887 | 945,717 | 985,709 | 1,018,879 | 995,636 | 927,652 | 946,314 |
| Passengers | 22,664,343 | 21,988,343 | 21,645,421 | 21,460,283 | 21,142,942 | 18,907,112 | 18,448,621 |
| Passenger Miles | 82,124,774 | 79,236,564 | 80,104,104 | 77,173,278 | 78,303,615 | 73,343,433 | 69,957,802 |
| Number of Vehicles | 407 | 369 | 388 | 358 | 348 | 337 | 357 |
| Total | | | | | | | |
| Passengers | 81,529,442 | 79,377,826 | 88,335,983 | 87,175,484 | 82,333,186 | 77,626,630 | 72,208,099 |
| Passenger Miles | 375,687,415 | 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 asset system

In FY2006 MTS elected to present statistical data prospectively from 2005 forward, and will present one additional year of activity to a maximum of ten years as of 2014.

San Diego Metropolitan Transit System
Capital Assets Statistics by Function
Last Seven Fiscal Years

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---------------------------------------|------|------|------|------|------|------|------|
| General Operations | | | | | | | |
| Buildings and structures | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Nonrevenue vehicles | 5 | 5 | 7 | 7 | 10 | 10 | 12 |
| San Diego Transit | | | | | | | |
| Land (parcels) | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Buildings and structures | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Buses | 236 | 238 | 247 | 267 | 267 | 274 | 280 |
| Nonrevenue vehicles | 22 | 32 | 39 | 53 | 47 | 45 | 49 |
| San Diego Trolley | | | | | | | |
| Trolley stations | 54 | 54 | 54 | 54 | 54 | 54 | 50 |
| Track miles | 54 | 54 | 54 | 54 | 54 | 54 | 49 |
| Light rail vehicles (total inventory) | 128 | 134 | 133 | 134 | 134 | 134 | 123 |
| Nonrevenue vehicles | 43 | 51 | 68 | 72 | 69 | 58 | 78 |
| MTS - Contracted Services | | | | | | | |
| Land (parcel) | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Buildings and structures | 3 | 3 | 3 | 3 | 1 | 1 | 1 |
| Buses | 407 | 369 | 388 | 358 | 348 | 337 | 357 |
| Nonrevenue vehicles | 10 | 7 | 7 | 9 | 4 | 2 | 2 |
| Taxicab Administration | | | | | | | |
| Buildings and structures | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Nonrevenue vehicles | 3 | 3 | 3 | 3 | 2 | 1 | 1 |

Source: MTS internal capital asset system

In FY2006 MTS elected to present statistical data prospectively from 2005 forward, and will present one additional year of activity to a maximum of ten years as of 2014.

Att. A, AI 30, 12/8/11

San Diego Metropolitan Transit System

Ridership

Last Seven Fiscal Years

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|-------------------------|--------|---------|--------|--------|--------|--------|--------|
| Ridership (in 000's) | | | | | | | |
| San Diego Transit | 27,252 | 26,921 | 29,762 | 28,094 | 26,076 | 24,890 | 24,427 |
| % Change | 1.23% | -9.55% | 5.94% | 7.74% | 4.77% | 1.90% | |
| San Diego Trolley | 31,613 | 30,469 | 36,928 | 37,621 | 35,114 | 33,830 | 29,334 |
| % Change | 3.75% | -17.49% | -1.84% | 7.14% | 3.80% | 15.32% | |
| MTS - Contract Services | 22,664 | 21,988 | 21,645 | 21,460 | 21,143 | 18,907 | 18,449 |
| % Change | 3.07% | 1.58% | 0.86% | 1.50% | 11.83% | 2.49% | |

Source: NTD Report

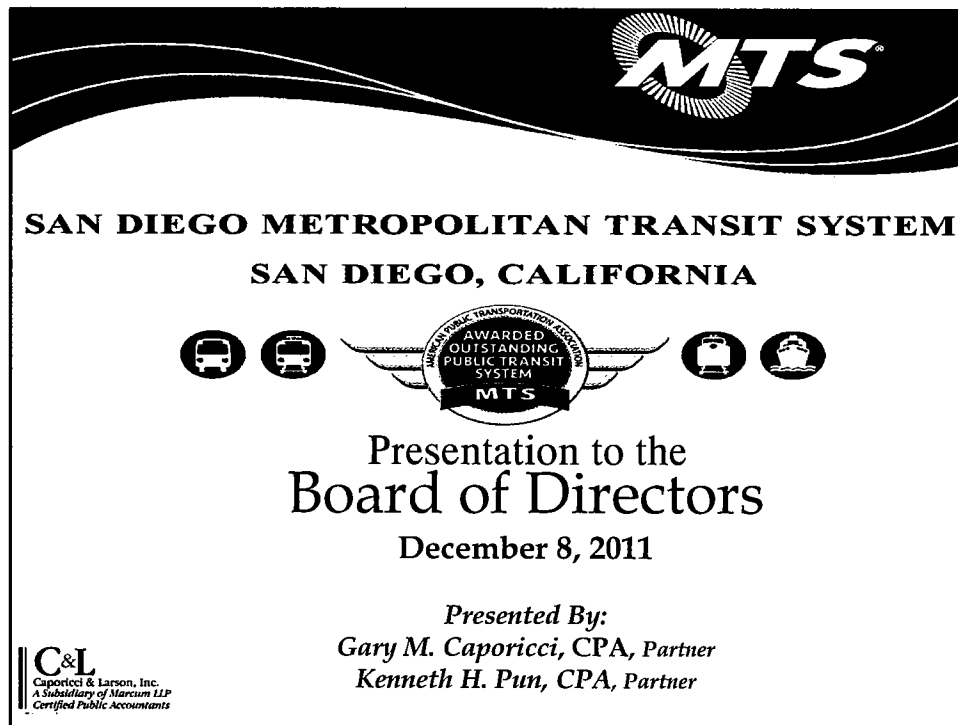
In FY2006 MTS elected to present statistical data prospectively from 2005 forward, and will present one additional year of activity to a maximum of ten years as of 2014.

**San Diego Metropolitan Transit System
Operating Subsidy
Last Seven Fiscal Years**

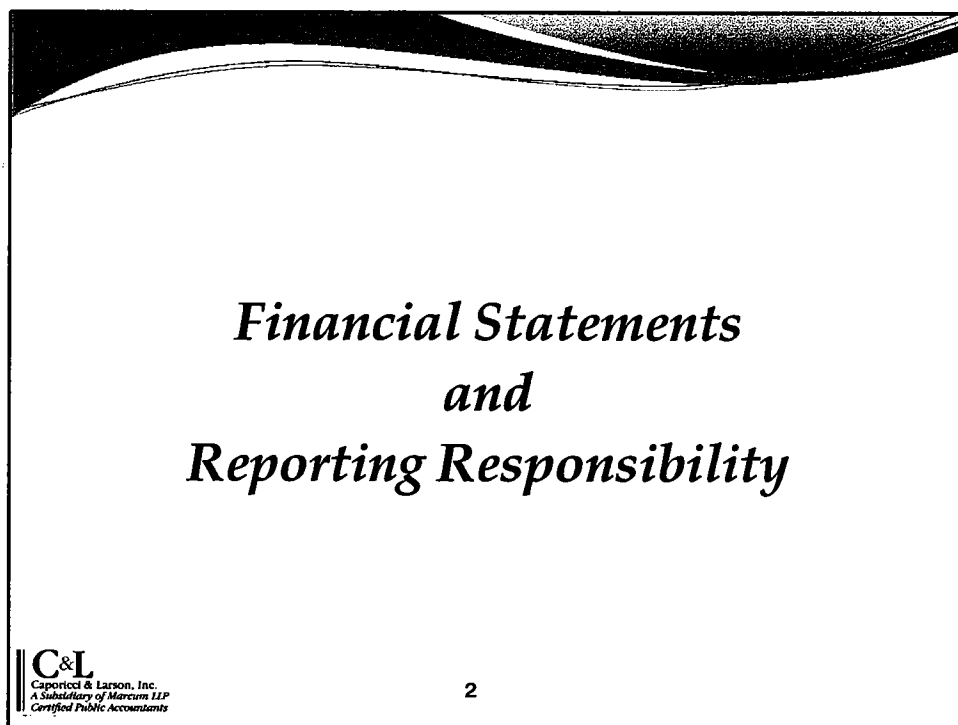
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|------------------------------------|------|------|------|------|------|------|------|
| Average Fare per Rider | | | | | | | |
| San Diego Transit | 0.96 | 0.99 | 0.94 | 0.84 | 0.86 | 0.90 | 0.88 |
| San Diego Trolley | 1.10 | 1.08 | 0.91 | 0.83 | 0.78 | 0.83 | 0.88 |
| MTS - Contract Services | 1.06 | 1.11 | 1.10 | 0.98 | 0.90 | 0.92 | 0.90 |
| Operating Expense per Rider | | | | | | | |
| San Diego Transit | 3.06 | 3.49 | 2.73 | 2.85 | 2.81 | 2.74 | 3.20 |
| San Diego Trolley | 1.91 | 2.00 | 1.59 | 1.49 | 1.59 | 1.63 | 1.62 |
| MTS - Contract Services | 2.63 | 2.64 | 2.76 | 2.86 | 2.71 | 2.88 | 2.81 |
| Subsidy per Rider | | | | | | | |
| San Diego Transit | 2.11 | 2.50 | 1.79 | 2.01 | 1.95 | 2.05 | 2.41 |
| San Diego Trolley | 0.81 | 0.92 | 0.68 | 0.66 | 0.81 | 0.80 | 0.74 |
| MTS - Contract Services | 1.57 | 1.53 | 1.66 | 1.88 | 1.81 | 1.96 | 1.91 |

Source: NTD report and Audited financial statements

In FY2006 MTS elected to present statistical data prospectively from 2005 forward, and will present one additional year of activity to a maximum of ten years as of 2014.



①



②

C&L Scope of Work Performed

- ◆ Audited the MTS' Financial Statements
- ◆ Reviewed MTS' internal control policies and procedures
- ◆ Audited compliance requirements of major Federal Grant Programs, laws and regulations.

Management Responsibilities

- ◆ Presenting the Financial Statements in conformity with generally accepted accounting principles (GAAP)
- ◆ Adopting sound accounting policies
- ◆ Establishing and maintaining appropriate internal controls over financial reporting and compliance
- ◆ Preventing and detecting fraud

C&L Responsibilities

- ◆ Obtain reasonable assurance that the financial statements are free of material misstatement
- ◆ Examine, on a test basis, evidence supporting amounts and disclosures
- ◆ Assess accounting principles used, estimates made, and evaluate the overall financial statement presentation
- ◆ Review internal control policies and procedures
- ◆ Express an opinion on the financial statements

Summary of C&L Audit Approach

C&L Audit Approach

- Assessed the Accounting Principles
- Evaluated the Internal Controls over Financial Reporting and Compliance
- Validated the Significant Account Balances to Supporting Documents
- Obtained Information Directly from Attorneys, Banks, Fiscal Agents and Others
- Reviewed the basis of Management's Estimates
- Reviewed the Financial Statements for Adherence to GAAP
- Performed Year-over-Year Comparisons of Specific Account Balances

2011 *Audit Results*

Audit Opinion

- ◆ Unqualified Opinion issued
 - ◆ Financial statements are fairly presented in all material respects
 - ◆ Significant accounting policies have been consistently applied
 - ◆ Estimates are reasonable
 - ◆ Disclosures are properly reflected in the financial statements

Other Results of the Audit

- ◆ No disagreements with management
- ◆ No material errors or irregularities discovered
- ◆ No significant deficiencies or material weakness determined
- ◆ No findings or questioned costs

Financial Statements Overview

Financial Statement Sections

- ◆ Introductory Section (Unaudited)
- ◆ Financial Section:
 - ◆ Independent Auditors' Report
 - ◆ Management's Discussion and Analysis (Unaudited)
 - ◆ Basic Financial Statements

