

MEETING OF THE BOARD OF DIRECTORS FOR THE
METROPOLITAN TRANSIT SYSTEM (MTS)

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

November 14, 2013

MINUTES

BOARD MEETING

1. Roll Call

Chairman Mathis called the Board meeting to order at 9:03 a.m. A roll call sheet listing Board member attendance is attached.

2. Approval of Minutes

Mr. Minto moved to approve the minutes of the October 24, 2013, MTS Board of Directors meeting. Mr. Cunningham seconded the motion, and the vote was 11 to 0 in favor with Mr. Alvarez and Meses. Emerald, Salas and Zapf absent.

3. Public Comments

John L. Wood – Mr. Wood commented that message Boards on the Orange Line advising of arrival times were still needed at the Lemon Grove Depot. He stated that asphalt between the platforms at the Lemon Grove trolley depot has curled up around the rails and there are no wheel chair ramps with concrete between the platforms and tracks. The only access to the store is not accommodating to the disabled. He asked when the track would be straightened out at Lemon Grove because of jerking. He stated with regard to the Quiet Zone in the Gaslamp District the crossing gate on the near side stays up until trolley gets ready to leave and wants the same at Lemon Grove.

Dorothy Lazenby – Ms. Lazenby discussed current problems with the Green Line, the trolley lift and the lack of security and restrooms at Fashion Valley.

Mary Jane Caulder – Ms. Caulder stated she is concerned regarding Route 14 as decisions were made to change the route and notifications of such changes were not received prior to the bus route being discontinued. She could not locate posted notifications at San Diego State University and requests that in the future schools be notified of route changes. She requested Route 13 modifications. She indicated there was no handicapped access to get to the Mission and according to her smartphone application it is a mile and half walk from the station. Sharon Cooney, Chief of Staff, advised there have been outreach events, flyers circulated and a hearing would be held in December with a second taking place in January to notify the public of route changes. She further explained MTS is accepting comments regarding route changes and looking into various possibilities with following Board consideration and recommendation. Ms. Bragg asked if issues raised would be discussed at the ASAC meeting. Ms. Cooney advised it was brought to the September ASAC meeting and could also possibly be discussed at the December hearing.

Miguel Aguirre – Mr. Aguirre advised he owns the McDonald's Trolley Station at the San Ysidro Port of Entry and his father has a mailbox business there. He wanted to provide an update on the SYPS agreement as it has been operating and stated that SYPS presented a third alternative site plan to reconfigure the area behind McDonald's and it has had a negative impact as pedestrian traffic has shifted with a lot of customers who normally pick up or drop off are now receiving citations. He asked if it is necessary to remove the palm trees currently there that beautify the port of entry and if it is necessary to put restrooms in plain sight and stated that without security, problems will arise with these public restrooms especially regarding vandalism. He stated that modular kiosks that are to be installed will be an eye sore and will only exacerbate wildcatting problems. This property was taken by a public process and was a parking lot relied on by the businesses, but now it is becoming a place that will house activities that will compete with the former property owner and tenants. The most important are the promises received which has been at great expense to the business community. He requests Board to consider the current agreement.

4. Appointment of Ad Hoc Nominating Committee for Recommending Appointments to MTS Committees for 2014

Mr. Mathis provided background and advised he put together a recommended slate for approval by the Board with members consisting of Harry Mathis, Chairman, Ron Roberts, Vice Chairman, Mona Rios representing South Bay, Ernie Ewin representing East County and Lorie Zapf representing the City of San Diego.

Action Taken

Mr. Cunningham moved to appoint an Ad Hoc Nominating Committee to make recommendations to the Board with respect to the appointment of members of the Board to serve as Vice-Chair, Chair Pro-Tem and on MTS and non-MTS committees for 2014. Mr. McClellan seconded the motion, and the vote was 12 to 0 in favor with Mr. Alvarez, and Meses. Emerald and Salas absent.

CONSENT ITEMS

6. 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 22, 2013

Action would: 1) receive the San Diego and Imperial Valley Railroad (SD&IV), Pacific Southwest Railway Museum Association (Museum), and Pacific Imperial Railroad, Inc. (PIR) quarterly reports for information; and 2) ratify actions taken by the SD&AE Board at its quarterly meeting on October 22, 2013.

7. Adoption of the 2014 MTS Executive Committee and Board of Directors Meeting Schedule

Action would adopt the 2014 Executive Committee and Board of Directors meeting schedule.

8. Investment Report - September 2013

Action would receive a report for information.

9. State Lobbying Services - Contract Award

Action would authorize the Chief Executive Officer (CEO) to: 1) execute MTS Doc. No. G1644.0-14 with Smith, Watts and Martinez, LLC, for the provision of State Lobbying Services for a three (3)-year base period, and two (2) one-year optional terms exercisable at MTS' sole determination, for a total of five years; and 2) exercise each option year at the CEO's discretion.

10. Medical Provider Services - Contract Award

Action would authorize the CEO to 1) execute MTS Doc. No. G1514.0-13, with U.S. HealthWorks for the provision of Medical Provider Services for a three (3) year base period, and two (2) one-year optional terms at the MTS's sole determination, for a total of five (5) years; and 2) exercise each option year at the CEO's discretion.

11. MTS Code Compliance eForce Records Management System (RMS) - Hardware Purchase

Action would authorize the CEO to execute MTS Doc. No. G1665.0-14 with CDW-G for the purchase of MC75A Enterprise Digital Assistants (EDA's), Biometric Fingerprint Readers, Zebra RW420 Mobile and GX420 Desktop Printers, Rechargeable Batteries and Charging Stations and 3 years of Maintenance for the EDA's and Printers.

