



1255 Imperial Avenue, Suite 1000  
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## Agenda

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

9:00 a.m.

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

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

#### ACTION RECOMMENDED

1. Roll Call
2. Approval of Minutes - October 24, 2013 Approve
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.
4. Appointment of Ad Hoc Nominating Committee for Recommending Appointments to MTS Committees for 2014 (Sharon Cooney) Appoint  
Action would 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.

1255 Imperial Avenue, Suite 1000, San Diego, CA 92101-7490 • (619) 231-1466 • [www.sdmtna.com](http://www.sdmtna.com)

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



## CONSENT ITEMS

- |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                    |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| 6.  | <u>San Diego and Arizona Eastern (SD&amp;AE) Railway Company Quarterly Reports and Ratification of Actions Taken by the SD&amp;AE Board of Directors at its Meeting on October 22, 2013</u><br>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. | Receive/<br>Ratify |
| 7.  | <u>Adoption of the 2014 MTS Executive Committee and Board of Directors Meeting Schedule</u><br>Action would adopt the 2014 Executive Committee and Board of Directors meeting schedule.                                                                                                                                                                                                                                                                                                                        | Adopt              |
| 8.  | <u>Investment Report - September 2013</u><br>Action would receive a report for information.                                                                                                                                                                                                                                                                                                                                                                                                                    | Information        |
| 9.  | <u>State Lobbying Services - Contract Award</u><br>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.                                                                        | Approve            |
| 10. | <u>Medical Provider Services - Contract Award</u><br>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.                                                                                                                | Approve            |
| 11. | <u>MTS Code Compliance eForce Records Management System (RMS) - Hardware Purchase</u><br>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.                                                                                       | Approve            |
| 12. | <u>Ultrasonic Rail-Testing Services - Contract Award</u><br>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.                                                                                                                                                                                                               | Approve            |
| 13. | <u>Wireless Infrastructure Project Phase 2 - Sole Source Contract Award</u><br>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.                                                                                                                                                              | Approve            |

## CONSENT ITEMS - CONTINUED

- |     |                                                                                                                                                                                                                                                                                                                                                                                         |         |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| 14. | <u>Printing of Timetables - Contract Award</u><br>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. | Approve |
| 15. | <u>Proposed Revisions to MTS Policy No. 41 - Signature Authority</u><br>Action would approve the proposed revisions to MTS Policy No. 41 - Signature Authority.                                                                                                                                                                                                                         | Approve |

## CLOSED SESSION

- |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                    |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| 24 | a. CLOSED SESSION - CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code Section 54957.6<br><u>Agency-Designated Representative:</u> Jeff Stumbo<br><u>Employee Organization:</u> International Brotherhood of Electrical Workers, Local 465                                                                                                                                                                                                                                                                                                              | Possible<br>Action |
|    | b. CLOSED SESSION - CoONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to California Government Code Section 54956.8<br><u>Property:</u> 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;<br><u>Agency Negotiators:</u> Paul Jablonski, Chief Executive Officer, Karen Landers, General Counsel; and Tim Allison, Manager of Real Estate Assets;<br><u>Negotiating Parties:</u> Union Pacific Railroad;<br><u>Under Negotiation:</u> Price and Terms of Payment | Possible<br>Action |
|    | 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)                                                                                                                                                                                                                                                                                                                                                                                    | Possible<br>Action |
|    | <u>Oral Report of Final Actions Taken in Closed Session</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                    |

## NOTICED PUBLIC HEARINGS

25. None.

## DISCUSSION ITEMS

30. None.

## REPORT ITEMS

- |     |                                                                                                                                                                                                              |             |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 45. | <u>Fiscal Year 2013 Comprehensive Annual Financial Report (Erin Dunn and Gary Caporicci of Pun &amp; McGeady)</u><br>Action would receive the Fiscal Year 2013 Comprehensive Annual Financial Report (CAFR). | Information |
| 46. | <u>Semiannual Security Report (January through June 2013) (Bill Burke)</u><br>Action would receive a report for information.                                                                                 | Information |

47. Operations Budget Status Report for September 2013 (Mike Thompson) Information  
Action would receive the MTS operations budget status report for September 2013.
60. Chairman's Report Information
61. Audit Oversight Committee Chairman's Report Information
62. Chief Executive Officer's Report Information
63. Board Member Communications
64. Additional Public Comments Not on the Agenda  
If the limit of 5 speakers is exceeded under No. 3 (Public Comments) on this agenda, additional speakers will be taken at this time. If you have a report to present, please furnish a copy to the Clerk of the Board. Subjects of previous hearings or agenda items may not again be addressed under Public Comments.
65. Next Meeting Date: December 12, 2013
66. Adjournment



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

1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101

October 24, 2013

DRAFT MINUTES

**BOARD MEETING**

1. Roll Call

Chairman Mathis called the Board meeting to order at 9:01a.m. A roll call sheet listing Board member attendance is attached.

2. Approval of Minutes

Mr. Ovrom moved to approve the minutes of the October 10, 2013, MTS Board of Directors meeting. Mr. Ewin seconded the motion, and the vote was 9 to 0 in favor with Messrs. Alvarez, Minto, Roberts and Meses. Bragg, Emerald, Zapf absent.

Mr. Jablonski stated that Cliff Telfer, MTS's Chief Financial Officer was retiring. After a national search and extensive interviews, Larry Marinesi, MTS's Director Of Financial Planning & Analysis, was appointed as the new Chief Financial Officer of MTS.

3. Public Comments

None.

CONSENT ITEMS

6. Investment Report - August 2013

Action would receive a report for information.

7. Transit Smart Cards - Contract Award

Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L1162.0-14 with ASK-int TAG LLC, for the purchase of Transit Smart Cards.

8. Fleetwatch System Software Upgrade - Sole Source

Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. B0604.0-14 with S & A Systems on a sole-source basis for a software system upgrade of the MTS's FLEETWATCH Fluid Management System.

Action on Consent Item 6 through 8

Mr. Ovrom moved to approve Consent Items 6 through 8. Mr. Gastil seconded the

motion, and the vote was 11 to 0 in favor with Messrs. Alvarez, Minto, Roberts and Ms. Emerald absent.

61. Audit Oversight Committee (AOC) Chairman's Report (TAKEN OUT OF ORDER)

Mr. Ewin provided a report on the status of the Audit and stated he had received positive feedback regarding the MTS and the process.

NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS

30. Bus Shelter Advertising - Contract Award

Mr. Jablonski advised it was time to refresh the shelters, many of which are 20+ years old with MTS buying the shelters thereby saving capital. He introduced Rob Schupp, Director of Marketing. Mr. Schupp reviewed the bus shelter advertising contract award. He discussed shelter services, shelter facts and provided images of existing shelters at various locations. He reviewed the contract history, the bus shelters services RFP, bus shelter services responses, the Clear Channel Outdoor contract, MTS shelter purchases and gave a staff recommendation.

Ms. Bragg asked Mr. Schupp if the shelters would include lighting and he answered that they would.

Ms. Cole asked about the type of advertising on the shelters and if guns, alcohol and , controversial topics would be banned. Mr. Jablonski discussed the advertising policy and Federal Court cases advising MTS excludes tobacco, alcohol and other offensive items from being advertised on MTS's bus shelters. Mr. Mathis stated MTS also conducts its advertising practices under the advertising policy of the City of San Diego.