Financial Statement Sections

- ◆ Statistical Section (Unaudited)
 - ◆ Financial Trends
 - ◆ Revenue Capacity
 - ◆ Debt Capacity
 - ◆ Demographic and Economic Statistics
 - ◆ Operating Information

San Diego Metropolitan Transit System

Summary Statements of Net Assets
(Amounts in Thousands of Dollars)
As of June 30,

| | 2011 | 2010 |
|---|---------------------|---------------------|
| <u>Assets</u> | | |
| Current and other assets | \$ 299,353 | \$ 300,277 |
| Capital assets, net | <u>1,198,154</u> | <u>1,204,818</u> |
| Total assets | <u>1,497,507</u> | <u>1,505,095</u> |
| <u>Liabilities</u> | | |
| Other liabilities | 46,572 | 33,788 |
| Long-term liabilities | <u>197,238</u> | <u>213,422</u> |
| Total liabilities | <u>243,810</u> | <u>247,210</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 1,073,562 | 1,078,178 |
| Restricted | 7,007 | 2,548 |
| Unrestricted | <u>173,128</u> | <u>177,158</u> |
| Total | <u>\$ 1,253,697</u> | <u>\$ 1,257,884</u> |

San Diego Metropolitan Transit System

Summary Statements of Activities and Changes in Net Assets
(Amounts in Thousands of Dollars)

For the years ended June 30,

| | 2011 | 2010 |
|--------------------------------------|-------------------|------------------|
| Revenues | | |
| Operating revenues | \$ 90,202 | \$ 89,342 |
| Nonoperating revenues | 178,544 | 234,213 |
| Total Revenues | 268,746 | 323,555 |
| Expenses | | |
| Operating expenses | (291,893) | (313,085) |
| Non operating expenses | (7,846) | (13,844) |
| Total Expenses | (299,739) | (326,929) |
| Revenue over (under) expenses | (30,993) | (3,374) |
| Capital contributions | 26,806 | 11,110 |
| Change in Net Assets | \$ (4,187) | \$ 7,736 |

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Certified Public Accountants

San Diego Metropolitan Transit System

Summary Statements of Cash Flows
(Amounts in Thousands of Dollars)

For the years ended June 30,

| | 2011 | 2010 |
|--|--------------------|------------------|
| Cash flows from operating activities | \$ (112,998) | \$ (132,535) |
| Cash flows from noncapital financing activities | 158,223 | 222,662 |
| Cash flows from capital and related financing activities | (60,776) | (106,146) |
| Cash flows from investing activities | 240 | 36,110 |
| Net change in cash and cash equivalents | \$ (15,311) | \$ 20,091 |

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Certified Public Accountants

Significant Changes from Prior Year

- Amortization of Net Pension Asset
 - Changes in Accounting Estimates
 - GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*

Summary of Risk Areas

◆ Pension Plan – Schedule of Funding Progress

◆ MTS

- ◆ CalPERS risk pool of less than 100 participants
- ◆ Standalone information not available

◆ SDTI (amount thousands of dollars)

| | | |
|----------------------|------------|------------|
| Valuation Date | 6/30/2010 | 6/30/2008 |
| Unfunded Liabilities | \$ (8,888) | \$ (5,549) |
| Funded Status | 87.99% | 91.50% |

◆ Pension Plan – Schedule of Funding Progress

◆ SDTC (thousands of dollars)

| | | |
|----------------------|-------------|-------------|
| Valuation Date | 7/1/2010 | 7/1/2009 |
| Unfunded Liabilities | \$ (73,925) | \$ (57,893) |
| Funded Status | 67.41% | 71.40% |

◆ Other Postemployment Benefits – Schedule
of Funding Progress (thousands of dollars)

◆ MTS, SDTI and SDTC

| Valuation Date | 6/30/2009 | 6/30/2007 |
|----------------------|-------------|-------------|
| Unfunded Liabilities | \$ (31,644) | \$ (50,164) |
| Funded Status | 0.00% | 0.00% |

New Pronouncements

AICPA Auditing Standards Board

The AICPA's Auditing Standards Board has issued new auditing standards as follows:

- *SAS No. 121 – Revised Applicability of Statement on Auditing Standards No. 100, Interim Financial Information*
- *SAS No. 122 – Statements on Auditing Standards: Clarification and Recodification*
- *SAS No. 123 – Omnibus Statement on Auditing Standards 2011*
- *SAS No. 124 – Financial Statements Prepared in Accordance with a Financial Reporting Framework Generally Accepted in Another Country*

GASB Exposure Draft Pension Accounting and Financial Reporting (Source: GASB)

Fundamental Approach

- Balance between a point-in-time measure of the employer's obligation to employees and the measures over time of the cost to taxpayers of providing governmental services
- Viewed in the context of an ongoing, career-long employment relationship
- Accounting-based versus funding-based proposals

Liability Recognition

- The net pension liability of a sole or agent employer meets the definition of a liability in Concepts Statement 4 and is measurable with sufficient reliability for recognition.
- If plan net assets exceed the employer's total pension liability, the excess should be reported as an asset.
- Unpaid contributions pursuant to contractual or statutory provisions should be reported as a liability (as would any other account payable), separate from the net pension liability.

Actuarial Assumptions

- Selection of all actuarial assumptions should be made in accordance with Actuarial Standards of Practice (unless specific guidance is provided by the GASB).

Projection of Future Benefit Payments

- The effects of the following projected future changes should be included in the projection of benefits for the purpose of measurement of the pension liability:
 - Automatic cost-of-living adjustments (COLAs)
 - Projected future ad hoc COLAs, referring in this context to COLAs that are dependent upon a decision to grant by a responsible authority, when those adjustments are substantially the same as automatic COLAs
 - ❖ The historical pattern of granting the changes
 - ❖ The consistency in the amounts of the changes or in the amounts of the changes relative to, for example, a defined cost-of-living or inflation index
 - ❖ Whether there is evidence to conclude that changes might not continue to be granted in the future despite what might otherwise be a pattern that would indicate such changes are substantively automatic.
 - Projected future salary increases in circumstances in which the pension benefit formula is based on future compensation levels
 - Projected future service credits, both in determining an employee's probable eligibility for benefits and in the projection of benefits in circumstances in which the pension benefit formula is based on years of service.

Discount Rate

- Should be a single rate that reflects:
 - ❑ The long-term expected rate of return on plan investments to the extent that current and expected future plan net assets available for pension benefits are projected to be sufficient to make benefit payments
 - ❑ A high-quality municipal bond index rate beyond the point at which plan net assets available for pension benefits are projected to be fully depleted
 - ❖ If employer contributions to the plan are expected to be held for a short time such that there would be little or no opportunity to invest the assets (for example, if contributions are made on a pay-as-you-go basis), projected benefit payments that are expected to be paid by those contributions should be discounted at the high-quality municipal bond index rate

Attribution Method

- Single allocation method
 - ❑ Based on entry age normal principles
 - ❖ The definition will exclude the use of approaches in which measurements of service costs are not individually based.
 - ❑ Level percentage of payroll
 - ❑ Over periods beginning in first period in which the employee's services lead to benefits under the plan (without regard to conditional service-related provisions such as vesting) and ending in last period of the employee's service

Measurement of Plan Assets

- Plan net assets held in trust for pension benefits component of the employer's net pension liability should be measured in the same way that it is measured in the statement of plan net assets, including measurement of investments *at fair value*.

Expense Recognition

- Effects on net pension liability of projected earnings on plan investments, calculated using the long-term expected rate of return, should be included in the determination of pension expense in the period in which the earnings are projected to occur.
- Differences between actual and projected earnings on plan investments should be reported as deferred inflows or outflows of resources and should be recognized as pension expense over a five-year, closed period.
- The service cost component of pension expense should be the amount attributed to the current period by the entry age actuarial cost method.
- Interest on the beginning total pension liability should be recognized as pension expense each period.
- The effect of a change of plan terms on the total pension liability should be recognized as expense in the period of the change.

Expense Recognition

- Changes in the total pension liability resulting from differences between expected and actual experience with regard to economic or demographic factors or changes of assumptions about the expected future behavior of economic and demographic factors should be recognized as deferred inflows or deferred outflows and recognized as expense over a period representative of employees' expected remaining service lives, with the following requirements:
 - ❑ To the extent that changes relate to past service of inactive, including retired, employees, the effects of such changes should be recognized as pension expense immediately in the period of change.
 - ❑ To the extent that such changes relate to past periods of service of active employees, the effects should be recognized using a systematic and rational method over a closed period. The period should be an average expected remaining service life of the employees with which the change is associated, with weighting to approximate the result that would be obtained if such changes were recognized over each active employee's service life.

Disclosures

- General information
- Assumptions used in measurement
- Details about changes in the net pension liability, pension expense, and deferred outflows of resources
- Employer disclosures, if any, related to plan assets

Recognition

- Each participating employer in a cost-sharing plan should recognize its estimated proportionate share of the collective net pension liability, pension expense, and deferred pension outflows (inflows).
- Exception for situations in which another entity has legally responsibility for the unfunded obligation.

Thank You

For Allowing C&L to Provide its Professional Services
to the

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





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Agenda Item No. 31

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

FISCAL YEAR 2011 FINAL BUDGET COMPARISON (TOM LYNCH)

RECOMMENDATION:

That the Board of Directors approve the use of \$190,000 in contingency reserves to balance the FY 2011 operating budget.

Budget Impact

\$190,000 is needed from contingency reserves to balance the FY 2011 operating budget.

DISCUSSION:

With the completion of the FY 2011 Comprehensive Annual Financial Report (CAFR), the FY 2011 budget can be reviewed with audited numbers. Attachment A-1 summarizes the results with the variances to budget on a consolidated basis for the agency as a whole. Attachments A2-A7 show the results for transit operations (San Diego Transit Corporation [SDTC]), rail operations (San Diego Trolley, Inc. [SDTI]), Contract Services, General Fund, Taxicab Administration, and San Diego and Arizona Eastern (SD&AE) Railway Company, respectively.

Overall Results

MTS produced an overall loss before reserve utilization of \$190,000 (as shown in Attachment A1). Taxicab Administration and the San Diego and Arizona Eastern (SD&AE) Railway Company, whose reserves are separated, accounted for \$14,000 of reserve utilization. A comparison of the results against the amended budget is outlined below.

REVENUES

Fare Revenue

Passenger revenues were \$84,765,000 against an amended budget of \$83,953,000 for a favorable variance of \$812,000 (1.0%). This was due to higher-than-anticipated ridership.

Other Operating Revenue

As shown in Attachment A1, other operating revenue was favorable to budget by \$134,000.

EXPENSES

As shown in Attachment A1, overall operating expenses were \$218,184,000 compared to an amended budget of \$217,782,000 for an unfavorable variance of \$402,000. The variances were in most categories. The larger variances are detailed below.

Total personnel expenses for the fiscal year totaled \$113,251,000 compared to an amended budget of \$114,028,000, which resulted in a favorable variance of \$777,000 (.7%). This is primarily due to wages in rail operations.

Outside services expenses for the fiscal year totaled \$64,037,000 compared to an amended budget of \$64,776,000, which resulted in a favorable variance of \$739,000 (1.1%). This is primarily the result of lower purchased transportation costs within the paratransit area of MTS Contracted Services as well as lower outside service expenses across all operations.

Materials and supplies expenses for the fiscal year totaled \$7,726,000 compared to an amended budget of \$7,002,000, which resulted in an unfavorable variance of \$724,000 (10.3%). These were in both Bus and Rail Operations stemming from higher than anticipated use and cost of repair parts.

Total FY year-end energy costs totaled \$21,932,000 compared to an amended budget of \$21,354,000, which resulted in an unfavorable variance of \$578,000 (2.7%). This unfavorable variance is primarily due to higher compressed natural gas usage than anticipated in MTS Contracted Services.

Subsidy Revenue and Other Nonoperating Revenue and Expenses

Attachment A-8 details subsidy revenue and other nonoperating revenue and expenses.