12. Ultrasonic Rail-Testing Services - Contract Award

Action would authorize the CEO to execute MTS Doc. No. L1115.0-13 with Nordco Rail Services LLC, for the provision of ultrasonic rail-testing services for five years beginning on January 1, 2014, and ending on December 31, 2018.

13. Wireless Infrastructure Project Phase 2 - Sole Source Contract Award

Action would authorize the Chief Executive Officer (CEO) to issue a purchase order to AT&T DataComm, Inc., on a sole-source basis, for the provision of equipment and professional installation services for Phase 2 of the MTS's Wireless Infrastructure Project.

14. Printing of Timetables - Contract Award

Action would authorize the CEO to: (1) execute MTS Doc. No. G1534.0-13 with AAA Printing Company for services for the printing of MTS timetables, for a five-year base period with 2 one-year terms (for a total of 7 years) exercisable at MTS's exclusive determination; and (2) exercise each option year at the CEO's discretion.

15. Proposed Revisions to MTS Policy No. 41 - Signature Authority

Action would approve the proposed revisions to MTS Policy No. 41 - Signature Authority.

BOARD MEMBER COMMENTS

Ms. Zapf asked with regard to item 9 why there was only one firm that bid on the contract. Ms. Cooney responded state lobbyists are a tight knit community and perhaps other firms thought they could not compete as they did not have the same type of expertise, history with transportation, etc.

Ms. Zapf asked with regard to item 12 why the bid from the company that was awarded the contract was almost half the cost of others. MTS staff responded that the current incumbent was lowest due to having a representative on the West Coast as they already have current infrastructure in place and less mobilization costs and the other companies were East Coast or Midwest.

Action on Consent Item 6 through 15

Ms. Zapf moved to approve Consent Items 6 through 15. Ms. Rios seconded the motion, and the vote was 13 to 0 in favor with Meses. Emerald and Salas absent.

The Board convened to Closed Session at 9:26 a.m.

CLOSED SESSION

24. a. **CLOSED SESSION - CONFERENCE WITH LABOR NEGOTIATORS**
Pursuant to California Government Code Section 54957.6
Agency-Designated Representative - Jeff Stumbo
Employee Organization - International Brotherhood of Electrical Workers, Local 465 (IBEW)
- b. **CLOSED SESSION - CoONFERENCE WITH REAL PROPERTY NEGOTIATORS** Pursuant to California Government Code Section 54956.8
Property: Assessor Parcel No. 550 550-500-23, City of San Diego; 555-011-17, , City of National City; 571-090-12, City of Chula Vista; 576-523-04, City of Lemon Grove;
Agency Negotiators: Paul Jablonski, Chief Executive Officer, Karen Landers, General Counsel; and Tim Allison, Manager of Real Estate Assets;
Negotiating Parties: Union Pacific Railroad;
Under Negotiation: Price and Terms of Payment
- c. **CLOSED SESSION - CONFERENCE WITH LEGAL COUNSEL ANTICIPATED LITIGATION** Significant Exposure to Litigation Pursuant to California Government Code Section 54956.9(b) (One Potential Case)

The Board reconvened to Open Session at 10:15 a.m.

Oral Report of Final Actions Taken in Closed Session

Karen Landers, General Counsel, reported the following:

- a. The Board voted unanimously 13-0 with Meses. Emerald and Salas absent to ratify the tentative agreement for a new collective bargaining agreement between San Diego Trolley, Inc. and the IBEW Local 465 Union.
- b. The Board received a report and gave instructions to negotiators.
- c. The Board received a report from Legal Counsel and gave instructions.

NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS

30. None.

REPORT ITEMS

45. Fiscal Year 2013 Comprehensive Annual Financial Report (CAFR)

Mr. Cunningham asked the auditors if during the audit process there was sufficient access given to retrieve any and all documentation found necessary to complete a thorough and accurate audit and if there were any problems receiving such information and if all personnel were available to answer questions. Gary Caporicci of Pun & McGeady stated he did not have any trouble locating information or documents and did have access to speak to all personnel regarding his questions pertaining to the Audit.

Ken Pun provided a presentation and discussed the review of the 2013 independent audit. Mr. Caporicci discussed the updated GASB standards and provided a summary of "pro forma illustrations" financial statements.

Mr. Minto stated that certain procedures had been identified in the past with deficiencies and if these deficiencies have been mitigated. Mr. Pun responded they have mitigated the deficiencies.

Mr. Cunningham asked regarding the pension expenses and what rate is used. Mr. Caporicci responded 5%.

Action Taken

No action taken. Taken as an informational item.

46. Semi-annual Security Report (January through June 2013)

William Burke, Chief of Police and Director of Security provided a presentation and discussed rail incidents from January through June of 2013 and compared the number of incidents from the prior year with the current year as well as incidents on the MTS compared to those on the LA Metro during the same period. He discussed the arrests and incidents on SDTC. He reviewed the new program "If you see something, say something" and discussed K9 searches and the Homeland Security training drill, the

Special Enforcement Unit (SEU) and its functions, the graffiti tracker and transient camps.

Mr. Cunningham commended the Security Department for making the MTS one of the safest transit agencies in the Country.

Action Taken

No action taken. Taken as an informational item.

47. Operations Budget Status Report for September 2013

Mike Thompson, Budget Manager, provided a financial review of the comparison to budget – September 30, 2013 – FY2014 including operating revenue, personal and outside costs, total operating revenue less expenses and on-going concerns.

Action Taken

No action taken. Taken as an informational item.

60. Chairman's Report

Mr. Mathis advised the Nominating Committee attached to Agenda Item if they had any desire to serve on any specific committee(s) to let the Nominating Committee know and the Committee would take their wishes into consideration.

61. Audit Oversight Committee (AOC) Chairman's Report

Mr. Ewin asked that everyone notice the Certificate of Achievement for Excellence in financial reporting and advised it was a significant accomplishment and thanked Staff.