Ms. Rios asked if the cities gained revenue and Mr. Schupp stated the Memorandums of Understanding would be updated within each City to outline the particulars.

Ms. Zapf asked if advertising would be strictly commercial or if a portion of advertising could be set aside for, or reduced pricing provided for Non-Profit programs. Mr. Jablonski stated the issue with non-profit organizations is that they can potentially be controversial. MTS provides non-profit organizations with advertising when there is an established partnership in place, for example, when the advertising drives citizens to a particular community event. If advertising is afforded to non-profits as a general rule, a negative precedent could possibly be established whereby if advertising is afforded to one particular non-profit organization all non-profit organizations may expect the same advertising rights. Karen Landers, General Counsel stated that MTS is trying to prevent its advertising being looked at as a free speech forum as this could potentially open the doors for the advertising of controversial and offensive issues.

Mr. Gastil stated that he believes there is current public service advertising MTS's buses and asked how bus shelter advertisings differ from advertising on MTS's buses. Mr. Schupp advised he would look into this to see if MTS vehicle advertisements violate the

policy. Ms. Landers advised she believed these particular advertisements on MTS's buses are sponsored by the San Diego Health and Human Services agency which is a public partner with MTS.

#### Action Taken

Ms. Zapf moved to authorize the Chief Executive Officer (CEO) to: (1) execute MTS Doc. No. B0596.0-13 with Clear Channel Outdoor, Inc., as a revenue contract for bus shelter advertising services for a five-year base period with 5 one-year option terms (for a total of 10 years); and (2) exercise each option year at the CEO's discretion.. Mr. Ewin seconded the motion, and the vote was 11 to 0 in favor with Messrs. Alvarez, Minto, Roberts and Ms. Emerald absent.

#### REPORT ITEMS

##### 45. Year-End Operations Report

Denis Desmond, Senior Transportation Planner, reviewed the evaluation criteria, passenger counts including average weekday and per in-service hour. He discussed on-time performance, mean distance between failures, preventable accidents per 100,000 miles, comments per 100,000 passengers, in-service hours, peak-vehicle requirements, fare box recovery ratio, subsidy per passenger and FY2013 routes of note. Wayne Terry, Chief Operating Officer-Rail, reviewed the FY2013 trolley highlights including train accidents, special events service, Siemens S70US LRV procurement, wheel scan system, car wash replacement project, traction power substation project, bridge inspections, master concessionaire services, Green Line extension, Orange Line low-floor, Blue Line rehabilitation and centralized train control – train tracking. Bill Spraul, Chief Operating Officer-Transit, discussed the FY2013 transit services highlights including ridership, financial management/sustainability, service quality, bus purchases and procurements, South Bay maintenance facility expansion, East County maintenance facility expansion and provided additional highlights.

Mr. Gastil asked regarding the number of accidents on buses. Mr. Spraul advised there has been an overall reduction in accidents. Mr. Jablonski stated that often bus accidents are not the fault of MTS drivers, but rather due to non-observant drivers, etc. Preventable accidents are the ones in MTS's control and there are internal procedures in place to prevent such accidents. Mr. Spraul stated that preventability is a very high standard MTS applies to its fleet.

Ms. Bragg asked Mr. Jablonski regarding fare box recovery and how MTS is working to increase fare box recovery. Mr. Jablonski advised the fare box recovery ratio is how much of the total cost is recovered by passengers who put fare in the fare box and it is 43% for the entire system, roughly 39% on the bus side and 59% on the rail side with MTS being number one in the country. He discussed MTS's services, resources and performance and stated many gains have been made over the last decade.

Ms. Zapf asked regarding subsidy per passenger. Mr. Desmond answered that rural ridership includes a couple dozen of passengers riding per day vs. urban ridership where over ten thousand ride per day, therefore it is based on ridership in category instead of an average. Ms. Zapf asked if MTS is looking to bring down the higher subsidies. Mr.

Desmond responded certain routes will always have higher subsidies and costs per passenger than the other categories and each route is evaluated individually within their respective category and based on how they are doing compared to other routes it is decided if adjustments need to be made. Ms. Zapf asked what percent the Federal Government pays with regard to subsidies. Mr. Jablonski said it was largely TDA (state sales tax), Federal subsidies, Transnet and State money. Ms. Zapf asked if these funding sources were stable. Mr. Jablonski stated he believes the Federal amounts are stable. TDA is subject to fluctuation of sales tax and Congress controls the Federal and STA money which has been stable under Governor Brown. Mr. Jablonski stated rural service was reviewed in the past and with there being very high ridership subsidy and MTS has since revamped the entire rural route system.

Action Taken

No action taken. Taken as an informational item.

46. 2014 Bus Rapid Project Implementation and Major Service Changes

Mr. Desmond discussed Rapid implementation and 2014 major service change proposals including three new routes, related service changes, rider outreach, major changes, Mid-City Rapid and Mid-City impacts. He provided a map of the proposed new trial express route and reviewed the I-15 Rapid, current routes 844, 845 and 20 and I-15 BRT recommendations, current route 964 and I-15 BRT recommendations, current premium express map, premium express recommendations, other routes, and the timeline. Ms. Cooney stated the goals were to make these changes cost neutral.

Ms. Bragg commented with regard to trolley outreach. She advised that she takes the trolley five days a week during her work commute and any time there is an announcement from the driver, the riders are listening and become engaged with each other in conversation. She stated that she appreciates that the announcements are in both Spanish and English. She commented that MTS's best outreach is that being done on the system itself and requested that MTS continue this type of outreach, plan for it and do more of it on the trolley. Mr. Desmond responded that MTS's Planning staff have been out riding various routes recently and speaking to the drivers who can help relay information to the riders.

Action Taken

No action taken. Taken as an informational item.

47. Operations Budget Status Report for August 2013

Mike Thompson provided a financial review of the comparison to budget – August 31, 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

None.

62. Chief Executive Officer's Report

Mr. Jablonski reported that the prior week he attended the California Transit Association (CTA) annual meeting in Anaheim, CA.

63. Board Member Communications

None.

64. Additional Public Comments on Items Not on the Agenda

None.

65. Next Meeting Date

The next regularly scheduled Board meeting is November 14, 2013.

66. Adjournment

Chairman Mathis adjourned the meeting at 10:34 a.m.

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Chairperson  
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

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

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Office of the General Counsel  
San Diego Metropolitan Transit

Attachments: 1. Roll Call Sheet

METROPOLITAN TRANSIT SYSTEM  
BOARD OF DIRECTORS  
ROLL CALL

MEETING OF (DATE): October 24, 2013

CALL TO ORDER (TIME): 9:01 a.m.