Subsidy revenues were \$130,803,000 compared to an amended budget of \$131,544,000 for an unfavorable variance of \$741,000. Federal revenue was unfavorable by \$374,000 of which \$236,000 was due to a difference in our compressed natural gas credits obtained. Other State Revenue was unfavorable by \$572,000. This is primarily due to adjustments for Medi-Cal revenues. TransNet revenues were favorable by \$378,000 primarily due to higher sales tax receipts.

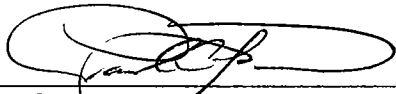
Other Non-Operating Revenue and Expenses were favorable by \$85,000, which is primarily due to paying lower-than-anticipated interest costs on the Dexia variable pension obligation bond debt.

Reserves

Attachment A-9 details MTS's contingency reserve. The ending reserve balance on June 30, 2010, was \$21,885,000.

For FY 2011, MTS had an excess of expenses over revenues of \$190,000. After adjusting for interest, other adjustments, and the income or loss from SD&AE and Taxicab Administration results (which are self-funded), the change for the year is a negative \$199,000. The new contingency reserve balance on June 30, 2011, thus became \$21,686,000. This amount equates to 9.3% of MTS's FY 2012 operating budget of \$233,069,000. MTS has historically set a goal to have reserves at 10% of its operating budget.

MTS has a number of other reserves, and the balances are listed on Attachment A-10.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Tom Lynch, 619.557.4538, tom.lynch@sdmts.com

DEC8-11.31.FY 11 FINAL BUDGET.TLYNCH

Attachment: A. Schedules and Balance Tables

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINAL YEAR END COMPARISON OF ACTUAL TO BUDGET

FY 2011

CONSOLIDATED

(in \$000's)

| | ACTUALS ON A BUDGET BASIS | AMENDED BUDGET | DOLLAR VARIANCE | PERCENT VARIANCE |
|---|------------------------------|-------------------------|------------------------|---------------------|
| Passenger Revenue | \$ 84,765 | \$ 83,953 | \$ 812 | 1.0% |
| Other Revenue | <u>5,362</u> | <u>5,228</u> | <u>134</u> | <u>2.6%</u> |
| Total Operating Revenue | <u>90,127</u> | <u>89,181</u> | <u>946</u> | <u>1.1%</u> |
| Personnel costs | 113,251 | 114,028 | 777 | 0.7% |
| Outside services | 64,037 | 64,776 | 739 | 1.1% |
| Transit operations funding | 4,053 | 3,732 | (321) | -8.6% |
| Materials and supplies | 7,726 | 7,002 | (724) | -10.3% |
| Energy | 21,932 | 21,354 | (578) | -2.7% |
| Risk management | 4,129 | 4,053 | (76) | -1.9% |
| Miscellaneous operating expenses | <u>3,056</u> | <u>2,837</u> | <u>(219)</u> | <u>-7.7%</u> |
| Total Operating Expenses | <u>218,184</u> | <u>217,782</u> | <u>(402)</u> | <u>-0.2%</u> |
| Operating income (loss) | <u>(128,057)</u> | <u>(128,601)</u> | <u>544</u> | <u>0.4%</u> |
| Subsidy Revenue | 130,803 | 131,544 | (741) | -0.6% |
| Other Non-Operating Revenue | <u>(2,936)</u> | <u>(3,021)</u> | <u>85</u> | <u>-2.8%</u> |
| Total Non-Operating Revenue | <u>127,867</u> | <u>128,523</u> | <u>(656)</u> | <u>-0.5%</u> |
| Income (loss) before Reserve Utilization | (190) | (78) | (112) | 143.6% |
| Reserve Usage | <u>14</u> | <u>78</u> | <u>(64)</u> | <u>-82.1%</u> |
| Net Income (loss) | \$ <u>(176)</u> | \$ <u>0</u> | \$ <u>(176)</u> | <u>-</u> |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINAL YEAR END COMPARISON OF ACTUAL TO BUDGET
FY 2011
TRANSIT SERVICES (SAN DIEGO TRANSIT CORPORATION)
(in \$000's)

| | ACTUALS ON A BUDGET BASIS | AMENDED BUDGET | DOLLAR VARIANCE | PERCENT VARIANCE |
|---|------------------------------|-------------------|--------------------|---------------------|
| Passenger Revenue | \$ 26,056 | \$ 25,851 | \$ 205 | 0.8% |
| Other Revenue | 151 | 60 | 91 | 151.7% |
| Total Operating Revenue | 26,207 | 25,911 | 296 | 1.1% |
| Personnel costs | 69,105 | 69,297 | 192 | 0.3% |
| Outside services | 1,977 | 1,889 | (88) | -4.7% |
| Transit operations funding | 0 | 0 | 0 | - |
| Materials and supplies | 4,408 | 4,031 | (377) | -9.4% |
| Energy | 5,630 | 5,632 | 2 | 0.0% |
| Risk management | 2,051 | 1,670 | (381) | -22.8% |
| Miscellaneous operating expenses | 8,453 | 8,351 | (102) | -1.2% |
| Total Operating Expenses | 91,624 | 90,870 | (754) | -0.8% |
| Operating income (loss) | (65,417) | (64,959) | (458) | -0.7% |
| Subsidy Revenue | 67,636 | 67,340 | 296 | 0.4% |
| Other Non-Operating Revenue and Expense | (2,219) | (2,381) | 162 | -6.8% |
| Total Non-Operating Revenue | 65,417 | 64,959 | 458 | 0.7% |
| Income (loss) before Reserve Utilization | 0 | 0 | 0 | - |
| Reserve Usage | 0 | 0 | 0 | - |
| Net Income (loss) | \$ 0 | \$ 0 | \$ 0 | - |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINAL YEAR END COMPARISON OF ACTUAL TO BUDGET

FY 2011

RAIL OPERATIONS (SAN DIEGO TROLLEY, INCORPORATED)

(in \$000's)

| | ACTUALS ON A BUDGET BASIS | AMENDED BUDGET | DOLLAR VARIANCE | PERCENT VARIANCE |
|---|------------------------------|-------------------|--------------------|---------------------|
| Passenger Revenue | \$ 34,673 | \$ 35,057 | \$ (384) | -1.1% |
| Other Revenue | 527 | 629 | (102) | -16.2% |
| Total Operating Revenue | 35,200 | 35,686 | (486) | -1.4% |
| Personnel costs | 29,245 | 29,922 | 677 | 2.3% |
| Outside services | 3,351 | 3,599 | 248 | 6.9% |
| Transit operations funding | 0 | 0 | 0 | - |
| Materials and supplies | 3,301 | 2,948 | (353) | -12.0% |
| Energy | 8,379 | 8,427 | 48 | 0.6% |
| Risk management | 1,501 | 1,854 | 353 | 19.0% |
| Miscellaneous operating expenses | 12,987 | 12,802 | (185) | -1.4% |
| Total Operating Expenses | 58,765 | 59,552 | 788 | 1.3% |
| Operating income (loss) | (23,565) | (23,866) | 301 | 1.3% |
| Subsidy Revenue | 23,565 | 23,866 | (301) | -1.3% |
| Other Non-Operating Revenue | 0 | 0 | 0 | - |
| Total Non-Operating Revenue | 23,565 | 23,866 | (301) | -1.3% |
| Income (loss) before Reserve Utilization | 0 | 0 | 0 | - |
| Reserve Usage | 0 | 0 | 0 | - |
| Net Income (loss) | \$ 0 | \$ 0 | \$ 0 | - |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINAL YEAR END COMPARISON OF ACTUAL TO BUDGET
FY 2011
CONTRACT SERVICES
(in \$000's)

| | ACTUALS ON A BUDGET BASIS | AMENDED BUDGET | DOLLAR VARIANCE | PERCENT VARIANCE |
|---|------------------------------|-------------------|--------------------|---------------------|
| Passenger Revenue | \$ 24,036 | \$ 23,045 | \$ 991 | 4.3% |
| Other Revenue | | 0 | 0 | - |
| Total Operating Revenue | 24,036 | 23,045 | 991 | 4.3% |
| Personnel costs | 413 | 520 | 107 | 20.6% |
| Outside services | 49,798 | 50,270 | 472 | 0.9% |
| Transit operations funding | 0 | 0 | 0 | - |
| Materials and supplies | | | 0 | - |
| Energy | 7,719 | 7,116 | (603) | -8.5% |
| Risk management | 8 | 0 | (8) | - |
| Miscellaneous operating expenses | 1,598 | 1,656 | 58 | 3.5% |
| Total Operating Expenses | 59,536 | 59,563 | 26 | 0.0% |
| Operating income (loss) | (35,500) | (36,518) | 1,018 | 2.8% |
| Subsidy Revenue | 35,500 | 36,518 | (1,018) | -2.8% |
| Other Non-Operating Revenue | 0 | | 0 | - |
| Total Non-Operating Revenue | 35,500 | 36,518 | (1,018) | -2.8% |
| Income (loss) before Reserve Utilization | 0 | 0 | 0 | - |
| Reserve Usage | 0 | 0 | 0 | - |
| Net Income (loss) | \$ 0 | \$ 0 | \$ 0 | - |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINAL YEAR END COMPARISON OF ACTUAL TO BUDGET
FY 2011
GENERAL OPERATIONS (less Taxicab and SD&AE)
(in \$000's)

| | ACTUALS ON A BUDGET BASIS | AMENDED BUDGET | DOLLAR VARIANCE | PERCENT VARIANCE |
|---|------------------------------|-----------------------|------------------------|----------------------|
| Passenger Revenue | \$ 0 | \$ 0 | \$ 0 | - |
| Other Revenue | <u>3,655</u> | <u>3,559</u> | <u>96</u> | <u>2.7%</u> |
| Total Operating Revenue | <u>3,655</u> | <u>3,559</u> | <u>96</u> | <u>2.7%</u> |
| Personnel costs | 13,850 | 13,648 | (202) | -1.5% |
| Outside services | 8,731 | 8,835 | 104 | 1.2% |
| Transit operations funding | 4,053 | 3,732 | (321) | -8.6% |
| Materials and supplies | 16 | 20 | 4 | 20.0% |
| Energy | 197 | 169 | (28) | -16.6% |
| Risk management | 539 | 495 | (44) | -8.9% |
| Miscellaneous operating expenses | <u>(20,169)</u> | <u>(20,160)</u> | <u>9</u> | <u>0.0%</u> |
| Total Operating Expenses | <u>7,218</u> | <u>6,739</u> | <u>(478)</u> | <u>-7.1%</u> |
| Operating income (loss) | <u>(3,563)</u> | <u>(3,180)</u> | <u>(383)</u> | <u>-12.0%</u> |
| Subsidy Revenue | 4,102 | 3,820 | 282 | 7.4% |
| Other Non-Operating Revenue | <u>(717)</u> | <u>(640)</u> | <u>(77)</u> | <u>12.0%</u> |
| Total Non-Operating Revenue | <u>3,385</u> | <u>3,180</u> | <u>205</u> | <u>6.4%</u> |
| Income (loss) before Reserve Utilization | (178) | 0 | (178) | - |
| Reserve Usage | <u>0</u> | <u>0</u> | <u>0</u> | <u>-</u> |
| Net Income (loss) | \$ <u>(178)</u> | \$ <u>0</u> | \$ <u>(178)</u> | <u>-</u> |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINAL YEAR END COMPARISON OF ACTUAL TO BUDGET
FY 2011
TAXICAB ADMINISTRATION
(in \$000's)