62. Chief Executive Officer's Report

None.

63. Board Member Communications

Peter Warner – Mr. Warner asked that with regard to the upcoming Public Hearing regarding service changes that the transit agencies coordinate their changes during the same time.

64. Additional Public Comments on Items Not on the Agenda

None.

65. Next Meeting Date

The next regularly scheduled Board meeting is December 12, 2013.

66. Adjournment

Chairman Mathis adjourned the meeting at 11:26 a.m.



Chairperson
San Diego Metropolitan Transit System

Filed by:



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

Approved as to form:



Office of the General Counsel
San Diego Metropolitan Transit

- Attachments:
1. Roll Call Sheet
 2. Pun & McGeady Presentation
 3. Pun & McGeady "Pro Forma Illustration" Financial Statements
 4. "If you see something say something" card

METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS
ROLL CALL

MEETING OF (DATE): November 14, 2013

CALL TO ORDER (TIME): 9:03 a.m.

RECESS: N/A

RECONVENE: N/A

CLOSED SESSION: 9:26 a.m.

RECONVENE: 10:15 a.m.

PUBLIC HEARING: N/A

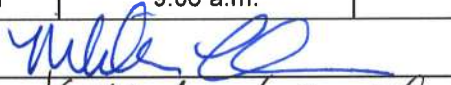
RECONVENE: N/A

ORDINANCES ADOPTED: N/A

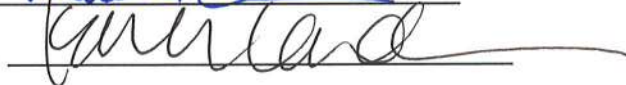
ADJOURN: 11:26 a.m.

| BOARD MEMBER | (Alternate) | PRESENT (TIME ARRIVED) | ABSENT (TIME LEFT) |
|--------------|---|---------------------------|-----------------------|
| ALVAREZ | <input checked="" type="checkbox"/> (Cole) <input type="checkbox"/> | 9:11 a.m. | 11:14 a.m. |
| BRAGG | <input checked="" type="checkbox"/> (Bilbray) <input type="checkbox"/> | 9:03 a.m. | 11:26 a.m. |
| CUNNINGHAM | <input checked="" type="checkbox"/> (Mullin) <input type="checkbox"/> | 9:03 a.m. | 11:26 a.m. |
| EMERALD | <input type="checkbox"/> (Cole) <input type="checkbox"/> | | |
| EWIN | <input checked="" type="checkbox"/> (Arapostathis) <input type="checkbox"/> | 9:03 a.m. | 11:26 a.m. |
| GASTIL | <input checked="" type="checkbox"/> (Jones) <input type="checkbox"/> | 9:03 a.m. | 11:26 a.m. |
| GLORIA | <input type="checkbox"/> (Cole) <input checked="" type="checkbox"/> | 9:03 a.m. | 11:26 a.m. |
| MATHIS | <input checked="" type="checkbox"/> | 9:03 a.m. | 11:26 a.m. |
| MCCLELLAN | <input checked="" type="checkbox"/> (Ambrose) <input type="checkbox"/> | 9:03 a.m. | 11:26 a.m. |
| MINTO | <input checked="" type="checkbox"/> (McNelis) <input type="checkbox"/> | 9:03 a.m. | 11:26 a.m. |
| OVROM | <input checked="" type="checkbox"/> (Denny) <input type="checkbox"/> | 9:03 a.m. | 11:26 a.m. |
| RIOS | <input checked="" type="checkbox"/> (Sotelo-Solis) <input type="checkbox"/> | 9:03 a.m. | 11:26 a.m. |
| ROBERTS | <input checked="" type="checkbox"/> (Cox) <input type="checkbox"/> | 9:03 a.m. | 11:26 a.m. |
| SALAS | <input type="checkbox"/> (Ramirez) <input type="checkbox"/> | | |
| ZAPF | <input checked="" type="checkbox"/> (Cole) <input type="checkbox"/> | 9:06 a.m. | 11:26 a.m. |

SIGNED BY THE CLERK OF THE BOARD:



CONFIRMED BY THE GENERAL COUNSEL:





SAN DIEGO METROPOLITAN TRANSIT SYSTEM

BOARD OF DIRECTORS PRESENTATION

For the year ended June 30, 2013

Presented by:
Gary M. Caporicci, CPA, CGFM, CFF
Kenneth H. Pun, CPA, CGMA

1

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

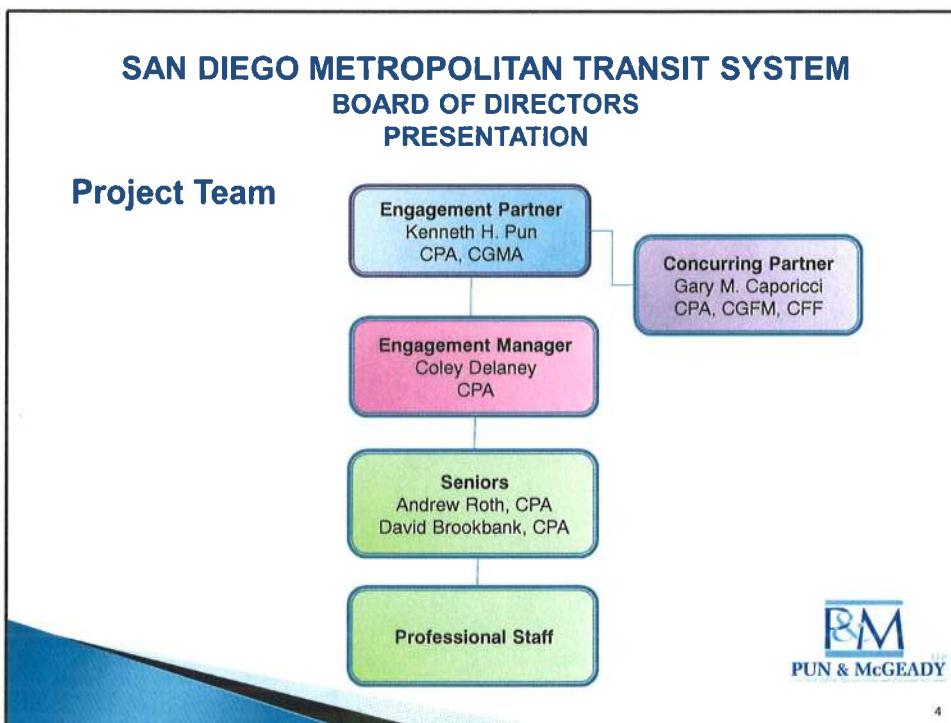
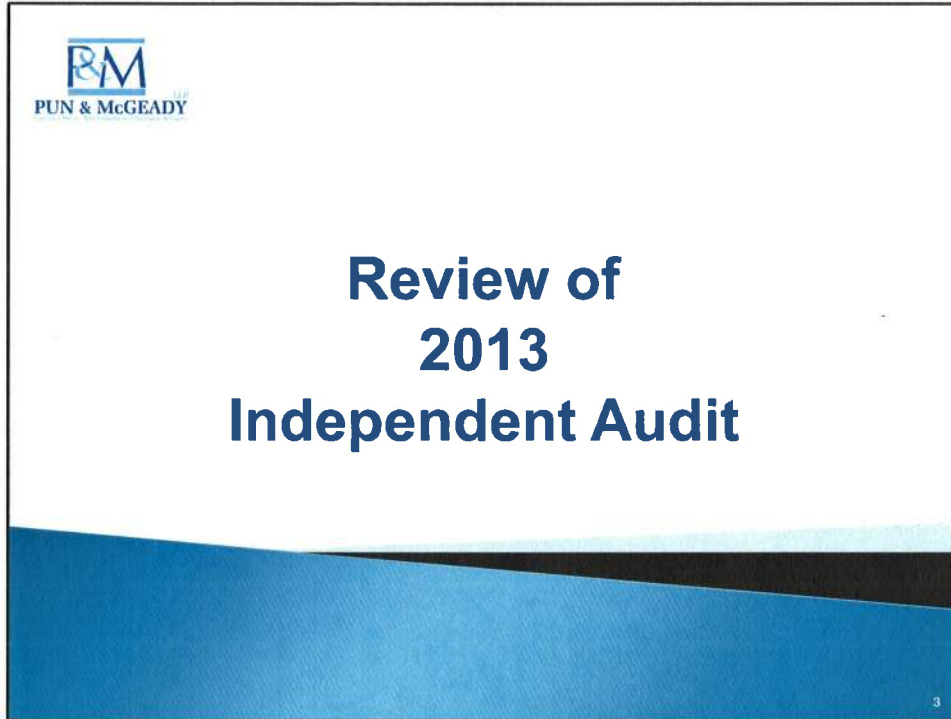
BOARD OF DIRECTORS PRESENTATION

Contents

- Review of 2013 Independent Audit
- Update of GASB Standards
- Summary of "Pro Forma Illustrations" Financial Statements



2



Kenneth H. Pun, CPA, CGMA

Engagement Partner



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Professional Experience

Kenneth H. Pun is the Founding Partner and the Director of the Assurance Services of Pun & McGeady LLP. Prior to founding his own practice, Mr. Pun was employed by Caporicci & Larson, a specialty CPA firm recognized as one of California's foremost experts in governmental and not-for-profit accounting, auditing, and advisory service, since 2001 and was promoted as a partner since 2008. He has performed numerous audits for cities, counties, transportation agencies, community college districts, other special districts, and non-profit healthcare entities of various sizes.

By leveraging more than 15 years of public accounting experience with a high level of expertise, Mr. Pun is often engaged by clients as a result of premier level of service he provides, his commitment, and his innovative methods of increasing operational efficiencies and reducing costs. Mr. Pun is a trusted advisor and a leader of accounting services to governmental and not-for-profit organizations.

In addition to working with clients, Mr. Pun provides the audit teams with direction and technical guidance to ensure adherence to the Firm's quality controls and assists with the development of the Assurance Services practice.

A recognized industry leader, Mr. Pun speaks on topics related to audits and quality control and shares his expertise with clients through annual educational seminars.

Education

- ▶ BS Degree in Accounting from the University of California, Riverside

Professional & Civic Affiliations

- ▶ Member, American Institute of Certified Public Accountants (AICPA)
- ▶ Member, California Society of Certified Public Accountants (CalCPA)
- ▶ Member, CalCPA Government Accounting and Auditing Committee
- ▶ Member, Government Finance Officers Association (GFOA)
- ▶ Member, California Society of Municipal Finance Officers (CSMFO)



5

Gary M. Caporicci, CPA, CGFM, CFF

Concurring Partner



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Professional Experience

Gary M. Caporicci has more than 30 years of diversified business experience, including a specialization in audit and management consulting for government organizations. Mr. Caporicci's clients include public and private universities and colleges, city and county governments, state agencies, joint power authorities, healthcare agencies, transportation agencies and special districts. Known for his expertise in the areas of construction and government, Mr. Caporicci wrote the AICPA audit guides on these topics, and authored many audit and accounting courses for professional groups, as well as academic institutions. He frequently speaks and lectures at many professional organizations, governmental seminars and conferences including industry associations, other accounting firms and universities. In addition, he authors white papers for the California Committee on Municipal Accounting. Prior to working with the Firm, Mr. Caporicci founded his own accounting practice. He also spent 11 years with a "Big Eight" professional services firm where he was an Audit Manager and gained broad experience in a wide range of industries such as government, construction, manufacturing, mutual funds and insurance. Mr. Caporicci's earlier experience includes a consultant position with a "Big Four" practice and Vice President of a national insurance and financial services company.