RECESS: N/A

RECONVENE: N/A

CLOSED SESSION: N/A

RECONVENE: N/A

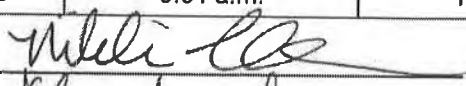
PUBLIC HEARING: N/A


RECONVENE: N/A

ORDINANCES ADOPTED: N/A

ADJOURN: 10:34 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ALVAREZ	<input type="checkbox"/> (Cole) <input type="checkbox"/>		
BRAGG	<input checked="" type="checkbox"/> (Bilbray) <input type="checkbox"/>	9:01 a.m.	10:34 a.m.
CUNNINGHAM	<input checked="" type="checkbox"/> (Mullin) <input type="checkbox"/>	9:01 a.m.	9:30 a.m.
EMERALD	<input type="checkbox"/> (Cole) <input type="checkbox"/>		
EWIN	<input checked="" type="checkbox"/> (Arapostathis) <input type="checkbox"/>	9:01 a.m.	9:30 a.m.
GASTIL	<input checked="" type="checkbox"/> (Jones) <input type="checkbox"/>	9:01 a.m.	10:34 a.m.
GLORIA	<input type="checkbox"/> (Cole) <input checked="" type="checkbox"/>	9:01 a.m.	10:34 a.m.
MATHIS	<input checked="" type="checkbox"/>	9:01 a.m.	10:34 a.m.
MCCLELLAN	<input checked="" type="checkbox"/> (Ambrose) <input type="checkbox"/>	9:03 a.m.	10:17 a.m.
MINTO	<input type="checkbox"/> (McNelis) <input type="checkbox"/>		
OVROM	<input checked="" type="checkbox"/> (Denny) <input type="checkbox"/>	9:01 a.m.	10:34 a.m.
RIOS	<input checked="" type="checkbox"/> (Sotelo-Solis) <input type="checkbox"/>	9:01 a.m.	10:34 a.m.
ROBERTS	<input type="checkbox"/> (Cox) <input type="checkbox"/>		
SALAS	<input checked="" type="checkbox"/> (Ramirez) <input type="checkbox"/>	9:04 a.m.	10:34 a.m.
ZAPF	<input checked="" type="checkbox"/> (Cole) <input type="checkbox"/>	9:01 a.m.	10:34 a.m.

SIGNED BY THE CLERK OF THE BOARD: 

CONFIRMED BY THE GENERAL COUNSEL: 



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## Agenda Item No. 4

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

#### SUBJECT:

APPOINTMENT OF AD HOC NOMINATING COMMITTEE FOR RECOMMENDING  
APPOINTMENTS TO MTS COMMITTEES FOR 2014 (SHARON COONEY)

#### RECOMMENDATION:

That the Board of Directors 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.

#### Budget Impact

None.

#### DISCUSSION:

Each year, the Board makes appointments to various committees (pursuant to MTS Board Policy No. 22 - Rules of Procedure for the Metropolitan Transit System) (Attachment A), including the Budget Development Committee, Ad Hoc Public Security Committee, Audit Oversight Committee, Executive Committee, Joint Committee on Regional Transit (JCRT), Taxicab Committee, Los Angeles-San Diego Rail Corridor Agency (LOSSAN), and the Accessible Services Advisory Committee (ASAC). The Executive Committee membership is governed by MTS Board Policy 22.8. The Executive Committee appoints the representative to the San Diego Association of Governments (SANDAG) Transportation Committee. Attachment B is a table of committee appointments for 2013.



MTS Board Policy No. 22 specifies that on or before the Board's first meeting in November, the Board shall appoint less than a quorum of members to an Ad Hoc Nominating Committee. Last year's Ad Hoc Nominating Committee included Board members Mathis, Roberts, Cunningham, and Ewin.

The Ad Hoc Nominating Committee shall review the list of MTS committees and make recommendations to the Board with respect to the appointment of members of the Board to serve on each committee. The Ad Hoc Nominating Committee is also tasked with reviewing the list of outside boards and/or committees and making recommendations to the Board with respect to the appointment of members of the Board to represent MTS on each outside board or committee, except for the Board representative appointed to the SANDAG Transportation Committee, which is appointed by the Executive Committee.

The Ad Hoc Nominating Committee forwards its recommendations for appointments of officers and committee members on or before the first Board meeting in January.

The election procedures to appoint an Ad Hoc Nominating Committee pursuant to Robert's Rules of Order are as follows:

1. The Chairman of the Board opens the agenda item.
2. The Chairman requests nominations from the floor. Nominations do not require a second.
3. The Chairman closes the nominations.
4. The Chairman invites the candidate(s) to address the Board for three minutes.
5. The Chairman asks for any Board discussion.
6. The Chairman calls for the vote on each motion for each candidate.
7. A vote is taken on the motion(s) for each candidate based upon the order in which they were nominated. The vote continues until a candidate is elected.



Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [Sharon.Cooney@sdmts.com](mailto:Sharon.Cooney@sdmts.com)

Attachment: A. Board Policy 22  
B. Table of MTS Committees for 2013





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Att. A, AI 4, 11/14/13

## Policies and Procedures

No. 22

Board Approval: 12/11/08

### SUBJECT:

RULES OF PROCEDURE FOR THE METROPOLITAN TRANSIT SYSTEM (MTS)

### PURPOSE:

To define and clarify Board Rules of Procedure and incorporate them in Board Policy.

### BACKGROUND:

In 1977, the Board adopted Rules of Procedure by resolution and from time to time amendments have been adopted. The Rules shall be contained in Board Policy for ease of reference and periodic updating.

#### 22.1 Membership and Organization

- 22.1.1 Membership in this Board is established by Division 11, Chapter 1, Section 120050 through 120051.6 of the California Public Utilities Code.
- 22.1.2 The Board consists of 15 members selected as follows:
  - a. One member of the County of San Diego Board of Supervisors appointed by the Board of Supervisors.
  - b. Four members of the City Council of the City of San Diego, one of whom may be the mayor, appointed by the City Council.
  - c. One member of each city council appointed individually by the City Councils of the Cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, and Santee.



Metropolitan Transit System (MTS) is a California public agency and is comprised of San Diego Transit Corporation and San Diego Trolley, Inc. nonprofit public benefit corporations, in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities and the owner of the San Diego and Arizona Eastern Railway Company. MTS 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.

- d. One person, a resident of San Diego County, elected by a two-thirds vote of the Board, a quorum being present, who shall serve as chairperson of the Board.
- 22.1.3 Any person who is a member of the Board may be appointed by his or her appointing authority to continue to serve as a member of the Board after the termination of his or her term of office for a period not to exceed four years after the date of termination of his or her term of elected office.
- 22.1.4 Alternate members of the Board shall be appointed as follows:
- a. The County of San Diego Board of Supervisors shall appoint any other county supervisor who qualifies for appointment to serve as an alternate member.
  - b. The City Council of the City of San Diego shall appoint a member of the City Council not already appointed to serve as an alternate member.
  - c. The City Councils of the Cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, and Santee shall each individually appoint a member of their respective city councils not already appointed to serve as an alternate member.
- 22.1.5 This Board shall exercise all powers authorized by the laws of the State of California.
- 22.1.6 Only the duly selected official representative, or in his or her absence his or her duly selected alternate, shall be entitled to represent a member agency in the deliberations of the Board.
- 22.1.7 Names of the official representatives and alternates shall be communicated in writing to the Board by each participating member agency and shall thereafter be annually communicated or reaffirmed prior to the February meeting of the Board and at such other times as changes in representation are made by member agencies.
- 22.1.8 The Board shall have the authority to appoint committees or subcommittees and may provide for the appointment of alternates to these committees or subcommittees.
- 22.1.9 Standing committees shall be appointed by the Board as may be required to carry out general and continuing functions and shall be abolished only upon specific action by the Board.
- 22.1.10 Ad hoc specialized subcommittees may be appointed by the Board as the need arises to accomplish specific tasks. Upon completion of its assignment, each ad hoc subcommittee shall disband.