| | ACTUALS ON A BUDGET BASIS | AMENDED BUDGET | DOLLAR VARIANCE | PERCENT VARIANCE |
|---|------------------------------|-------------------|--------------------|---------------------|
| Passenger Revenue | \$ 0 | \$ 0 | \$ 0 | - |
| Other Revenue | 850 | 820 | 30 | 3.7% |
| Total Operating Revenue | 850 | 820 | 30 | 3.7% |
| Personnel costs | 554 | 554 | 0 | 0.0% |
| Outside services | 155 | 153 | (2) | -1.3% |
| Transit operations funding | 0 | 0 | 0 | - |
| Materials and supplies | 1 | 3 | 2 | 66.7% |
| Energy | 7 | 10 | 3 | 30.0% |
| Risk management | 0 | 0 | 0 | - |
| Miscellaneous operating expenses | 186 | 186 | 0 | 0.0% |
| Total Operating Expenses | 903 | 905 | 3 | 0.3% |
| Operating income (loss) | (53) | (85) | 32 | 37.6% |
| Subsidy Revenue | 0 | 0 | 0 | - |
| Other Non-Operating Revenue | 0 | 0 | 0 | - |
| Total Non-Operating Revenue | 0 | 0 | 0 | - |
| Income (loss) before Reserve Utilization | (53) | (85) | 32 | -37.6% |
| Reserve Usage | 53 | 85 | (32) | -37.6% |
| Net Income (loss) | \$ 0 | \$ 0 | \$ 0 | - |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINAL YEAR END COMPARISON OF ACTUAL TO BUDGET
FY 2011
SAN DIEGO & ARIZONA EASTERN RAILWAY (SD&AE)
(in \$000's)

| | ACTUALS ON A BUDGET BASIS | AMENDED BUDGET | DOLLAR VARIANCE | PERCENT VARIANCE |
|---|------------------------------|---------------------------|---------------------------|------------------------|
| Passenger Revenue | \$ 0 | \$ 0 | \$ 0 | - |
| Other Revenue | <u>179</u> | <u>160</u> | <u>19</u> | <u>11.9%</u> |
| Total Operating Revenue | <u>179</u> | <u>160</u> | <u>19</u> | <u>11.9%</u> |
| Personnel costs | 84 | 87 | 3 | 3.4% |
| Outside services | 25 | 30 | 5 | 16.7% |
| Transit operations funding | 0 | 0 | 0 | - |
| Materials and supplies | 0 | 0 | 0 | - |
| Energy | 0 | 0 | 0 | - |
| Risk management | 30 | 34 | 4 | 11.8% |
| Miscellaneous operating expenses | <u>1</u> | <u>2</u> | <u>1</u> | <u>50.0%</u> |
| Total Operating Expenses | <u>140</u> | <u>153</u> | <u>13</u> | <u>8.5%</u> |
| Operating income (loss) | <u>39</u> | <u>7</u> | <u>32</u> | <u>-457.1%</u> |
| Subsidy Revenue | 0 | 0 | 0 | - |
| Other Non-Operating Revenue | <u>0</u> | <u>0</u> | <u>0</u> | <u>-</u> |
| Total Non-Operating Revenue | <u>0</u> | <u>0</u> | <u>0</u> | <u>-</u> |
| Income (loss) before Reserve Utilization | 39 | 7 | 32 | 457.1% |
| Reserve Usage | <u>(39)</u> | <u>(7)</u> | <u>(32)</u> | <u>457.1%</u> |
| Net Income (loss) | \$ <u><u>0</u></u> | \$ <u><u>0</u></u> | \$ <u><u>0</u></u> | <u><u>-</u></u> |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINAL YEAR END COMPARISON OF ACTUAL TO BUDGET
FY 2011

COMBINED SUBSIDY AND OTHER NON OPERATING REVENUE AND EXPENSES

(in \$000's)

| | ACTUALS ON A BUDGET BASIS | AMENDED BUDGET | DOLLAR VARIANCE | PERCENT VARIANCE |
|--|------------------------------|-------------------|--------------------|---------------------|
| <u>Subsidy Revenue</u> | | | | |
| Federal Revenue | \$ 38,114 | \$ 38,488 | \$ (374) | -1.0% |
| Transportation Development Act | 53,605 | 53,552 | 53 | 0.1% |
| State Transit Assistance | 12,738 | 12,738 | 0 | 0.0% |
| State Revenue - Other | 1,028 | 1,600 | (572) | -35.8% |
| TransNet funds | 20,439 | 20,061 | 378 | 1.9% |
| Other Local subsidies | 4,879 | 5,105 | (226) | -4.4% |
| Total Subsidy Revenue | 130,803 | 131,544 | (741) | -0.6% |
| <u>Other Non Operating Revenue and Expense</u> | | | | |
| Investment Earnings | 7,713 | 7,806 | (93) | -1.2% |
| Other Non Operating Income | 0 | 0 | 0 | - |
| Other Non Operating Expenses | (10,649) | (10,827) | 178 | -1.6% |
| Total Other Non Operating Revenue Revenue and Expense | (2,936) | (3,021) | 85 | -2.8% |
| Total Subsidy and Non Operating Revenue and Expense | \$ 127,867 | \$ 128,523 | \$ (656) | -0.5% |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Contingency Reserve

FY 2011

(in \$000's)

| | | |
|--|-------|----------------------|
| Balance, June 30, 2010 | | 21,885 |
| FY 2011 Operations | (190) | |
| FY 2011 Interest and Other Adjustments | (23) | |
| Addback (deduct) | | |
| SDAE | (39) | |
| Taxi | 53 | |
| Operations, Net | | (199) |
| | | <hr/> |
| Balance, June 30, 2010 | | <u><u>21,686</u></u> |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Reserve Balances

FY 2011

(in \$000's)

| Title | Amount | Explanation |
|-----------------------|--------|--|
| Contingency | 21,686 | For ongoing operations, future matching of grants; minimum 4% of operating budget per Policy 36 |
| Taxicab capital | 12 | For replacement of office equipment and vehicles |
| Insurance | 2,000 | Established for potential future liability claims, minimum \$2 million per policy 46 |
| Billboard San Diego | 83 | Per agreement with city, used for improvements to right of way |
| Billboard Chula Vista | 1,091 | Per agreement with city, used for improvements to right of way |
| SD&AE | 920 | Established from 1984 state payments for storm damage; restricted for repair/improvement of line |
| MTS JPA residual | 534 | Established from proceeds of legal settlement, restricted for repairs to MTS Tower |
| Land management | 436 | For for repair and maintenance of rental property |

Metropolitan Transit System Final Year End Budget Comparison FY 2011

Board of Directors Meeting
December 8, 2011



1



SAN DIEGO METROPOLITAN TRANSIT SYSTEM FINAL YEAR END BUDGET COMPARISON - FY 2011 COMPARISON OF OPERATIONS TO BUDGET (in \$ 000's)

| | Actual | Amended Budget | Variance |
|---|-----------------|-------------------|-----------------|
| Operating Revenue | \$ 90,127 | \$ 89,181 | \$ 946 |
| Operating Expenses | <u>218,184</u> | <u>217,782</u> | <u>(402)</u> |
| Operating Income (Loss) | (128,057) | (128,601) | 544 |
| Non Operating Revenue | <u>127,867</u> | <u>128,523</u> | <u>(656)</u> |
| Income (Loss) before Reserve Utilization | (190) | (78) | (112) |
| Reserve Usage | <u>14</u> | <u>78</u> | <u>64</u> |
| Net Income (Loss) | \$ <u>(176)</u> | \$ <u>-</u> | \$ <u>(176)</u> |



2



**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINAL YEAR END BUDGET COMPARISON - FY 2011
NON OPERATING REVENUE**

(in \$ 000's)

| | Actual | Amended Budget | Variance |
|--|-------------------|-------------------|-----------------|
| Federal Revenue | \$ 38,114 | \$ 38,488 | \$ (374) |
| TDA Revenue | 53,605 | 53,552 | 53 |
| TransNet Revenue | 20,439 | 20,061 | 378 |
| State Transit Assistance | 12,738 | 12,738 | 0 |
| Other Subsidy Revenue | <u>5,907</u> | <u>6,705</u> | <u>(798)</u> |
| Total Subsidy Revenue | 130,803 | 131,544 | (741) |
| Other Non Operating Revenue/(Expense) | <u>(2,936)</u> | <u>(3,021)</u> | <u>85</u> |
| Total Non Operating Revenue | <u>\$ 127,867</u> | <u>\$ 128,523</u> | <u>\$ (656)</u> |



3



**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINAL YEAR END BUDGET COMPARISON - FY 2011
CONTINGENCY RESERVE**

(in \$ 000's)

| | | |
|--|-----------|------------------|
| Balance, June 30 , 2010 | | \$ 21,885 |
| FY 2011 operations | (190) | |
| FY 2011 Interest and other adjustments | (23) | |
| Taxicab | (39) | |
| SD&AE | <u>53</u> | |
| Adjusted total from operations | | (199) |
| Balance, June 30 , 2011 | | <u>\$ 21,686</u> |



4



Metropolitan Transit System Final Year End Budget Comparison FY 2011

Board of Directors Meeting
December 8, 2011



5





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

Agenda Item No. 32

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

CART, STROLLER, AND CARGO REQUIREMENTS (CLAIRE SPIELBERG)

RECOMMENDATION:

That the Board of Directors approve new cart, stroller, and cargo requirements for transit riders (Attachment A) under existing MTS "Rules for Riding" language.

Budget Impact

None.

Recommendation by the Executive Committee

At its meeting on December 1, 2011, the Executive Committee recommended forwarding this agenda item to the Board of Directors for approval.

DISCUSSION:

The practice of allowing carts, strollers, and cargo on transit vehicles was recently studied by staff due to a number of concerns. Customers have complained that these items are blocking aisles and emergency exits, creating tripping hazards, and taking up space designated for wheelchair riders. Operators are also reporting that the boarding and alighting of a growing number of utility devices is one of the top reasons they cannot stay on time while in service. Current MTS cargo language is limited, so staff is recommending that it be expanded (as detailed in Attachment A). The proposed new language would allow for nearly all of the cargo devices currently in use by MTS customers, but it would provide clear guidance as to how much and how many items one rider can bring along with them at one time. This would be a valuable tool for bus drivers and MTS Enforcement personnel to use in the field as they attempt to keep transit service running as safely and effectively as possible. The MTS Accessible Services Advisory Committee (ASAC) is very supportive of the draft requirements.

A handwritten signature in black ink, appearing to read 'Paul C. Jablonski', is written over a horizontal line.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Claire Spielberg, 619.238.0100, Ext. 6400, claire.spielberg@sdmts.com

Attachment: A. Draft Cart, Stroller, and Cargo Rules

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.



DRAFT

CART, STROLLER, AND CARGO RULES

GUIDELINES FOR SAFE TRANSPORTATION OF CARTS, STROLLERS, CARGO, AND PACKAGES ON TRANSIT VEHICLES

Effective January 1, 2012

The following rules constitute MTS's interpretation and intended enforcement of the standard set forth in Title 13, Section 1216(c) of the California Code of Regulations.

Title 13, Section 1216(c) of the California Code of Regulations states: *"Drivers and motor carriers shall not permit any greater quantity of freight, express, or baggage in vehicles than can be safely and conveniently carried without causing discomfort or unreasonable annoyance to passengers. In no event shall aisles, doors, steps, or emergency exits be blocked."*

Violations of these rules shall be enforced pursuant to MTS Ordinance No. 13, Section 13.4(F).

MTS Ordinance No. 13, Section 13.4(F) prohibits any conduct onboard MTS transit vehicles (buses or trolleys) that may interfere *"in any manner whatsoever with the operator or operation of any bus or trolley."*

Rules Applicable to All Transit Vehicles (Buses and Trolley)

1. Drivers and/or MTS Security personnel will have the discretionary authority to determine if a personal utility cart (cart) or stroller is too big to be transported and if freight is too big or dangerous to be transported. Riders are limited to two small carry-on bags/items that can be reasonably carried on their laps when seated and/or stowed safely under, or in front of, their seats. Large bags of recycled cans are not allowed on transit vehicles any time. Carts, strollers, or other utility devices will not be allowed if they:
 - a. Exceed 30" tall, 18" wide, and 18" deep (not including handle and/or wheels)
 - b. Cannot easily/quickly negotiate vehicle door entrances and turns for any reason
 - c. Contain loads that exceed the height and designated capacity of the carrying device
 - d. Include items that are wet, leaking, or considered hazardous for any reason
2. Riders are also limited only to items that can be boarded in a single trip onto the vehicle without assistance from another person. Multiple trips to load bags, carts, strollers, or cargo are not allowed. Loads that require multiple people to maneuver bags, carts, strollers, or cargo on/off the vehicle are also not allowed.
3. Passengers must stay with their carts, strollers, or cargo during the entire trip and hold onto their belongings firmly. Items will only be allowed to be placed on the front wheel well of a bus if the passenger sits adjacent to the item and has a firm grasp on it for the duration of the trip. Multiple items will not be allowed to be stacked in these areas.
4. The interior area near any door shall always be free of carts, strollers, cargo, or other items, as this area is considered a main emergency exit. Loading items through the rear door of a bus, due to the front being full, is not permitted. Bus drivers and/or MTS Security personnel

DRAFT

CART, STROLLER, CARGO RULES (Continued)

shall ask riders in the front to move further back to make room for these riders to board through the front door only.