Education

- ▶ BS Degree in Accounting and Finance from the Armstrong University

Professional & Civic Affiliations

- ▶ Member, American Institute of Certified Public Accountants (AICPA)
- ▶ Member, California Society of Certified Public Accountants (CalCPA)
- ▶ Chair, CalCPA Government Accounting and Auditing Committee
- ▶ Chair and Speaker, CalCPA Governmental Accounting and Auditing State Conferences
- ▶ Member, CalCPA Council
- ▶ Chair, California Committee on Municipal Accounting (CCMA)
- ▶ Member, Government Finance Officers Association (GFOA)
- ▶ Member, California Society of Municipal Finance Officers (CSMFO)
- ▶ Member, Governmental Accounting Standards Board (GASB)
- ▶ Deposits and Investment Risks Disclosure Task Force
- ▶ National Reviewer & Speaker Government Finance Officers Association
- ▶ Adjunct Professor, National University
- ▶ Past Member, Texas Governmental Accounting and Auditing Committee



6

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS
PRESENTATION**

Management's Responsibilities

- ▶ Present the Financial Statements in accordance with Generally Accepted Accounting Principles
- ▶ Adopt sound accounting policies
- ▶ Establish and maintain Internal Controls over Financial Reporting and Compliance
- ▶ Provide evidence supporting to the financial statements and disclosures
- ▶ Fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error



7

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS
PRESENTATION**

Auditor's Responsibilities

- ▶ Assess Audit Risk of Internal Controls Over Financial Reporting and Compliance
- ▶ Determine compliance with Generally Accepted Accounting Principles in the United States of America
- ▶ Determine the fairness and accuracy of Financial Statements presentation
- ▶ Issue Audit Opinion on the Financial Statements
- ▶ Issue Recommendations to Management, if any



8

SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS PRESENTATION

Approach To The Audit



- P&M's Audit Approach for MTS
 - Phase I – Detailed Planning
 - Phase II – Risk Based Review of Internal Control Over Systems and Compliance
 - Phase III – Validation of Account Balances
 - Phase IV – Review Financial Statements and Issue Audit Opinions



9

San Diego Metropolitan Transit System Summary Statement of Net Position June 30,

| | 2013 | 2012 |
|---|-------------------------|-------------------------|
| Assets | | |
| Current assets | \$ 160,016,000 | \$ 134,420,000 |
| Non-current assets | 156,354,000 | 242,894,000 |
| Property and equipment, net | 1,416,261,000 | 1,295,206,000 |
| Total assets | <u>1,732,631,000</u> | <u>1,672,520,000</u> |
| Liabilities: | | |
| Current liabilities | 62,946,000 | 69,755,000 |
| Long-term liabilities | 176,376,000 | 193,730,000 |
| Total liabilities | <u>239,322,000</u> | <u>263,485,000</u> |
| Net Position: | | |
| Net Investment in Capital Assets | 1,296,217,000 | 1,172,816,000 |
| Restricted | 7,255,000 | 78,378,000 |
| Unrestricted | 189,837,000 | 157,841,000 |
| Total liabilities and net position | <u>\$ 1,493,309,000</u> | <u>\$ 1,409,035,000</u> |



10

**San Diego Metropolitan Transit System
Summary Statements of Revenues, Expenses
and Changes in Net Position
For the years ended June 30,**

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|-----------------------|
| <u>Revenues</u> | | |
| Operating revenues | \$ 96,559,000 | \$ 93,509,000 |
| Nonoperating revenues | 191,017,000 | 332,661,000 |
| Total Revenues | <u>287,576,000</u> | <u>426,170,000</u> |
| <u>Expenses</u> | | |
| Operating expenses | 327,929,000 | 306,931,000 |
| Nonoperating expenses | 7,554,000 | 8,019,000 |
| Total Expenses | <u>335,483,000</u> | <u>314,950,000</u> |
| Change in net position before Capital Contribution | (47,907,000) | 111,220,000 |
| Capital Contribution | <u>132,182,000</u> | <u>44,118,000</u> |
| Change in Net Position | <u>\$ 84,275,000</u> | <u>\$ 155,338,000</u> |



11

**San Diego Metropolitan Transit System
Summary Statement of Cash Flows
June 30,**

| | <u>2013</u> | <u>2012</u> |
|---|------------------------|----------------------|
| Cash flows from Operating | \$ (145,901,000) | \$ (124,274,000) |
| Cash Flows from Noncapital Financing | 203,981,000 | 336,075,000 |
| Cash Flows from Capital and Related Financing | (98,275,000) | (126,144,000) |
| Cash Flows from Investing | 193,000 | 89,000 |
| Changes in cash and cash equivalents | <u>\$ (40,001,000)</u> | <u>\$ 85,746,000</u> |



12

**San Diego Metropolitan Transit System
Schedule of Funding Progress
of Defined Benefits Plans
For the year ended June 30, 2013**

| | <u>Transit</u> | <u>Trolley</u> |
|--|-----------------|-----------------|
| Actuarial Value of Assets | \$ 147,787,000 | \$ 77,582,000 |
| Entry Age Normal Actuarial Accrued Liabilities | 235,401,000 | 88,127,000 |
| Unfunded Actuarial Accrued Liabilities | \$ (87,614,000) | \$ (10,545,000) |
| Funded Status | 63% | 88% |
| Actuarial Valuation Date | July 1, 2012 | June 30, 2011 |