22.1.11 Board members serving on such subcommittees shall be compensated as provided by Board ordinance. The Chief Executive Officer is authorized to enter into agreements to compensate individuals who were Board members at the time of their appointments to such subcommittees and who continue to serve on such subcommittees after their terms of office as Board members, subject to the same limitations as exist for compensation of Board members, and subject to replacement by the Board.

22.2 Meetings

22.2.1 On or before the first regular meeting of the Board in December of each year, the Board shall adopt a schedule of its meetings by date, time, and location for the coming year. The Board shall conduct at least one regular meeting in each of the subsequent twelve months. The schedule of the meetings shall be published in the local newspaper of general circulation prior to the next regular meeting.

22.2.2 The Board may, when necessary, change the time and place of regular meetings. Notice of such change shall be posted pursuant to the Ralph M. Brown Act.

22.2.3 The Clerk of the Board shall forward written notice of the annual schedule of regular meetings and any changes thereto stating the dates, times, and locations to each member's agency and to the respective members and alternates of the Board and the standing committees.

22.2.4 Special meetings may be called and noticed under the provisions of the Ralph M. Brown Act as applicable and, specifically, Section 54956 of the California Government Code. The call and notice shall be posted in an area accessible to the public at least 24 hours prior to the meeting.

Special meetings normally shall be called by a majority of the Board or Executive Committee only upon a finding that extraordinary circumstances require Board action prior to the next scheduled Board meeting, such as to discuss a work stoppage or significant litigation, or that a special meeting is necessary to hold a workshop, a joint meeting with another agency, or for other special purposes at a future date beyond the next Board meeting. The Chair may call such meetings only when such extraordinary circumstances arise after the last Board or Executive Committee meeting and Board action is required prior to the next regularly scheduled Board or Executive Committee meeting.

22.2.5 A majority of the members of the Board shall constitute a quorum for the transaction of business, and all official acts of the Board

shall require the affirmative vote of a majority of the members of the Board.

- 22.2.6 Parliamentary procedure at all meetings shall be governed by Robert's Rules of Order Newly Revised except as otherwise modified herein.
- 22.2.7 Prior to each regular meeting, the Clerk of the Board shall forward a copy of the agenda to each member in accordance with the schedule adopted by the Board. The agendas shall also be mailed to each person or entity previously requesting such in writing. The Clerk shall post the agenda in an area accessible to the public at least 72 hours before the meeting in accordance with the Ralph M. Brown Act. Agenda materials shall be available as public record in accordance with the Ralph M. Brown Act and, specifically, Section 54957.5 of the California Government Code.
- 22.2.8 The Board may take action on items of business not appearing on the posted agenda in accordance with the Ralph M. Brown Act.
- 22.2.9 Requests for Board action may be initiated by any member of the Board or any staff officer.
- 22.2.10 Communication requests may be initiated by an individual and submitted to the Clerk by letter or on forms provided by the Clerk and must state the subject matter and the action which the writer wishes the Board to take. The Clerk shall review all communication requests so received and shall list them on the Board's docket under those items which the Clerk deems to be proper areas of discussion or action by the Board. When a Communications item is listed on the docket, it is not debatable and must be referred to an appropriate committee, other public agency, or to staff to prepare a report or response.
- 22.2.11 Any permanent rule of the Board as set forth herein and unless otherwise established by law may be suspended temporarily by a two-thirds vote of the members present.

22.3 Amendments

- 22.3.1 The Board shall be responsible for making all amendments to these rules.
- 22.3.2 Proposed amendments may be originated by the Board, or any member of such, or by the Chief Executive Officer.
- 22.3.3 Each proposed amendment shall be considered by the Board and a copy thereof forwarded by the Clerk of the Board to the official representative of each member agency.

22.4 Ordinances

- 22.4.1 Every ordinance shall be signed by the Chairman of the Board and attested by the Clerk of the Board.
- 22.4.2 On the passage of all ordinances, the votes of the several members of the Board shall be entered on the minutes.
- 22.4.3 Ordinances shall not be passed within five days of their introduction nor at other than a regular meeting or at an adjourned regular meeting. However, an urgency ordinance may be passed immediately upon introduction either at a regular or special meeting. Except when, after reading the title, further reading is waived by regular motion adopted by unanimous vote of the Board members present, all ordinances shall be read in full either at the time of introduction or passage. When ordinances, other than urgency ordinances, are altered after introduction, they shall be passed only at a regular or at an adjourned regular meeting held at least five days after alteration. Corrections of typographical or clerical errors are not alterations within the meaning of this section.
- 22.4.4 The Clerk of the Board shall cause a proposed ordinance or proposed amendment to an ordinance, and any ordinance adopted by the Board, to be published at least once, in a newspaper of general circulation published and circulated in the Board's area of jurisdiction.
- 22.4.5 The publication of an ordinance, as required by subdivision, may be satisfied by either of the following actions:
- a. The Board may publish a summary of a proposed ordinance or proposed amendment to an ordinance. The summary shall be prepared by the Clerk of the Board and General Counsel. The summary shall be published and a certified copy of the full text of the proposed ordinance or proposed amendment shall be posted in the office of the Clerk of the Board at least five (5) days prior to the Board meeting at which the proposed ordinance or amendment is to be adopted. Within 15 days after adoption of the ordinance or amendment, the Board shall publish a summary of the ordinance or amendment with the names of those Board members voting for and against the ordinance or amendment, and the Clerk of the Board shall post in the office of the clerk a certified copy of the full text of the adopted ordinance or amendment along with the names of those Board members voting for and against the ordinance or amendment.
  - b. If the person designated by the Board determines that it is not feasible to prepare a fair and adequate summary of the proposed ordinance or amendment, and if the Board so

orders, a display advertisement of at least one-quarter of a page in a newspaper of general circulation in the Board's area of jurisdiction shall be published at least five (5) days prior to the Board meeting at which the proposed ordinance or amendment is to be adopted. Within 15 days after adoption of the ordinance or amendment, a display advertisement of at least one-quarter of a page shall be published. The advertisement shall indicate the general nature of, and provide information regarding, the adopted ordinance or amendment, including information sufficient to enable the public to obtain copy of the complete text of the ordinance or amendment and the name of those Board members voting for and against the ordinance amendment.

- 22.4.6 Ordinances shall take effect thirty days after their final passage. An ordinance takes effect immediately, if it is an ordinance for the immediate preservation of the public peace, health, or safety, containing a declaration of the facts constituting the urgency and is passed by a four-fifths vote of the Board.