5. While operating a walker, cart, or other device, bags and other items must remain in control of the rider at all times. The amount of cargo carried or attached to these devices is limited to what the rider can place securely on his/her lap when seated and must not create a scenario where the device exceeds the maximum cart dimensions above. Packages must be removed and placed on the riders lap if blocking the aisles and/or if requested by the driver. Items or devices allowed on the vehicle should be of such a size and nature that moving them to another area of the vehicle would continue compliance with this policy.

Rules Applicable to Buses Only

6. No more than three (3) different riders with carts, strollers, or other cargo will be allowed on the buses at one time. Riders with carts, strollers, and cargo trying to board when the bus is already at capacity will be required to wait for the next scheduled bus.
7. Riders with carts, strollers, or other cargo should sit in designated "cart/stroller" seating areas when available on vehicles and when space is available. Bus drivers and/or MTS Security personnel shall request that these riders move to the designated cart/stroller areas, if they are seated in the senior/disabled (S/D) section of the vehicles, in order to make room for wheelchair and other S/D riders.
8. Passengers with strollers must remove the child and collapse the stroller once on board the vehicle. Strollers and empty carts should be properly folded and stored as to not impede the free movement of passengers or the driver in the aisle, doors, or emergency exits and must not present a potential hazard to or danger to riders. If a cart with packages cannot be folded, it must also be stored in a way that meets the same requirements above. It is recommended that parents or guardians of children removed from strollers stay seated with the child in their laps as it may not be safe to be standing.

Exceptions

Passengers with disabilities who cannot physically carry their children on the vehicle, or children with disabilities who must remain in a mobility device or stroller, may board and remain in designated cart/stroller seating area or the S/D seating area. If they elect to remain in the S/D seating area on a bus, they must be tied down with a four-point system as if they were in a wheelchair.

Senior and disabled riders with a cart, walker, or cargo that is necessary to support their physical or mental condition may be given special permission to ride even if they violate one or more of the rules above.

Route 992 (Airport Shuttle) is exempt from the size and quantity limitations in these Rules because the Airport Shuttle is designed to handle large amounts of luggage and packages.

Cart, Stroller & Cargo Rules and Procedures

MTS Board of Directors Meeting
Thursday, December 8, 2011

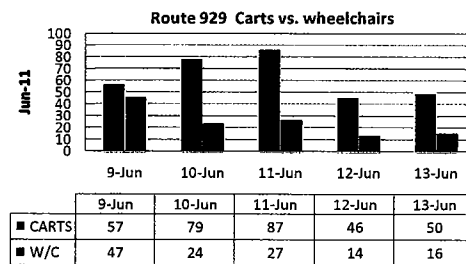
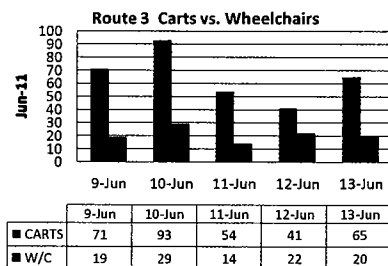


1



MTS Carts, Strollers & Cargo

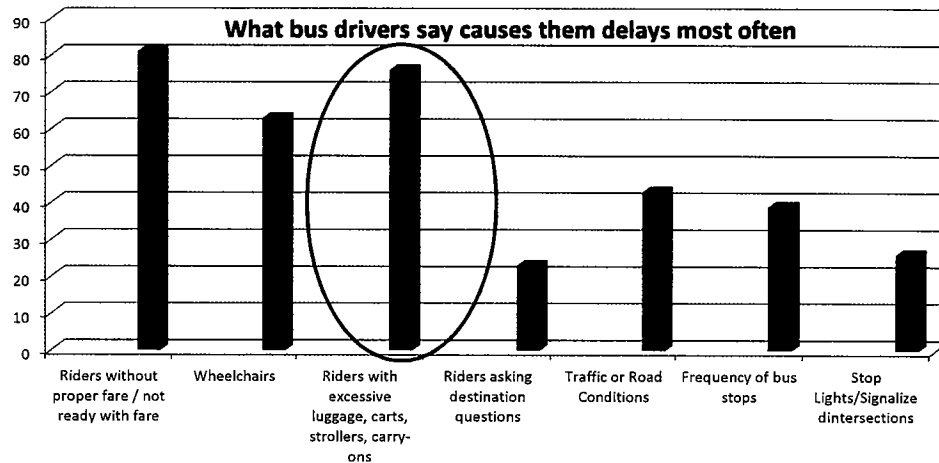
- On-Time Performance Task Force (MTS Bus)
 - Improve WC boarding process (speed up and ensure space is avail)
 - WC loading times (1.5 vs 4 minutes)



2



MTS Carts, Strollers & Cargo



3



MTS Carts, Strollers & Cargo

- *Complaints about customer pass-ups due to capacity*
- *Complaints about carts and strollers (hazards)*
- *Trolley and MTS Bus recent cargo disputes*
- *Trolley Low-Floor Vehicles coming soon*



4



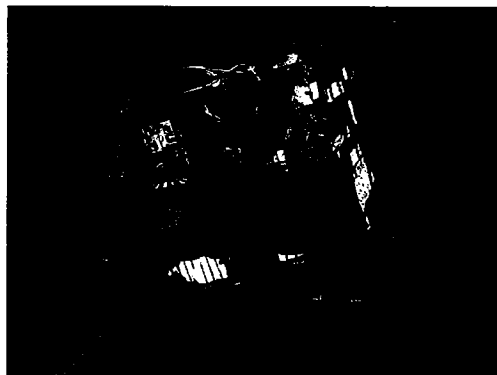
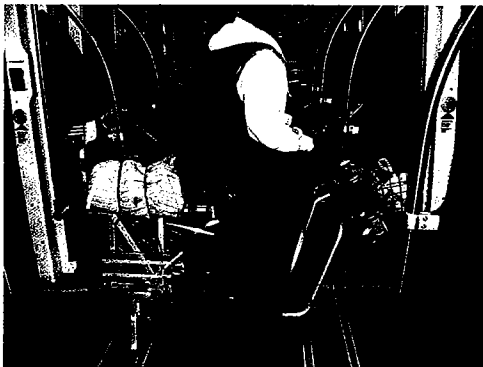
Carts, Strollers & Cargo



5



Carts, Strollers & Cargo



6



MTS Carts, Strollers & Cargo

- *June 23, 2011 ASAC discussion / feedback*
 - *Transporting riders is more important than large carts/cargo*
 - *WC devices are unique to each rider and cannot be changed*
 - *Ensure sufficient public information about any change*
 - *Eliminate pass-ups by only allowing carts mid-day*



7



California Vehicle Code

CCR 13, Sec 1216c of the California Code of Regulations,
"Drivers and motor carriers shall not permit any greater quantity of freight, express, or baggage in vehicles than can be safely and conveniently carried without causing discomfort or unreasonable annoyance to passengers.
In no event shall aisles, doors, steps, or emergency exits be blocked."



8



Carts, Strollers & Cargo



9



MTS Cart, Stroller & Cargo Rules

- **Size** – Identify a max size for one big item
- **Quantity** – How many items are allowed
- **Responsibility** – Where it goes and who is responsible
- **S/D & Wheelchair Areas** – Increase capacity & clarify priority
- **Emergency Exits (aisles, doorways)** – Keep Clear!
- **Safety/Security** – Ensure a safe environment for all



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MTS Cart, Stroller & Cargo Rules

1. Bus driver and MTS Security have discretionary authority to determine if items are too big or dangerous to be transported
 - Riders limited to two (2) carry on bags to fit in lap or under seat
 - Large plastic trash bags full of cans or other items not allowed
 - Large carts can't exceed 30" tall and 18" wide (size of most popular cart)
 - Loads must not exceed the designed capacity of the cart
 - Items that are leaking, wet, or otherwise hazardous will not be allowed



11



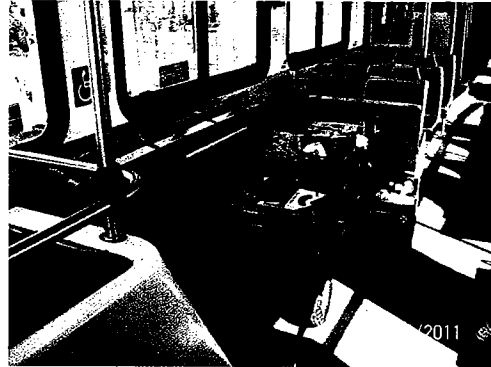
Carts, Strollers & Cargo



12



Carts, Strollers & Cargo



13



MTS Cart, Stroller & Cargo Rules

2. No more than 3 carts, strollers, or devices at a time (Bus only)
 - Riders required to wait for next bus if already at capacity
3. Riders are limited to loads that can be boarded in a single trip
 - Multiple trips and/or help from others is not allowed
4. Riders must stay with items and hold for the entire trip
 - Keep in possession and fully responsible for all items
 - Items can be on top of bus wheel well only if rider holds firmly



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MTS Cart, Stroller & Cargo Rules

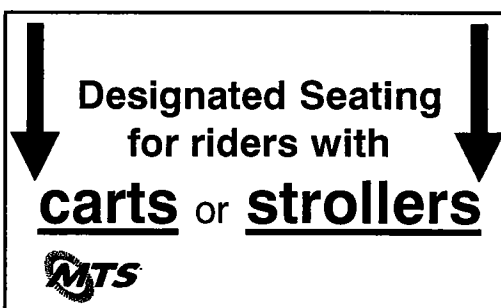
5. Riders with carts & cargo should sit in cart/stroller area (Bus only)
 - Seats removed to make more space for these items (demonstration)
 - Keeps them out of the isles, emergency exits, and S/D seating area
 - Creates more space for WC and other S/D riders
 - Reduces pass ups and improves safety
 - Additional flip seats



15



MTS Cart, Stroller & Cargo Rules



16



MTS Cart, Stroller & Cargo Rules

6. Aisles and doorways shall always be free of carts and cargo
 - These are critical emergency exits and required by law
 - No entry through the rear door will be permitted
 - Drivers will require riders move back in order to load through the front



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MTS Cart, Stroller & Cargo Rules

7. Kids shall be removed from strollers once on-board and strollers folded
 - Carts shall be folded up when empty
8. Carts, walkers, & other mobility devices must always be in control of rider
 - Cargo attached to these devices limited to two small bags that fits on riders lap
 - Packages attached must not make the device exceed the maximum size limit
 - Packages must be removed and placed on riders lap upon driver request



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MTS Cart, Stroller & Cargo Rules

No Change To Existing Bike Policy

- Bus – Only folding bikes are allowed inside and they need to be kept out of the aisles and doorways. All buses also have two-spaces for bikes on the front-mounted bike racks
- Trolley – Bikes may board using the rear door of each car. One bike is allowed per car during weekday rush hours, two bikes per car at all other times.