13

**San Diego Metropolitan Transit System
Schedule of Funding Progress
of Other Post Employment Healthcare Plan
For the year ended June 30, 2013**

| | <u>MTS</u> | <u>Transit</u> | <u>Trolley</u> |
|--|----------------|-----------------|----------------|
| Actuarial Value of Assets | \$ - | \$ - | \$ - |
| Entry Age Normal Actuarial Accrued Liabilities | 3,276,000 | 24,326,000 | 9,417,000 |
| Unfunded Actuarial Accrued Liabilities | \$ (3,276,000) | \$ (24,326,000) | \$ (9,417,000) |
| Funded Status | 0.00% | 0.00% | 0.00% |
| Actuarial Valuation Date | June 30, 2011 | June 30, 2011 | June 30, 2011 |



14

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS PRESENTATION**

Audit Results

- Unmodified Opinion
 - 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



15

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS
PRESENTATION**

Other Results

- No disagreements with Management
- No material weaknesses or significant deficiencies in internal controls were noted
- No accounting issues



16



Update of GASB Standards

17

GASB Update

- ▶ 2013 - Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- ▶ 2014 - Statement 65 – *Items Previously Reported as Assets and Liabilities*
- ▶ 2014 - Statement 67 – *Financial Reporting for Pension Plans*
- ▶ 2015 - Statement 68 – *Accounting and Financial Reporting for Pensions*



18

**GASB STATEMENT NO. 63 -
*Financial Reporting of Deferred
Outflows of Resources, Deferred Inflows
of Resources, and Net Position***



19

Highlights

- ❖ Now five elements make up a statement of financial position:
 - Assets
 - **Deferred Outflows of Resources**
 - Liabilities
 - **Deferred Inflows of Resources**
 - Net Position
- ❖ New titles:
 - *Net Assets Now Net Position*
 - *Investment in Capital Assets, Net of Related Debt Now Net Investment in Capital Assets*



20



GASB STATEMENT NO. 65 - *Items Previously Reported as Assets and Liabilities*

21

Highlights

- ▶ **Deferred Outflow of Resources:**
 - Grants paid in advance of meeting timing requirements.
 - Deferred amounts from the refunding of debt.
 - Costs to acquire rights to future revenues.



22

Highlights

- ▶ Outflow of Resources:
 - Debt issuance costs (other than insurance).
 - Initial direct costs incurred by the lessor for operating leases.
 - Acquisition costs for risk pools.
 - Loan origination costs.



23

Highlights

- ▶ Deferred Inflow of Resources:
 - Grant received in advance of meeting timing requirements.
 - Taxes received in advance.
 - Deferred amounts from the refunding of debt.
 - Proceeds from sales of future revenues.



24

Highlights

- ▶ Inflow of Resources:
 - Loan origination fees (excluding points)
 - Commitment fees (after exercise or expiration)



25

GASB STATEMENT NO. 67 - *Financial Reporting for Pension Plans*



26

Highlights

- Pension Plans must present two financial statements:
 - A Statement of Fiduciary Net Position
 - A Statement of Changes in Fiduciary Net Position
- Pension Plan disclosures in the financial statements:
 - Total Pension Liability
 - The Plan's Fiduciary Net Position
 - Net Pension Liability
 - The Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
 - Significant Assumptions to Calculate Total Pension Liability
 - Ten Years of Disclosures



27

Highlights

- Actuarial Valuation
 - At least biennially
 - Disclose all Major Actuarial Assumptions



28

GASB STATEMENT NO. 68 - *Accounting and Financial Reporting for Pensions*



29

Highlights

- Accounting-based versus funding-based
- The difference between Total Pension Obligation and Plan Assets would be reported as a **Net Pension Liability** in the financial statements.
- Actuarial Requirements:
 - Valuation at least biennially
 - Within 12 months of fiscal year-end (OK to “roll forward” from date within 30 months)
 - All assumptions should conform to Actuarial Standards of Practice



30

PENSION EXPENSE T-ACCOUNT

| (Debit) | (Credit) |
|--|---|
| <ol style="list-style-type: none"> 1. Employer contributions. 2. Earnings on Plan Investments. <p>Difference between actual and projected earnings to be recognized over a 5-year period.*</p> | <ol style="list-style-type: none"> 2. Earnings on Plan Investments. <p>Difference between actual and projected earnings to be recognized over a 5-year period. *</p> |
| * Report as deferred outflows or inflows of resources | |

31

PENSION EXPENSE T-ACCOUNT (Continued)

| (Debit) | (Credit) |
|--|----------|
| <ol style="list-style-type: none"> 3. Interest on the beginning Total Pension Liability. 4. Change in plan terms. <ol style="list-style-type: none"> a) Changes for past service of inactive/retired employees to be recognized immediately. b) Changes for past service of active employees to be recognized over the average expected remaining service lives of the employees. * | |
| * Report as deferred outflows or inflows of resources | |

32

Highlights

- ▶ Note Disclosures
- ▶ Required Supplementary Information



33



Summary of “Pro Forma Illustrations” Financial Statements

34

Financial Statements

San Diego Metropolitan Transit System
Actual and Pro Forma Illustration Financial Statements
Statements of Net Position
June 30, 2013

| | 2013 | |
|---|------------------|------------------------|
| | Actual | Pro Forma Illustration |
| Assets | | |
| Current Assets | \$ 160,016,000 | \$ 160,016,000 |
| Non-Current Assets | 1,544,789,000 | 1,544,789,000 |
| Net Pension Asset | 27,826,000 | - |
| Total Assets | 1,732,631,000 | 1,704,805,000 |
| Deferred Outflows of Resources | | |
| Contributions Made | - | 17,081,000 |
| Liabilities | | |
| Current Liabilities | 62,946,000 | 62,946,000 |
| Non-current Liabilities | 176,376,000 | 176,376,000 |
| Accrued Interest on Total Pension Liability | - | 16,176,000 |
| Net Pension Liability | - | 98,159,000 |
| Total Liabilities | 239,322,000 | 353,657,000 |
| Net Position | | |
| Net Investment in Capital Assets | 1,296,217,000 | 1,296,217,000 |
| Restricted | 7,255,000 | 7,255,000 |
| Unrestricted | 189,837,000 | 64,758,000 |
| Total Net Position | \$ 1,493,309,000 | \$ 1,368,230,000 |