22.5 Public Comment

- 22.5.1 At a public hearing of the Board, persons wishing to provide comment and testimony shall be permitted to address the Board after submitting a written request to speak to the Clerk identifying the person and the subject agenda item. The Chairman may limit the time for each presentation and may permit additional time to speakers representing a group of individuals or organizations to avoid duplicative testimony. Ordinarily, each speaker will be allowed no more than three minutes.
- 22.5.2 Persons wishing to comment on agenda items other than a public hearing must submit a written request to speak in advance to the Clerk identifying the person and the subject agenda item. Comments must be limited to issues relevant to the particular agenda item. The Chairman may limit the time for each presentation and may permit additional time to speakers representing a group of individuals or organizations to avoid duplicative testimony. Ordinarily, each speaker will be allowed no more than three minutes.
- 22.5.3 Public comment on matters not on the agenda will be permitted on items of interest to the public that are within the subject matter jurisdiction of the Board. Persons wishing to comment must submit a written request in advance to the Clerk identifying the person and subject matter. The Chairman may limit the time for each speaker. Ordinarily, each speaker will be allowed no more than three minutes.

22.6 Chairperson

Prior to the expiration of a Chairperson's term, the Executive Committee shall make a recommendation to the Board on whether to reelect the current Chairperson. In the event that the Board does not reelect a chairperson, or in the event of a vacancy in the position of Chairperson, the Executive Committee shall create an ad hoc nominating committee that shall, by whatever means it deems appropriate, recommend to the Board a candidate or candidates for the position of Chairperson. The Board shall then vote to elect a Chairperson.

22.7 Election of Board Officers and Appointments to Committees

- 22.7.1 On or before the Board's first meeting in November, the Board shall appoint less than a quorum of members to an Ad Hoc Nominating Committee. The Ad Hoc Nominating Committee shall review the list of MTS committees and make recommendations to the Board with respect to the appointment of members of the Board or former Board members to serve on each MTS committee.
- 22.7.2 The Ad Hoc Nominating Committee shall also review the list of outside boards and/or committees and make recommendations to the Board with respect to the appointment of members of the Board to represent MTS on each outside board or committee, except for the Board representative appointed to the San Diego Association of Governments (SANDAG) Transportation Committee, which shall be appointed by the Executive Committee.
- 22.7.3 The Ad Hoc Nominating Committee shall also make a recommendation to the Board with respect to the appointment of the Vice Chairman and the Chair Pro Tem and any other board officers.
- 22.7.4 The Ad Hoc Nominating Committee shall forward its recommendations for appointments of officers and committee members on or before the first Board meeting in January.
- 22.7.5 At its first meeting in January, the Board shall elect a Vice Chairman and a Chair Pro Tem from amongst its members. The Vice Chairman shall preside in the absence of the Chairman. In the event of the absence or inability to act by the Chairman and Vice Chairman, the Chair Pro Tem shall preside.
- 22.7.6 The Board shall then vote on the recommendations made by the Ad Hoc Nominating Committee with respect to all other committee appointments.
- 22.7.7 In the event that a Board member vacates his or her position on the Board, at the next meeting, the Chairperson shall take nominations from the floor to fill any opening in any Committee positions vacated by that Board member.

22.8 Executive Committee

22.8.1 The Executive Committee of the Board shall consist of the Chairman, the Vice Chairman (if he or she is not already a voting member) a member from the County of San Diego, a member from the City of San Diego, the Transportation Committee Representative (if he or she is not already a voting member), one member who represents the cities of Chula Vista, National City, Coronado, and Imperial Beach (the "South Bay Cities' representative"), and one member who represents the cities of Lemon Grove, La Mesa, El Cajon, Poway, and Santee (the "East County Cities' representative"). The South Bay Cities' representative and the East County Cities' representative shall serve as members of the Executive Committee for a term of two years each. The terms of these two members shall be staggered so as to avoid replacement of both members at the same time.

22.8.2 The East County and South Bay representatives shall serve in the following order:

East County: El Cajon, La Mesa, Lemon Grove, Santee, Poway—each serving a two-year term.

South Bay: Chula Vista, Coronado, Imperial Beach, National City—each serving a two-year term; however, the representative must have been the primary Board member for two years in order to serve as the Executive Committee representative. In the event that the South Bay representative has not been the primary Board member for two years, the rotation schedule shall be adjusted so that the next city in the rotation serves as the representative, and the city whose member has not yet served two years as the primary Board member would serve the term immediately thereafter; i.e., if Imperial Beach lacked two years of experience, National City would serve first, then Imperial Beach and then the rotation would continue on as set forth above. The requirement for two years of service as the primary Board member shall only apply to the South Bay representative.

After each member has served as either the East County or South Bay representative, the rotation schedule shall repeat.

22.8.3 The alternates to the Executive Committee members shall be as follows:

22.8.3.1 The alternate for the County of San Diego shall be the alternate appointed by the County of San Diego to serve as the alternate for the Board.

2.8.3.2 The alternate for the City of San Diego shall be selected from amongst the three remaining City of San Diego Board members.



- 2.8.3.3 The alternates for the East County Cities' and the South Bay Cities' representatives shall be the representative from the city that is next in the rotation order set forth in section 22.8.3 above (for example, if the City of El Cajon is currently the primary Executive Committee member, then the City of La Mesa member shall be the alternate Executive Committee member). Alternates shall be appointed for a term of two years or such lesser term as necessary to coincide with the term of the member for whom the alternate is appointed.
- 22.8.4 The Vice Chairman shall attend each Executive Committee meeting as a voting member. The Vice Chairman shall serve as the alternate to the Chairman in his or her absence and as a second alternate at large for any of the Executive Committee representatives and shall be a voting member when serving in this capacity.
- 22.8.5 On or before its first meeting in January, the Executive Committee shall appoint one of its members to serve as the representative and one of its members to serve as the alternate to the San Diego Association of Governments (SANDAG) Transportation Committee to serve for a term of one year. In the event that the Executive Committee feels a member of the Board who does not serve on the Executive Committee is their preferred representative or alternate for the SANDAG Transportation Committee, the Executive Committee shall have the ability to select the representative or alternate from the full Board. In that instance, the SANDAG Transportation Committee representative, or the alternate in his or her absence, shall attend the Executive Committee meetings as a voting member.
- 22.8.6 The primary purpose of the Executive Committee shall be to review and recommend consent items for the agenda of the next MTS Board of Directors meeting; add or delete items as appropriate; and provide input and direction on emerging policies, plans, and issues, in advance, for Board consideration. The Executive Committee shall have the authority to create ad hoc subcommittees for purposes of carrying out its duties and responsibilities.
- 22.8.7 Three members shall constitute a quorum of the Executive Committee, and a majority vote of the members present shall be required to approve any item. In the absence of a quorum, the Chairman may review and recommend consent items for the agenda, establish the order of items, and add or delete items.
- 22.8.8 The Executive Committee shall adopt operating procedures as are necessary for the conduct of its business.

22.9 Audit Oversight Committee

22.9.1 The Audit Oversight Committee shall be comprised of the same members that make up the Executive Committee. The Chairman of the Audit Oversight Committee shall be appointed from amongst its members at the first meeting held during each calendar year. The Chairman of the Audit Oversight Committee shall be another member other than the member who serves as the Executive Committee Chairman. Additional members of the MTS Board may be appointed on an annual basis at the first MTS Board meeting in January at the discretion of the MTS Board. The Board may appoint individuals who are not members of the Board to serve as non-voting advisory members to the Audit Oversight Committee.

22.9.2 No additional compensation shall be paid to the members of the Audit Oversight Committee unless a meeting takes place on a day other than a regularly scheduled MTS Board meeting or MTS Executive Committee meeting. Compensation shall be paid to any additional members of the MTS Board who are appointed to serve on the Audit Oversight Committee meeting. No compensation shall be paid to any non-voting advisory member appointed by the MTS Board.