19



MTS Cart, Stroller & Cargo Rules

Exceptions

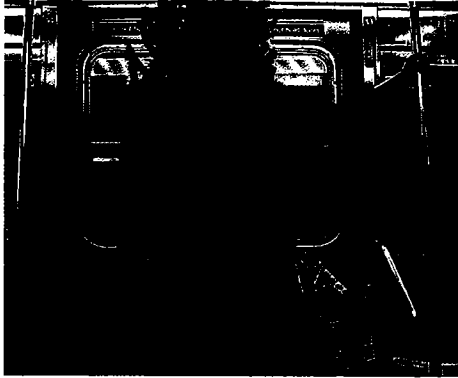
- Seniors and riders with disabilities will be accommodated as required by the ADA.
- Route 992 (Airport Shuttle) will have an informal exemption to most of the size and quantity limitations above because the buses are designed to handle luggage



20



Carts, Strollers & Cargo



21



MTS Cart, Stroller & Cargo Rules

QUESTIONS?

COMMENTS?

Contact:

Jeff Codling

Jeff.codling@sdmts.com



22





AGENDA ITEM NO.

32

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

1

PLEASE SUBMIT THIS COMPLETED FORM (AND YOUR WRITTEN STATEMENT)
TO THE CLERK OF THE BOARD PRIOR TO DISCUSSION OF YOUR ITEM

1. INSTRUCTIONS

This Request to Speak form must be filled out and submitted in advance of the discussion of your item to the Clerk of the Board (please attach any written statement to this form). Communications on hearings and agenda items are generally limited to three minutes per person unless the Board authorizes additional time; however, the Chairperson may limit comment to one or two minutes each if there are multiple requests to speak on a particular item. General public comments on items not on the agenda are limited to three minutes. Please be brief and to the point. No yielding of time is allowed. Subjects of previous hearings or agenda items may not again be addressed under General Public Comments.

(PLEASE PRINT)

| | | | |
|--------------------------------------|--------------------------|---------|-------------------------------------|
| DATE | Dec 8 2011 | | |
| Name | Kim Alcantara | | |
| Address | | | |
| Telephone | | | |
| Organization Represented | | | |
| Subject of Your Remarks | | | |
| Regarding Agenda Item No. | | | |
| Your Comments Present a Position of: | <input type="checkbox"/> | SUPPORT | <input type="checkbox"/> OPPOSITION |

2. TESTIMONY AT NOTICED PUBLIC HEARINGS

At Public Hearings of the Board, persons wishing to speak shall be permitted to address the Board on any issue relevant to the subject of the Hearing.

3. DISCUSSION OF AGENDA ITEMS

The Chairman may permit any member of the public to address the Board on any issue relevant to a particular agenda item.

4. GENERAL PUBLIC COMMENTS ON MATTERS NOT ON THE AGENDA

Public comment on matters not on the agenda will be limited to five speakers with three minutes each, under the Public Comment Agenda Item. Additional speakers will be heard at the end of the Board's Agenda.

NOTE: Subjects of previous hearings or agenda items may not again be addressed under General Public Comments.



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
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Agenda Item No. 45

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

December 8, 2011

SUBJECT:

OPERATIONS BUDGET STATUS REPORT FOR OCTOBER 2011 (MIKE THOMPSON)

RECOMMENDATION:

That the Board of Directors receive an operations budget status report for October 2011.

Budget Impact

None at this time.

DISCUSSION:

This report summarizes MTS's operating results for October 2011 compared to the approved fiscal year 2012 budget. Attachment A-1 combines the operations, administration, and other activities results for October 2011. Attachment A-2 details the October 2011 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 2011 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 2011 MTS net-operating income favorable variance totaled \$1,307,000 (3.1%). Operations produced a \$587,000 (1.4%) favorable variance, and the administrative/other activities areas were favorable by \$720,000.



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.

MTS COMBINED RESULTS

Revenues

Year-to-date combined revenues through October 2011 were \$33,504,000 compared to the year-to-date budget of \$32,883,000, which represents a \$621,000 (1.9%) positive variance. This is due to a favorable variance within Passenger Revenue.

Expenses

Year-to-date combined expenses through October 2011 were \$74,167,000 compared to the year-to-date budget of \$74,854,000, which results in a \$687,000 (0.9%) favorable variance.

Personnel Costs. Year-to-date personnel-related costs totaled \$37,865,000 compared to a year-to-date budgetary figure of \$37,733,000, which produced an unfavorable variance of \$132,000 (-0.4%). This is primarily due to unfavorable year-to-date variances within transit service operations due to workers' compensation costs.

Outside Services and Purchased Transportation. Total outside services for the first four months of the fiscal year totaled \$23,733,000 compared to a budget of \$24,766,000, which resulted in a year-to-date favorable variance of \$1,034,000 (4.2%). This is primarily due to other outside service expense favorable variances within Administration.

Materials and Supplies. Total year-to-date materials and supplies expenses totaled \$2,636,000 compared to a budgetary figure of \$2,470,000, which resulted in an unfavorable expense variance of \$166,000 (-6.7%). This is primarily due to unfavorable variances within rail operations.

Energy. Total year-to-date energy costs were \$8,056,000 compared to the budget of \$7,813,000 resulting in a year-to-date unfavorable variance of \$243,000 (-3.1%). Year-to-date energy rates are as follows:

- Diesel: cost per gallon was \$3.30 versus a budgeted rate of \$3.24
- Gasoline: cost per gallon was \$3.56 versus a budgeted rate of \$3.84
- CNG: cost per therm was \$0.884 versus a budgeted rate of \$0.892

Risk Management. Total year-to-date expenses for risk management were \$1,202,000 compared to the year-to-date budget \$1,278,000, which resulted in a favorable variance totaling \$76,000 (5.9%).

General and Administrative. Year-to-date general and administrative costs, including vehicle and facilities leases, were \$119,000 (15.0%) favorable to budget, totaling \$674,000 through October 2011, compared to a year-to-date budget of \$794,000. This is primarily due to favorable cost recovery within rail operations.

YEAR-TO-DATE SUMMARY

The October 2011 year-to-date net-operating subsidy totaled a favorable variance of \$1,307,000 (3.1%). These factors include favorable variances in passenger revenue, outside services, general and administrative, and risk management offset by unfavorable variances in other operating revenue, personnel costs, materials and supplies, and energy.



Paul C. Jablonski
Chief Executive Officer

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

DEC8-11.45.OPS BUDGET OCT.MTHOMPSON

Attachment: A. Comparison to Budget

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

MTS
CONSOLIDATED

COMPARISON TO BUDGET - FISCAL YEAR 2012

OCTOBER 31, 2011

(in \$000's)

| | YEAR TO DATE | | | |
|---|--------------------|--------------------|-----------------|--------------|
| | ACTUAL | BUDGET | VARIANCE | % |
| Passenger Revenue | \$ 31,707 | \$ 30,887 | \$ 820 | 2.7% |
| Other Revenue | 1,797 | 1,997 | (200) | -10.0% |
| Total Operating Revenue | \$ 33,504 | \$ 32,883 | \$ 621 | 1.9% |
| Personnel costs | \$ 37,865 | \$ 37,733 | \$ (132) | -0.4% |
| Outside services | 23,733 | 24,766 | 1,034 | 4.2% |
| Transit operations funding | - | - | - | - |
| Materials and supplies | 2,636 | 2,470 | (166) | -6.7% |
| Energy | 8,056 | 7,813 | (243) | -3.1% |
| Risk management | 1,202 | 1,278 | 76 | 5.9% |
| General & administrative | 463 | 561 | 98 | 17.4% |
| Vehicle/facility leases | 212 | 233 | 22 | 9.3% |
| Amortization of net pension asset | - | - | - | - |
| Administrative Allocation | 0 | 0 | (0) | -287.1% |
| Depreciation | - | - | - | - |
| Total Operating Expenses | \$ 74,167 | \$ 74,854 | \$ 687 | 0.9% |
| Operating income (loss) | \$ (40,663) | \$ (41,971) | \$ 1,307 | 3.1% |
| Total public support and nonoperating revenues | 475 | 394 | 82 | 20.8% |
| Income (loss) before capital contributions | \$ (40,188) | \$ (41,577) | \$ 1,389 | -3.3% |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
CONSOLIDATED OPERATIONS
COMPARISON TO BUDGET - FISCAL YEAR 2012
OCTOBER 31, 2011
(in \$000's)

| | YEAR TO DATE | | | |
|---|--------------------|--------------------|----------------|--------------|
| | ACTUAL | BUDGET | VARIANCE | % |
| Passenger Revenue | \$ 31,707 | \$ 30,887 | \$ 820 | 2.7% |
| Other Revenue | 95 | 250 | (155) | -62.0% |
| Total Operating Revenue | \$ 31,802 | \$ 31,137 | \$ 665 | 2.1% |
| Personnel costs | \$ 33,015 | \$ 32,642 | \$ (373) | -1.1% |
| Outside services | 20,594 | 21,277 | 683 | 3.2% |
| Transit operations funding | - | - | - | - |
| Materials and supplies | 2,632 | 2,462 | (170) | -6.9% |
| Energy | 7,865 | 7,578 | (287) | -3.8% |
| Risk management | 1,070 | 1,092 | 21 | 1.9% |
| General & administrative | 51 | 90 | 39 | 42.9% |
| Vehicle/facility leases | 161 | 170 | 8 | 4.8% |
| Amortization of net pension asset | - | - | - | - |
| Administrative Allocation | 8,049 | 8,049 | 0 | 0.0% |
| Depreciation | - | - | - | - |
| Total Operating Expenses | \$ 73,438 | \$ 73,359 | \$ (79) | -0.1% |
| Operating income (loss) | \$ (41,635) | \$ (42,222) | \$ 587 | 1.4% |
| Total public support and nonoperating revenues | 1,206 | 1,115 | 92 | 8.2% |
| Income (loss) before capital contributions | \$ (40,429) | \$ (41,107) | \$ 678 | -1.6% |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
TRANSIT SERVICES (SAN DIEGO TRANSIT CORPORATION)
COMPARISON TO BUDGET - FISCAL YEAR 2012
OCTOBER 31, 2011
(in \$000's)

| | YEAR TO DATE | | | |
|---|--------------------|--------------------|-----------------|---------------|
| | ACTUAL | BUDGET | VARIANCE | % |
| Passenger Revenue | \$ 9,384 | \$ 9,024 | \$ 359 | 4.0% |
| Other Revenue | 4 | 7 | (2) | -34.6% |
| Total Operating Revenue | \$ 9,388 | \$ 9,031 | \$ 357 | 4.0% |
| Personnel costs | \$ 22,494 | \$ 21,894 | \$ (601) | -2.7% |
| Outside services | 565 | 691 | 126 | 18.2% |
| Transit operations funding | - | - | - | - |
| Materials and supplies | 1,472 | 1,401 | (70) | -5.0% |
| Energy | 1,838 | 1,894 | 56 | 3.0% |
| Risk management | 536 | 483 | (52) | -10.8% |
| General & administrative | 51 | 44 | (7) | -15.7% |
| Vehicle/facility leases | 78 | 81 | 3 | 3.3% |
| Amortization of net pension asset | - | - | - | - |
| Administrative Allocation | 3,029 | 3,029 | - | 0.0% |
| Depreciation | - | - | - | - |
| Total Operating Expenses | \$ 30,062 | \$ 29,516 | \$ (546) | -1.8% |
| Operating income (loss) | \$ (20,674) | \$ (20,485) | \$ (188) | -0.9% |
| Total public support and nonoperating revenues | (653) | (744) | 92 | -12.3% |
| Income (loss) before capital contributions | \$ (21,327) | \$ (21,230) | \$ (97) | 0.5% |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
RAIL OPERATIONS (SAN DIEGO TROLLEY, INCORPORATED)
COMPARISON TO BUDGET - FISCAL YEAR 2012
OCTOBER 31, 2011
(in \$000's)