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35

Financial Statements

San Diego Metropolitan Transit System
Actual and Pro Forma Illustration Financial Statements
Statements of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2013

| | 2013 | |
|-----------------------------------|------------------|------------------------|
| | Actual | Pro Forma Illustration |
| Revenues | | |
| Operating Revenues | \$ 96,559,000 | \$ 96,559,000 |
| Operating Expenses | | |
| Operating Expenses | 296,218,000 | 296,218,000 |
| Pension Expense | 31,711,000 | 75,713,000 |
| Total Operating Expenses | 327,929,000 | 371,931,000 |
| Operating (loss) | \$ (231,370,000) | \$ (275,372,000) |
| Public Support | 183,463,000 | 183,463,000 |
| (Loss) before Contributed Capital | (47,907,000) | (91,909,000) |
| Contributed Capital, Net | 132,182,000 | 132,182,000 |
| Change in Net Position | 84,275,000 | 40,273,000 |
| Net Position: | | |
| Beginning of year | 1,409,035,000 | 1,409,035,000 |
| Prior Period Adjustments | - | (81,078,000) |
| Beginning of Year, as restated | 1,409,035,000 | 1,327,957,000 |
| End of year | \$ 1,493,309,000 | \$ 1,368,230,000 |


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36

**Thank You
For Allowing Pun & McGeedy LLP
to provide services to
San Diego Metropolitan Transit System**



San Diego Metropolitan Transit System

San Diego, California

“Pro Forma Illustration” Financial Statements



PUN & McGEADY ^{LLP}
ATTORNEYS AT LAW

San Diego Metropolitan Transit System

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Purpose of "Pro Forma Illustration" Financial Statements..... | 1 |
| Assumptions Used to Prepare the "Pro Forma Illustration" Financial Statements..... | 1 |
| Application of Professional Judgment..... | 2 |
| Financial Statements: | |
| Statements of Net Position | 3 |
| Statements of Revenues, Expenses, and Charges in Net Position..... | 4 |
| Assumptions and Adjustments to Selected Accounts and Balances | 5 |
| I. Statement of Net Position | 5 |
| Net Pension Asset | 5 |
| Deferred Outflows of Resources..... | 5 |
| Accrued Interest on Total Pension Liability | 5 |
| Net Pension Liability | 5 |
| Unrestricted Net Position..... | 5 |
| II. Statement of Revenues, Expenses, Changes in Net Position | 6 |
| Operating Expenses | 6 |
| Pension Expense | 6 |
| III. Prior Period Adjustments | 7 |

San Diego Metropolitan Transit System

At and for the year ended June 30, 2013

PURPOSE OF “PRO FORMA ILLUSTRATION” FINANCIAL STATEMENTS

These “Pro Forma Illustration” financial statements for MTS were prepared to provide aid and guidance on the future implementation of accounting and financial reporting standards for Pensions.

As you are aware, the Governmental Accounting Standards Board (GASB) has published two new pronouncements on Pensions as follows:

- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which is effective for pension plans in 2014
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is effective for pension plan employers in 2015

These “Pro Forma Illustration” financial statements represent the best estimates and interpretations from the latest actuarial valuations as displayed in the 2013 CAFR of MTS.

ASSUMPTIONS USED TO PREPARE THE “PRO FORMA ILLUSTRATION” FINANCIAL STATEMENTS

- Financial Statements were prepared at and for the year ended June 30, 2013.
- These “Pro Forma Illustration” financial statements were prepared from the San Diego Metropolitan Transit System (MTS) 2013 Comprehensive Annual Financial Report (CAFR). Following GASB No. 68, *Accounting and Financial Reporting for Pensions*, estimates and interpretations were made to adjust the 2013 Financial Statements to include the new Pension provisions. These adjustments to the Pension Accounts are displayed in bold font.
- Calculations and details are shown on attached schedules.
- Certain provisions of GASB No. 68 were not included in the “Pro Forma Illustration” Financial Statements as follows: For example,
 - Deferred Outflows and Inflows for the difference in expected investments earnings as compared to actual investments earnings.
- Financial Statements accounts have been condensed and displayed “in thousands of dollars (ooo’s)”
- Latest Actuarial Valuations were used as follows:

| | | |
|------|------|-----------|
| SDTI | 2011 | CalPERS |
| SDTC | 2012 | SDTC Plan |

- This “Pro Forma Illustration” Financial Statements is only for pensions, not for Other Post Employment Benefits (OPEB). (At this time, GASB is preparing an exposure draft for OPEB.)