22.9.3 The primary duties and responsibilities of the Audit Oversight Committee shall be to ensure that management is maintaining a comprehensive framework of internal control, to ensure that management's financial reporting practices are assessed objectively, and to determine to its own satisfaction that the financial statements are properly audited and that any problems disclosed in the course of the audit are properly resolved.

22.9.4 The tasks to be performed by the Audit Oversight Committee shall be as follows:

- a. Review the appropriate scope of the annual independent audit and any other audit the committee feels is appropriate.
- b. Review the appropriate scope of nonaudit services to be performed by the independent auditor.
- c. Oversee the procurement of outside auditor services with final approval by the Board.
- d. Review and oversee the preparation of annual financial statements, the annual financial reporting process, internal controls, and independent auditors using an appropriate degree of professional skepticism.
- e. Assess the performance of any independent auditors.

- f. Provide a forum for MTS internal auditors to report findings.
- g. Provide at least an annual written and oral report to the Board on how the committee discharged its duties and responsibilities.
- h. Establish a procedure for receipt, retention, and treatment of complaints regarding accounting, internal controls, or auditing matters.

22.9.5

The annual scheduled functions to be performed by the Audit Oversight Committee shall be as follows:

- a. In June of each year or as soon as reasonably practicable, review the independent audit engagement letter.
- b. In March or April of each year or as soon as reasonably practicable, establish a plan for review of the audits with independent auditor.
- c. In September of each year or as soon as reasonably practicable, receive report on the status of any audit(s).
- d. In October of each year or as soon as reasonably practicable, receive a report on the preliminary audit findings.
- e. In December of each year or as soon as reasonably practicable, receive a report and provide feedback on financial and compliance statements to Board, and provide the annual report to the Board on the committee's activities.
- f. In March of each year or as soon as reasonably practicable, review the management letter and management's response to the letter.

22.9.6

On a periodic basis the Audit Oversight Committee shall perform the following functions:

- a. Establish procedure for handling complaints.
- b. Receive reports from MTS internal auditor.
- c. Report to the Board in addition to annual report.
- d. Review the appropriate scope of any nonaudit services recommended for performance by the independent auditor.
- e. Review the procurement of independent auditor services and make a recommendation to the Board.

- f. Request procurement of outside independent advisor(s) with Board concurrence.
- g. Meet with the independent auditor without MTS management present.

22.9.7

At a minimum, the Audit Oversight Committee shall ask the following questions of MTS Staff, the Internal Auditor and/or the independent auditors:

- a. What is the name of the audit firm performing the audit, and how long has such firm been under contract to perform such audits?
- b. Was the audit performed in accordance with generally accepted auditing standards (AICPA GAAS standards) or generally accepted government-auditing standards (GAO GAGAS)? If not, why?
- c. Has the independent auditor(s) prepared an unqualified opinion regarding the financial statements? If not, what type of opinion was issued and why?
- d. Was the audit performed independently? The Audit Oversight Committee should ask how the audit firm maintained its independence during the course of the audit.
- e. The Audit Oversight Committee should have the independent auditor(s) describe, in general, the audit procedures performed.
- f. The Audit Oversight Committee should have the independent auditor(s) discuss whether any new accounting principles were adopted, whether any changes were made, or whether the independent auditor(s) recommends any changes in the accounting policies used or their application. In particular, the relevant issue is whether the audit applied best or merely permissible principles.
- g. The Audit Oversight Committee should have the independent auditor(s) describe any significant accounting adjustments affecting the financial statements (prior year as well as current year).
- h. Did the independent auditor(s) encounter any difficulties in dealing with management in performing the audit, including whether there were any disagreements with management regarding any accruals, estimates, reserves, or accounting

principles? Did the independent auditor(s) have the full cooperation of MTS management and staff?

- i. The Audit Oversight Committee should ask the audit firm about the quality of the component unit's accounting, internal controls, and the competency of staff. Did the independent auditor(s) issue a management letter? What nonmaterial weaknesses or reportable conditions has the independent auditor(s) noted?
- j. Were there any accounting issues on which the audit firm sought the advice of other audit firms or regulatory bodies?
- k. The Audit Oversight Committee should ask the audit firm whether there are new pronouncements and/or areas of potential financial risk affecting future financial statements of which the Audit Oversight Committee should be aware.

22.9.8 Three members shall constitute a quorum of the Audit Oversight Committee, and a majority vote of the members present shall be required to approve any item. In the absence of a quorum, the Chairman may review and recommend consent items for the agenda, establish the order of items, and add or delete items.

22.9.9 The Audit Oversight Committee shall adopt operating procedures as are necessary for the conduct of its business.

#### 22.10 Board Member Standards of Conduct

22.10.1 The purpose of this policy is to emphasize that each Board member occupies a position of public trust that demands the highest moral and ethical standard of conduct.

22.10.2 This policy shall be supplemental and in addition to the Conflict of Interest Code of the Board and is not intended to supersede such Code or any provisions thereof.

22.10.3 Board members shall not engage in any business or transaction or have a financial or other personal interest, actual, potential, or apparent, which is incompatible with the proper discharge of his or her official duties or would tend to impair his or her independence of judgment or action in the performance of such duties. Such business, transaction, or interest shall constitute a conflict of interest.

22.10.4 No Board member shall engage in any enterprise or activity that shall result in any of the following:

- a. Using the prestige or influence of the Board office for private gain or advantage of the member or another person.

- b. Using time, facilities, equipment, or supplies of the Board for the private gain or advantage of the member or another person.
- c. Using official information not available to the general public for private gain or advantage of the member or another person.
- d. Receiving or accepting money or other consideration from anyone other than the Board for the performance of acts done in the regular course of duty.
- e. Receiving or accepting, directly or indirectly, any gift or favor from any one doing business with the Board under circumstances from which it could reasonably be inferred that such was intended to influence such person in such person's duties or as a reward for official action.
- f. Soliciting any gift or favor in such person's official capacity, either directly or indirectly, when such solicitation might reasonably be inferred as to have a potential effect on such person's duties or decision, or when the individual's position as a Board member would in any way influence the decision of the person being solicited.
- g. Engaging in or accepting private employment or rendering services for private interest, direct or indirect, which may conflict with such person's responsibility or duty, or which, because of that person's position, may influence a decision to the benefit of the organization in which such person has an interest.

22.10.5 If a Board member has an actual, potential, or apparent conflict of interest in the subject of an agenda item, and the Board will make a decision regarding this agenda item during an open session meeting, the Board member must recuse himself or herself or, in the case of uncertainty, request a binding determination from the Board's General Counsel. If the Board member has a conflict, he or she may observe, but not participate, in the decision-making process.

22.10.6 If a Board member has an actual, potential, or apparent conflict of interest in the subject of an agenda item to be discussed during a closed session meeting, the Board member shall be disqualified and not present during such discussion so as not to make, participate in making, or in any way attempt to use his or her official position to influence the discussion or decision. In such case, the Board member must recuse himself or herself or, in the case of uncertainty, request a binding determination from the Board's General Counsel. In accordance with the Brown Act, the Board member would be entitled to any information that is publicly reported. The Board member would not, however, be privy to any

confidential or privileged information or communications pertaining to the closed session agenda item.