| | YEAR TO DATE | | | |
|---|-------------------|-------------------|-----------------|--------------|
| | ACTUAL | BUDGET | VARIANCE | % |
| Passenger Revenue | \$ 12,805 | \$ 12,854 | \$ (49) | -0.4% |
| Other Revenue | 91 | 243 | (153) | -62.7% |
| Total Operating Revenue | \$ 12,896 | \$ 13,097 | \$ (201) | -1.5% |
| Personnel costs | \$ 10,076 | \$ 10,279 | \$ 203 | 2.0% |
| Outside services | 1,145 | 1,221 | 76 | 6.3% |
| Transit operations funding | - | - | - | - |
| Materials and supplies | 1,157 | 1,057 | (99) | -9.4% |
| Energy | 3,189 | 2,902 | (287) | -9.9% |
| Risk management | 530 | 608 | 78 | 12.9% |
| General & administrative | (4) | 42 | 46 | 109.1% |
| Vehicle/ facility leases | 78 | 82 | 4 | 4.9% |
| Amortization of net pension asset | - | - | - | - |
| Administrative Allocation | 4,494 | 4,494 | - | 0.0% |
| Depreciation | - | - | - | - |
| Total Operating Expenses | \$ 20,664 | \$ 20,685 | \$ 21 | 0.1% |
| Operating income (loss) | \$ (7,768) | \$ (7,588) | \$ (180) | -2.4% |
| Total public support and nonoperating revenues | - | - | - | - |
| Income (loss) before capital contributions | \$ (7,768) | \$ (7,588) | \$ (180) | 2.4% |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
MULTIMODAL OPERATIONS (FIXED ROUTE)
COMPARISON TO BUDGET - FISCAL YEAR 2012
OCTOBER 31, 2011
(in \$000's)

| | YEAR TO DATE | | | |
|---|-------------------|-------------------|----------------|--------------|
| | ACTUAL | BUDGET | VARIANCE | % |
| Passenger Revenue | \$ 7,889 | \$ 7,403 | \$ 486 | 6.6% |
| Other Revenue | - | - | - | - |
| Total Operating Revenue | \$ 7,889 | \$ 7,403 | \$ 486 | 6.6% |
| Personnel costs | \$ 154 | \$ 116 | \$ (38) | -32.9% |
| Outside services | 13,439 | 13,578 | 138 | 1.0% |
| Transit operations funding | - | - | - | - |
| Materials and supplies | 2 | 2 | (1) | -33.4% |
| Energy | 1,967 | 1,835 | (132) | -7.2% |
| Risk management | - | - | - | - |
| General & administrative | 0 | 1 | 1 | 75.3% |
| Vehicle/ facility leases | 5 | 6 | 1 | 21.5% |
| Amortization of net pension asset | - | - | - | - |
| Administrative Allocation | 357 | 357 | 0 | 0.0% |
| Depreciation | - | - | - | - |
| Total Operating Expenses | \$ 15,925 | \$ 15,895 | \$ (30) | -0.2% |
| Operating income (loss) | \$ (8,036) | \$ (8,492) | \$ 456 | 5.4% |
| Total public support and nonoperating revenues | - | - | - | - |
| Income (loss) before capital contributions | \$ (8,036) | \$ (8,492) | \$ 456 | -5.4% |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
MULTIMODAL OPERATIONS (PARATRANSIT)
COMPARISON TO BUDGET - FISCAL YEAR 2012
OCTOBER 31, 2011
(in \$000's)

| | YEAR TO DATE | | | |
|---|-------------------|-------------------|----------------|--------------|
| | ACTUAL | BUDGET | VARIANCE | % |
| Passenger Revenue | \$ 626 | \$ 644 | \$ (18) | -2.8% |
| Other Revenue | - | - | - | - |
| Total Operating Revenue | \$ 626 | \$ 644 | \$ (18) | -2.8% |
| Personnel costs | \$ 46 | \$ 56 | \$ 10 | 18.1% |
| Outside services | 3,451 | 3,715 | 264 | 7.1% |
| Transit operations funding | - | - | - | - |
| Materials and supplies | - | - | - | - |
| Energy | 775 | 831 | 56 | 6.7% |
| Risk management | 5 | - | (5) | - |
| General & administrative | 1 | 2 | 2 | 65.9% |
| Vehicle/ facility leases | - | - | - | - |
| Amortization of net pension asset | - | - | - | - |
| Administrative Allocation | 127 | 127 | 0 | 0.0% |
| Depreciation | - | - | - | - |
| Total Operating Expenses | \$ 4,405 | \$ 4,732 | \$ 326 | 6.9% |
| Operating income (loss) | \$ (3,779) | \$ (4,088) | \$ 308 | 7.5% |
| Total public support and nonoperating revenues | - | - | - | - |
| Income (loss) before capital contributions | \$ (3,779) | \$ (4,088) | \$ 308 | -7.5% |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
CONSOLIDATED CHULA VISTA TRANSIT OPERATIONS
COMPARISON TO BUDGET - FISCAL YEAR 2012
OCTOBER 31, 2011
(in \$000's)

| | YEAR TO DATE | | | |
|---|-----------------|-------------------|---------------|--------------|
| | ACTUAL | BUDGET | VARIANCE | % |
| Passenger Revenue | \$ 1,003 | \$ 961 | \$ 42 | 4.3% |
| Other Revenue | - | - | - | - |
| Total Operating Revenue | \$ 1,003 | \$ 961 | \$ 42 | 4.3% |
| Personnel costs | \$ 55 | \$ 108 | \$ 53 | 48.7% |
| Outside services | 1,786 | 1,865 | 79 | 4.2% |
| Transit operations funding | - | - | - | - |
| Materials and supplies | 1 | 2 | 1 | 47.0% |
| Energy | 97 | 117 | 20 | 17.3% |
| Risk management | - | - | - | - |
| General & administrative | 3 | 1 | (3) | -477.0% |
| Vehicle/ facility leases | - | - | - | - |
| Amortization of net pension asset | - | - | - | - |
| Administrative Allocation | 42 | 42 | - | 0.0% |
| Depreciation | - | - | - | - |
| Total Operating Expenses | \$ 1,984 | \$ 2,134 | \$ 150 | 7.0% |
| Operating income (loss) | \$ (981) | \$ (1,173) | \$ 191 | 16.3% |
| Total public support and nonoperating revenues | 1,807 | 1,807 | - | 0.0% |
| Income (loss) before capital contributions | \$ 825 | \$ 634 | \$ 191 | 30.2% |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

OPERATIONS
CORONADO FERRY

COMPARISON TO BUDGET - FISCAL YEAR 2012

OCTOBER 31, 2011

(in \$000's)

| | YEAR TO DATE | | | |
|---|----------------|----------------|-------------|---------------|
| | ACTUAL | BUDGET | VARIANCE | % VARIANCE |
| Passenger Revenue | \$ - | \$ - | \$ - | - |
| Other Revenue | - | - | - | - |
| Total Operating Revenue | \$ - | \$ - | \$ - | - |
| Personnel costs | \$ - | \$ - | \$ - | - |
| Outside services | 52 | 52 | - | 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 | \$ 52 | \$ 52 | \$ - | 0.0% |
| Operating income (loss) | \$ (52) | \$ (52) | \$ - | 0.0% |
| Total public support and nonoperating revenues | 52 | 52 | - | 0.0% |
| Income (loss) before capital contributions | \$ - | \$ - | \$ - | - |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
ADMINISTRATION
CONSOLIDATED
COMPARISON TO BUDGET - FISCAL YEAR 2012
OCTOBER 31, 2011
(in \$000's)

| | YEAR TO DATE | | | |
|---|-----------------|-----------------|----------------|----------------|
| | ACTUAL | BUDGET | VARIANCE | % VARIANCE |
| Passenger Revenue | \$ - | \$ - | \$ - | - |
| Other Revenue | 1,579 | 1,600 | (21) | -1.3% |
| Total Operating Revenue | \$ 1,579 | \$ 1,600 | \$ (21) | -1.3% |
| Personnel costs | \$ 4,632 | \$ 4,867 | \$ 235 | 4.8% |
| Outside services | 3,126 | 3,436 | 310 | 9.0% |
| Transit operations funding | - | - | - | - |
| Materials and supplies | 4 | 7 | 4 | 52.1% |
| Energy | 188 | 231 | 43 | 18.6% |
| Risk management | 124 | 175 | 51 | 29.2% |
| General & administrative | 377 | 435 | 58 | 13.2% |
| Vehicle/facility leases | 50 | 64 | 14 | 21.3% |
| Amortization of net pension asset | - | - | - | - |
| Administrative Allocation | (8,081) | (8,081) | (0) | 0.0% |
| Depreciation | - | - | - | - |
| Total Operating Expenses | \$ 419 | \$ 1,134 | \$ 715 | 63.1% |
| Operating income (loss) | \$ 1,160 | \$ 466 | \$ 694 | -148.8% |
| Total public support and nonoperating revenues | (731) | (721) | (10) | 1.4% |
| Income (loss) before capital contributions | \$ 429 | \$ (255) | \$ 684 | -268.7% |

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

OTHER ACTIVITIES
CONSOLIDATED

COMPARISON TO BUDGET - FISCAL YEAR 2012

OCTOBER 31, 2011

(in \$000's)

| | YEAR TO DATE | | | |
|---|-----------------|-----------------|----------------|---|
| | ACTUAL | BUDGET | VARIANCE | ⁰ / ₀ VARIANCE |
| Passenger Revenue | \$ - | \$ - | \$ - | - |
| Other Revenue | 123 | 147 | (24) | -16.3% |
| Total Operating Revenue | \$ 123 | \$ 147 | \$ (24) | -16.3% |
| Personnel costs | \$ 219 | \$ 224 | \$ 5 | 2.3% |
| Outside services | 13 | 53 | 40 | 74.8% |
| Transit operations funding | - | - | - | - |
| Materials and supplies | 1 | 1 | (0) | -55.8% |
| Energy | 3 | 4 | 1 | 25.3% |
| Risk management | 8 | 11 | 3 | 29.9% |
| General & administrative | 34 | 36 | 1 | 4.1% |
| Vehicle/facility leases | - | - | - | - |
| Amortization of net pension asset | - | - | - | - |
| Administrative Allocation | 32 | 32 | - | 0.0% |
| Depreciation | - | - | - | - |
| Total Operating Expenses | \$ 311 | \$ 362 | \$ 50 | 13.9% |
| Operating income (loss) | \$ (188) | \$ (215) | \$ 27 | 12.4% |
| Total public support and nonoperating revenues | - | - | - | - |
| Income (loss) before capital contributions | \$ (188) | \$ (215) | \$ 27 | -12.4% |

Metropolitan Transit System FY 2012 - October 2011 Financial Review

MTS Board of Directors Meeting
December 8, 2011

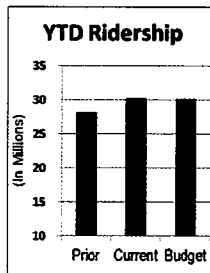


1



COMBINED MTS TRANSIT OPERATORS COMPARISON TO BUDGET - OCTOBER 30, 2011 - FY 2012 (in \$000's)

| | ACTUAL | BUDGET | VARIANCE | VAR. % |
|--------------------------------|------------------|------------------|---------------|-------------|
| Fare Revenue | \$ 31,707 | \$ 30,887 | \$ 820 | 2.7% |
| Other Revenue | 95 | 250 | (155) | -62.0% |
| Total Operating Revenue | \$ 31,802 | \$ 31,137 | \$ 665 | 2.1% |

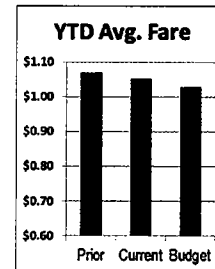


Ridership Comparison

- Budget: 0.3% higher
- \$80K positive variance
- Prior Year: 7.4% higher

Average Fare Comparison

- Budget: 2.3% higher
- \$717K positive variance
- \$1.051 versus \$1.027 budgeted
- Prior Year: -1.6% lower
- \$1.051 versus \$1.068



2



COMBINED MTS TRANSIT OPERATORS
COMPARISON TO BUDGET - OCTOBER 30, 2011 - FY 2012
(in \$000's)

| | ACTUAL | BUDGET | VARIANCE | VAR. % |
|--------------------------|------------------|------------------|----------------|--------------|
| Personnel Costs | \$ 33,015 | \$ 32,642 | \$ (373) | -1.1% |
| Purchased Transportation | 18,273 | 18,559 | 286 | 1.5% |
| Other Outside Services | 2,321 | 2,718 | 397 | 14.6% |
| Energy | 7,865 | 7,578 | (287) | -3.8% |
| Other Expenses | 11,964 | 11,862 | (102) | -0.9% |
| Total Expenses | \$ 73,438 | \$ 73,359 | \$ (79) | -0.1% |