San Diego Metropolitan Transit System
Actual and Pro Forma Illustration Financial Statements
Statements of Net Position
June 30, 2013

| | 2013 | |
|--|-------------------------|-------------------------------|
| | Actual | Pro Forma Illustration |
| Assets | | |
| Current Assets | \$ 160,016,000 | \$ 160,016,000 |
| Non-Current Assets | 1,544,789,000 | 1,544,789,000 |
| Net Pension Asset | <u>27,826,000</u> | <u>-</u> |
| Total Assets | <u>1,732,631,000</u> | <u>1,704,805,000</u> |
| Deferred Outflows of Resources: | | |
| Contributions Made | <u>-</u> | <u>17,081,000</u> |
| Liabilities | | |
| Current Liabilities | 62,946,000 | 62,946,000 |
| Non-current Liabilities | 176,376,000 | 176,376,000 |
| Accrued Interest on Total Pension Liability | - | 16,176,000 |
| Net Pension Liability | <u>-</u> | <u>98,159,000</u> |
| Total Liabilities | <u>239,322,000</u> | <u>353,657,000</u> |
| Net Position | | |
| Net Investment in Capital Assets | 1,296,217,000 | 1,296,217,000 |
| Restricted | 7,255,000 | 7,255,000 |
| Unrestricted | <u>189,837,000</u> | <u>64,758,000</u> |
| Total Net Position | <u>\$ 1,493,309,000</u> | <u>\$ 1,368,230,000</u> |

San Diego Metropolitan Transit System
Actual and Pro Forma Illustration Financial Statements
Statements of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2013

| | 2013 | |
|--|--------------------------------|-----------------------------------|
| | <u>Actual</u> | <u>Pro Forma Illustration</u> |
| Revenues | | |
| Operating Revenues | <u>\$ 96,559,000</u> | <u>\$ 96,559,000</u> |
| Operating Expenses | | |
| Operating Expenses | 296,218,000 | 296,218,000 |
| Pension Expense | 31,711,000 | 75,713,000 |
| Total Operating Expenses | <u>327,929,000</u> | <u>371,931,000</u> |
| Operating (loss) | <u>\$ (231,370,000)</u> | <u>\$ (275,372,000)</u> |
| Public Support | <u>183,463,000</u> | <u>183,463,000</u> |
| (Loss) before Contributed Capital | <u>(47,907,000)</u> | <u>(91,909,000)</u> |
| Contributed Capital, Net | 132,182,000 | 132,182,000 |
| Change in Net Position | <u>84,275,000</u> | <u>40,273,000</u> |
| Net Position: | | |
| Beginning of year | 1,409,035,000 | 1,409,035,000 |
| Prior Period Adjustments | - | (81,078,000) |
| Beginning of Year, as restated | <u>1,409,035,000</u> | <u>1,327,957,000</u> |
| End of year | <u><u>\$ 1,493,309,000</u></u> | <u><u>\$ 1,368,230,000</u></u> |

San Diego Metropolitan Transit System
Assumptions and Adjustments to Selected Accounts and Balances
At and for the year ended June 30, 2013

I. Statement of Net Position

Net Pension Asset

| | | |
|-----------------------|----|--------------|
| Balance June 30, 2013 | \$ | 27,826,000 |
| Write-off | | (27,826,000) |
| Revised Balance | \$ | <u>-</u> |

Deferred Outflows of Resources

| | | |
|--------------------|----|-------------------|
| Balance 6/30/13 | \$ | - |
| Contributions Made | | 17,081,000 |
| Revised Balance | \$ | <u>17,081,000</u> |

Accrued Interest on Total Pension Liability

| | | | |
|-----------------------|------|----|--------------------|
| Balance June 30, 2013 | SDTI | \$ | 88,127,000 |
| | SDTC | | 235,401,000 |
| | | \$ | <u>323,528,000</u> |

| | | |
|---|----|-------------------|
| MTS Borrowing rate | | <u>5%</u> |
| Accrued Interest on Total Pension Liability | \$ | <u>16,176,000</u> |

Net Pension Liability

| | | |
|-----------------------|----|-------------------|
| Balance June 30, 2013 | \$ | - |
| SDTI | \$ | 10,545,000 |
| SDTC | | 87,614,000 |
| Net Pension Liability | | |
| Per CAFR | | 98,159,000 |
| Revised Balance | \$ | <u>98,159,000</u> |

Unrestricted Net Position

| | | |
|---|----|-------------------|
| Balance June 30, 2013 | \$ | 189,837,000 |
| ADJ - Net Pension Asset | | (27,826,000) |
| ADJ - Net Pension Liability | | (98,159,000) |
| ADJ - Interest on Total Pension Liability | | (16,176,000) |
| ADJ Deferred Outflows of Resources | | 17,081,000 |
| Revised Balance | \$ | <u>64,758,000</u> |

San Diego Metropolitan Transit System
Assumptions and Adjustments to Selected Accounts and Balances
At and for the year ended June 30, 2013

II. Statement of Revenues, Expenses, Changes in Net Position

Operating Expenses

| | |
|----------------------------|-----------------------|
| Balance June 30, 2013 | \$ 327,929,000 |
| ADJ - Net Pension | 27,826,000 |
| Reclass to Pension Expense | <u>(59,537,000)</u> |
| Revised Balance | <u>\$ 296,218,000</u> |

Pension Expense

| | |
|---|----------------------|
| Balance June 30, 2013 | \$ - |
| ADJ - Net Pension Asset | <u>27,826,000</u> |
| ADJ - Net Pension Cost | <u>17,081,000</u> |
| ADJ - Amortization of NPA | <u>14,630,000</u> |
| | <u>31,711,000</u> |
| Reclass to Pension Expense | 59,537,000 |
| ADJ - Interest on Total Pension Liability | <u>16,176,000</u> |
| Revised Balance | <u>\$ 75,713,000</u> |

San Diego Metropolitan Transit System
Assumptions and Adjustments to Selected Accounts and Balances
At and for the year ended June 30, 2013

III. Prior Period Adjustments

| | | |
|--|----|---------------------|
| Balance June 30, 2013 | \$ | - |
| ADJ - Net Pension Liability | | 98,159,000 |
| ADJ - Deferred Outflows of Resources - Contribution Made | | <u>(17,081,000)</u> |
| Revised Balance | \$ | <u>81,078,000</u> |

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MTS

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MTS

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Si ve cualquier cosa sospechosa llame o mande un mensaje texto.

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