- 22.10.7 No Board member shall disclose to any person, other than members of the Board and other Board staff designated to handle such confidential matters, the content or substance of any information presented or discussed during a closed session meeting unless the Board authorizes such disclosure by the affirmative vote by a majority of the Board.
- 22.10.8 No Board member may disclose confidential or privileged information or communications to any person other than a Board member, General Counsel to the Board, or other Board staff designated to handle such matters, unless disclosure is mandated by law or the Board authorizes such disclosure by the affirmative vote of a majority of the Board.
- 22.10.9 A Board member shall not be privy to confidential or privileged information or communications concerning threatened, anticipated, or actual litigation affecting the Board where the Board member has an actual, potential, or apparent conflict of interest. In the case of uncertainty as to whether a conflict of interest exists, the Board's General Counsel shall issue a binding determination.
- 22.10.10 No Board member shall represent a position on an issue to be the Board's unless the Board has formally adopted such position at a public meeting.
- 22.10.11 Any violation of this policy shall constitute official misconduct if determined by an affirmative vote of the majority of the Board in an open and public meeting. The Board may elect to censure the Board member and the violation may be subject to criminal and/or civil penalties as provided for by applicable law.

FEB21-08.31.AttB.POLICY 22.TLOREN.doc

Original Policy approved on 4/5/84.

Policy revised on 1/12/84.  
Policy revised on 7/11/85.  
Policy revised on 1/8/87.  
Policy revised on 1/11/90.  
Policy revised on 8/23/90.  
Policy revised on 1/10/91.  
Policy revised on 3/24/94.  
Policy revised on 1/14/99.  
Policy revised on 6/14/01.  
Policy revised on 1/10/02.  
Policy revised on 1/24/02.  
Policy revised on 5/8/03.  
Policy revised 2/26/04.

Policy revised 1/12/06.  
Policy revised 3/9/06.  
Policy revised 3/23/06.  
Policy revised 6/14/07.  
Policy revised 7/19/07.  
Policy revised 2/21/08.  
Policy revised 12/11/08.

**2013 SLATE OF MTS COMMITTEES AND OUTSIDE AGENCY APPOINTMENTS**

Accessible Services Advisory Committee (ASAC)	Lorie Bragg – Chair
Airport Authority Advisory Committee	Harry Mathis – Committee Representative Ron Roberts - Alternate
Ad Hoc Public Security Committee	Jim Cunningham – Committee Representative Harry Mathis – Committee Representative John Minto -- Committee Representative David Alvarez – Committee Representative Mona Rios– Committee Representative
Audit Oversight Committee*	Ernie Ewin – Committee Representative Harry Mathis – Committee Representative Ron Roberts – County Representative (Alternate: Greg Cox) Todd Gloria– City of San Diego Representative (Alternate: Marti Emerald) Al Ovrom– South Bay Representative (Alternate: Lorie Bragg) Jim Cunningham – East County Representative (Alternate: Bob McClellan)
Board of Directors	Harry Mathis – Chairman Ron Roberts – Vice Chairman Ernest Ewin – Chair Pro Tem
Budget Development Committee	Harry Mathis – Committee Representative Bob McClellan– Committee Representative Ron Roberts – Committee Representative Todd Gloria – Committee Representative John Minto– Committee Representative
Executive Committee	Harry Mathis – Chair Ron Roberts – County Representative- Vice Chair (Alternate: Greg Cox) Todd Gloria– City of San Diego Representative (Alternate: Marti Emerald) Al Ovrom– South Bay Representative (Alternate: Lorie Bragg) Jim Cunningham– East County Representative (Alternate: Bob McClellan)
Joint Committee on Regional Transit (JCRT)	Jim Cunningham – Committee Representative Harry Mathis – Committee Representative Ernie Ewin – Committee Representative
Los Angeles - San Diego Rail Corridor Agency (LOSSAN)	Jerry Rindone– Committee Representative Ernie Ewin– Alternate (Appointment until establishment of Managing Agency)
SANDAG Board	Harry Mathis - Advisory Representative Ron Roberts – Alternate
SANDAG Regional Planning Committee	Mona Rios - Committee Representative Al Ovrom– Alternate
SANDAG Transportation Committee*	Harry Mathis - Advisory Representative Al Ovrom – Alternate
Taxicab Committee	Lori Zapf – Chair Bob McClellan - Alternate





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## Agenda Item No. 6

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

#### SUBJECT:

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

#### RECOMMENDATION:

That the Board of Directors:

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 (Attachment A) for information; and
2. ratify actions taken by the SD&AE Board at its quarterly meeting on October 22, 2013.

#### Budget Impact

None.

#### DISCUSSION:

Pursuant to the Agreement for Operation of Freight Rail Services, SD&IV, Museum, and PIR have provided operations reports during the third quarter of 2013 (Attachment A).



Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Karen Landers, 619.557.4512, [Karen.Landers@sdmts.com](mailto:Karen.Landers@sdmts.com)

Attachment: A. SD&AE Meeting Agenda & Materials (**Board Only Due to Volume**)



# AGENDA

San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting

October 22, 2013

9:00 a.m.

Executive Committee Room  
James R. Mills Building  
1255 Imperial Avenue, 10th Floor



**SAN DIEGO & ARIZONA  
EASTERN RAILWAY  
COMPANY**

A NEVADA NONPROFIT  
CORPORATION

1255 IMPERIAL AVENUE,  
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SAN DIEGO, CA  
92101-7490  
(619) 231-1466

**BOARD OF DIRECTORS**  
BRAD OVITT, CHAIRPERSON  
MATT DOMEN  
PAUL JABLONSKI

**OFFICERS**  
PAUL JABLONSKI, PRESIDENT  
MATT DOMEN, SECRETARY  
ERIN DUNN, TREASURER

**LEGAL COUNSEL**  
KAREN LANDERS

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

## ACTION RECOMMENDED

1. Approval of the Minutes of July 16, 2013  
Action would approve the SD&AE Railway Company Minutes of July 16, 2013. Approve
2. Statement of Railway Finances (Erin Dunn)  
Action would receive a report for information. Receive
3. Report on San Diego and Imperial Valley (SD&IV) Railroad Operations (Matt Domen)  
Action would receive a report for information. Receive
4. Report on Pacific Southwest Railway Museum (Diana Hyatt)  
Action would receive a report for information. Receive
5. Report on the Desert Line (Chas McHaffie)  
Action would receive a report for information. Receive
6. Real Property Matters (Tim Allison)
  - a. Summary of SD&AE Documents Issued Since July 16, 2013  
Action would receive a report for information. Receive
  - b. License Agreement with Cox Communications, Inc.  
Action would approve issuing a license to Cox Communications, Inc. for a proposed underground fiber-optics utility crossing under SD&AE tracks located at milepost 9.6 on the Coronado Branch Line in Chula Vista. Approve
  - c. Underground Sewer Main Easement  
Action would approve an easement to the City of La Mesa for a proposed underground 8-inch High-Density Polyethylene Pipe (HDPE) trunk sewer pipeline. Approve

7. Approval of the 2014 SD&AE Board of Directors Meeting Schedule (Karen Landers) **Approve**  
Action would approve the 2014 SD&AE Board of Directors meeting schedule.
8. Board Member Communications
9. Public Comments
10. Next Meeting Date  
The next meeting of the SD&AE Railway Company Board of Directors is scheduled on January 14, 2014 (Upon approval of AI No. 7)
11. Adjournment

## MINUTES

### BOARD OF DIRECTORS MEETING OF THE SAN DIEGO & ARIZONA EASTERN RAILWAY COMPANY

July 16, 2013

A meeting of the Board of Directors of the San Diego & Arizona Eastern (SD&AE) Railway Company, a Nevada corporation, was held at 1255 Imperial Avenue, Suite 1000, San Diego, California 92101, on July 16, 2013, at 9:00 a.m.