Personnel

- Bus operations: \$601K unfavorable variance

Purchased Transportation

- Paratransit Operations: \$264K favorable variance

Other Outside Services

- Repairs and Maintenance Services: \$148K favorable variance
- Engines and Transmissions: \$126K favorable variance



METROPOLITAN TRANSIT SYSTEM
COMPARISON TO BUDGET - OCTOBER 31, 2011 - FY 2012
TOTAL OPERATING REVENUE LESS EXPENSES (\$000's)

Combined Net Operating Variance

| | |
|--|-----------------|
| MTS Operating Revenue | \$ 665 |
| MTS Operating Expenses | <u>(79)</u> |
| Combined MTS Operators | \$ 587 |
| MTS Administration / Other Activities | <u>720</u> |
| Total Combined Net Operating Variance | \$ 1,307 |



METROPOLITAN TRANSIT SYSTEM
COMPARISON TO BUDGET - OCTOBER 31, 2011 - FY 2012
ON-GOING CONCERNS DASHBOARD

| | FY12 | | | Status |
|-----------------------------------|---------------|-------------------|-------------------|---------------|
| | Budget | YTD Actual | Projection | |
| Sales Tax Subsidy Revenue | 4.0% | 5.7% | 4.0% | Y |
| Energy Prices | | | | |
| CNG | 0.892 | 0.884 | 0.892 | |
| Diesel | 3.240 | 3.303 | 3.240 | Y |
| Gas | 3.840 | 3.559 | 3.840 | |
| Passenger Levels | 86.8 M | 30.2 M | 88.0 M | G |
| State of California Budget | 0 | \$3.9 M | \$3.9 M | G |

G Positive **Y** Holding **R** Negative



5



Metropolitan Transit System
FY 2012 - October 2011
Financial Review

MTS Board of Directors Meeting
 December 8, 2011



6





1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
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Agenda

Item No. 62

Chief Executive Officer's Report

ADM 121.7

December 8, 2011

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 October 18, 2011, through November 22, 2011.

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EXPENSE CONTRACTS

| Doc# | Organization | Subject | Amount | Day |
|-------------|--------------------------------|--|-------------|------------|
| G1398.1-12 | MORSE, GIESLER, CALLISTER & KA | LEGAL SERVICES - WORKERS COMPENSATION | \$15,000.00 | 11/3/2011 |
| G1078.9-07 | RYAN MERCALDO & WORTHINGTON | LEGAL SERVICES - GENERAL & TORT LIABILIT | \$50,000.00 | 11/8/2011 |
| G1087.12-07 | LIEBMAN, QUIGLEY, SHEPPARD | LEGAL SERVICES - GENERAL & TORT LIABILIT | \$70,000.00 | 11/8/2011 |
| G1086.2-07 | LAW OFFICES OF HARRY E. TEAR | LEGAL SERVICES - WORKERS COMPENSATION | \$10,000.00 | 11/15/2011 |
| G1078.10-07 | RYAN, MERCALDO & WORTHINGTON | LEGAL SERVICES - GENERAL & TORT LIABILIT | \$70,000.00 | 11/17/2011 |
| G0980.3-06 | SANDAG | FEDERAL LEGISLATIVE SERVICES | \$38,824.15 | 11/22/2011 |
| G1414.0-12 | HOLIDAY BOWL - QUALCOMM | HOLIDAY/POINTSETTIA BOWL ADVERTISING | \$1,175.00 | 11/22/2011 |

REVENUE CONTRACTS

| Doc# | Organization | Subject | Amount | Day |
|-------------|-----------------------------|--|---------------|------------|
| L1040.0-12 | eLOCK TECHNOLOGIES, LLC | BICYCLE LOCKER INSTALLATION AND MAINT. | \$0.00 | 10/31/2011 |
| S200-12-508 | SWEETWATER AUTHORITY | ROE PERMIT - GENERAL MAINTENANCE AND INS | (\$1,500.00) | 10/31/2011 |
| L1048.0-12 | DAVID EVANS & ASSOCIATES | ROE PERMIT FOR ENGINEERING DESIGN ON CAL | \$0.00 | 11/1/2011 |
| L0974.1-10 | SANDAG | LOSSAN JOINT EXERCISE OF POWERS AGRMT | \$0.00 | 11/8/2011 |
| L0974.2-10 | SANDAG | LOSSAN BYLAWS | \$0.00 | 11/8/2011 |
| L1045.0-12 | HAMILTON PACIFIC | ROE PERMIT FOR ATM AT SDMCU | \$0.00 | 11/8/2011 |
| L1047.0-12 | CYCLING PROMOTION WEST | ROE PERMIT BIKE LOCKER MAINT SANDAG 5001 | \$0.00 | 11/8/2011 |
| L1049.0-12 | NINYO & MOORE | ROE PERMIT GEOTECH INVESTIGATIONS DESIGN | \$0.00 | 11/8/2011 |
| L1050.0-12 | PACIFIC DRILLING | ROE PERMIT GEOTECH DRILLING OPERATIONS | \$0.00 | 11/8/2011 |
| L5726.0-12 | AT&T | JROE PERMIT SERVICE - DROP REMOVALS BEAN | (\$500.00) | 11/8/2011 |
| L5727.0-12 | BROADSTONE LITTLE ITALY LLC | ROE PERMIT BROADSTONE PROJECT ALLIANCE | (\$5,500.00) | 11/8/2011 |
| S200-12-514 | PROJECT DESIGN CONSULTANTS | ROE PERMIT GENERAL LAND SURVEYING & DESI | \$0.00 | 11/8/2011 |
| L0974.3-10 | SANDAG | MOU ADD MEMBERSHIP TO RIVERSIDE CNTY | \$0.00 | 11/9/2011 |
| L1044.0-12 | FTSI | ROE PERMIT FOR ATM ELECTRICAL HOOKUP | \$0.00 | 11/15/2011 |
| B0519.1-09 | SANDAG | MOU FUNDING FOR 12 SUPERLOOP VEHICLES | (\$43,000.00) | 11/17/2011 |
| B0545.1-11 | TRUCK TRAILER TRANSIT | AMEND 1 - DELETE PART | (\$1,344.00) | 11/22/2011 |
| G1409.0-12 | WESTFIELD, LLC | USE & OPER. OF TRANSIT CNTR AT UTC | \$0.00 | 11/22/2011 |

| REVENUE CONTRACTS | | | | |
|-------------------|--------------------------------|--|--------------|------------|
| Doc# | Organization | Subject | Amount | Day |
| L1051.0-12 | PURE FITNESS RUN FOR THE HUNGR | ROE PERMIT TO CROSS TRACKS | (\$605.00) | 11/22/2011 |
| L5728.0-12 | SDG&E | JROE PERMIT - NCTD AND SDG&E GEN MAINT | (\$1,500.00) | 11/22/2011 |

| PURCHASE ORDERS (IFAS) | | | | |
|------------------------|-----------|--------------------------------|-------------------------------|-------------|
| DATE | PO NUMBER | Organization | Subject | AMOUNT |
| 10/18/2011 | 3075 | KRONOS INC | SUPPORT RENEWAL | \$10,163.09 |
| 10/19/2011 | PW001071 | NEAL ELECTRIC | ON-CALL ELECTRICAL SERVICES | \$12,017.37 |
| 10/21/2011 | 3079 | AAA PRINTING COMPANY | TAKE ONE TRAVEL ADVISORY | \$5,045.93 |
| 10/24/2011 | 3076 | CDW GOVERNMENT INC. | NETGEAR SWITCH | \$606.00 |
| 10/24/2011 | 3077 | K&F ASSOCIATES | BACKUP STORAGE TAPES | \$9,298.13 |
| 10/24/2011 | 3078 | ABTECH SYSTEMS, INC. | HP TECH SUPPORT | \$17,388.00 |
| 10/24/2011 | 3080 | INSIGHT | WHATS UP GOLD PREMIUM | \$2,412.63 |
| 10/24/2011 | 3081 | DELL COMPUTER CORP | DELL MONITOR | \$10,510.22 |
| 10/24/2011 | 3082 | EN POINTE TECHNOLOGIES | D-LINK SWITCH | \$3,069.37 |
| 10/25/2011 | 3083 | TECHNOLOGY INTEGRATIONS | ARCSERVE | \$2,469.35 |
| 10/25/2011 | 3084 | COMPVIEW INC | COMPUTER SUPPLIES | \$2,219.01 |
| 10/26/2011 | 3085 | KEARNY PEARSON FORD | 2012 FORD EXPLORER | \$26,836.63 |
| 10/27/2011 | 3086 | PHONE SUPPLEMENTS | WIRELESS HEADSET | \$991.30 |
| 10/28/2011 | 3087 | CDW GOVERNMENT INCORP | EMC ASSY DISK | \$1,068.12 |
| 10/31/2011 | 3088 | CDW GOVERNMENT INCORP | DIMM KIT AND RACK | \$1,629.79 |
| 11/1/2011 | 3089 | NUMARA | RENEWAL OF TRACK IT HELP DESK | \$6,907.20 |
| 11/1/2011 | 3090 | REID AND CLARK SCREEN ARTS | SURVEILLANCE CAMERAS | \$5,649.33 |
| 11/3/2011 | 3091 | CDW GOVERNMENT INC. | APPLE IPAD | \$669.96 |
| 11/3/2011 | 3092 | CDW GOVERNMENT INC. | OFFICE MAC, APPLE | \$1,916.86 |
| 11/16/2011 | 3094 | MATERIAL AND CONTRACT SERVICES | RECRUITMENT SERVICES | \$25,000.00 |
| 11/18/2011 | 3095 | FLEISHER PRODUCTS | LAMINATION MATERIAL | \$650.25 |



AGENDA ITEM NO.

64

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

1

PLEASE SUBMIT THIS COMPLETED FORM (AND YOUR WRITTEN STATEMENT)
TO THE CLERK OF THE BOARD PRIOR TO DISCUSSION OF YOUR ITEM

1. INSTRUCTIONS

This Request to Speak form must be filled out and submitted in advance of the discussion of your item to the Clerk of the Board (please attach any written statement to this form). Communications on hearings and agenda items are generally limited to three minutes per person unless the Board authorizes additional time; however, the Chairperson may limit comment to one or two minutes each if there are multiple requests to speak on a particular item. General public comments on items not on the agenda are limited to three minutes. Please be brief and to the point. No yielding of time is allowed. Subjects of previous hearings or agenda items may not again be addressed under General Public Comments.

(PLEASE PRINT)

| | | |
|--------------------------------------|--|--|
| DATE | 12/8/11 | |
| Name | DORIS COLE | |
| Address | P.O. Box 712641 | |
| Telephone | (619) 417-6724 | |
| Organization Represented | | |
| Subject of Your Remarks | Trolley ^{NOT} Accessible To Visually Impaired | |
| Regarding Agenda Item No. | | |
| Your Comments Present a Position of: | <input type="checkbox"/> | <input type="checkbox"/> SUPPORT <input type="checkbox"/> OPPOSITION |

2. TESTIMONY AT NOTICED PUBLIC HEARINGS

At Public Hearings of the Board, persons wishing to speak shall be permitted to address the Board on any issue relevant to the subject of the Hearing.

3. DISCUSSION OF AGENDA ITEMS

The Chairman may permit any member of the public to address the Board on any issue relevant to a particular agenda item.

4. GENERAL PUBLIC COMMENTS ON MATTERS NOT ON THE AGENDA

Public comment on matters not on the agenda will be limited to five speakers with three minutes each, under the Public Comment Agenda Item. Additional speakers will be heard at the end of the Board's Agenda.

NOTE: Subjects of previous hearings or agenda items may not again be addressed under General Public Comments.