The following persons, constituting the Board of Directors, were present: Brad Ovitt, Matt Domen, and Paul Jablonski. Also in attendance were members from:

San Diego Metropolitan Transit System:	Tim Allison, Karen Landers, Wayne Terry, Tom Lynch
Pacific Southwest Railway Museum:	Diana Hyatt
Pacific Imperial Railroad, Inc.:	Ernest Dahlman, Chas McHaffie, Sheila LeMire
Burlington Northern Santa Fe:	John Hoegemeier

1. Approval of Minutes

Mr. Jablonski moved to approve the Minutes of the April 16, 2013, SD&AE Railway Board of Directors meeting. Mr. Domen seconded the motion, and it was unanimously approved.

Mr. Ovitt offered his congratulations to Mr. Domen who was promoted from Assistant General Manager to General Manager of SD&IV.

2. Statement of Railway Finances

Tom Lynch, MTS Controller, presented the report for Linda Musengo (who was unable to attend the meeting). The financial statement for the second quarter of 2013 was distributed at the meeting (attached).

Action Taken

Mr. Jablonski moved receive a report for information. Mr. Domen seconded the motion, and it was unanimously approved.

Karen Landers added that there was also an action to forward a recommendation to the MTS Board of Directors to elect Erin Dunn, MTS Assistant Finance Manager, as Treasurer to replace Linda Musengo (who is retiring). Ms. Landers stated that Ms. Dunn will be assuming the position of MTS Finance Manager. Mr. Lynch reported that Ms. Dunn is a CPA and is very well qualified.

Action Taken

Mr. Domen moved to forward a recommendation to the MTS Board of Directors to elect Erin Dunn as SD&AE Treasurer to replace the position being vacated by Linda Musengo. Mr. Ovitt seconded the motion, and it was unanimously approved.

## SD&amp;AE Railway Company Board Meeting Minutes

July 16, 2013

3. Report on San Diego & Imperial Valley Railroad (SD&IV) Operations

Matt Domen reviewed the report of activities for the second quarter of 2013 (attached to the agenda item).

Action Taken

Mr. Jablonski moved to receive the report for information. Mr. Domen seconded the motion, and it was unanimously approved.

4. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt reviewed the second quarter of 2013 report (attached to the agenda item).

Action Taken

Mr. Jablonski moved to receive the report for information. Mr. Domen seconded the motion, and it was unanimously approved.

5. Report on the Desert Line

A written report (attached) was not submitted in time for the meeting. Chas McHaffie stated that milestones (for the Desert Line) that are timely today include the half-million-dollar fee paid (by PIR) in June (to MTS). The proposals for J. L. Patterson to do bridge inspections have been signed and paid. Watkins Environmental and Watkins Construction have been retained to operate the construction program on the Desert Line.

Mr. McHaffie reported that PIR is in negotiations with Pacific Imperial Railroad de Mexico to consolidate the operating lease with Mexican business authorities. Mr. McHaffie will report back at the next meeting regarding the success of that endeavor.

Ms. Landers stated that PIR's report must be submitted prior to the meeting. She reiterated that the meeting schedule and due dates are preset, and reports should be submitted without prompting. Ms. Landers added that she does not want to have to make this request at every meeting and expects these reports well in advance of the meetings. Mr. McHaffie agreed and stated that he would send the updated report to the clerk via e-mail right after the meeting.

Mr. Jablonski asked about the schedule for Desert Line rehabilitation. Mr. McHaffie responded that weed clearing will begin next week, and payment will be made this week to Watkins Construction. Tim Allison added that he has not received any right of entry permit requests from Watkins Construction. Mr. Allison stated that last week, he prompted Damon Barone (Chief Operating Officer) of Watkins Construction to get a right of entry application submitted for Watkins to work on the line and that no one other than PIR employees should be out there working without a permit.

Mr. Jablonski asked for clarification of the priorities of work on the Desert Line. Mr. McHaffie responded that weed abatement is the top priority due to fire risks. Sheila LeMire added that in order to run the ultrasound machines on the line to test the ties and rail, the line must be cleared of brush before repair work can commence. It was noted that PIR is responsible for 70 miles of line, and the Museum is responsible for 6 miles.

Mr. Allison reported that there was a kickoff meeting at Don Stoecklein's office last week with

## SD&amp;AE Railway Company Board Meeting Minutes

July 16, 2013

J. L. Patterson representatives and Damon Barone of Watkins Construction (hereinafter referred to as "contractors"). A baseline schedule will be modified and resubmitted, which will show all of the different work services. The contractors are going to clear the gauge so they can run the ultrasound machine and process the entire line. Mr. Allison stated the contractors have contacted the Federal Railroad Administration (FRA) and California Public Utilities Commission (CPUC) regarding the proposed work so they can get onboard prior to commencement. Mr. Allison added that he feels that J. L. Patterson has a good handle on the duties.

Wayne Terry clarified for Mr. Jablonski that a private contractor is hired to perform the ultrasound on the Desert Line rails. Mr. Allison added that Fred Byle, MTS Superintendent of Wayside Maintenance, is available as a resource.

Mr. Jablonski requested a copy of PIR's schedule for work on the Desert Line. Mr. McHaffie clarified for Mr. Ovitt that the schedule for brush clearing begins next week (a right of entry permit will be required).

#### Action Taken

Mr. Ovitt moved to receive the report for information. Mr. Jablonski seconded the motion, and it was unanimously approved.

### 6. Real Property Matters

#### 6a. Summary of SD&AE Documents Issued Since April 16, 2013

Since the April 16, 2013, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-13-559: Right of Entry Permit to SDG&E for a transformer removal at the Lemon Grove Depot in the City of Lemon Grove.
- S200-13-562: Right of Entry Permit to Navy Region Southwest for the Bay Bridge Run/Walk.
- S200-13-563: Easement to SDG&E for power service to a new traction power substation at Seaward Avenue in the City of San Diego.
- S200-13-564: Easement to SDG&E for power service to a new traction power substation at 27<sup>th</sup> Street in the City of San Diego.
- S200-13-565: Easement to SDG&E for power service to a new traction power substation at Market Creek Plaza in the City of San Diego.
- S200-13-567: Easement to SDG&E for power service to a new traction power substation at 13<sup>th</sup> Street in the City of San Diego.
- S200-13-568: Right of Entry Permit to PAR Electrical Contractors Inc. for electric facilities removal at 24<sup>th</sup> Street in the City of San Diego.
- S200-13-569: Right of Entry Permit to the City of La Mesa for the La Mesa Flag Day Parade.

## SD&amp;AE Railway Company Board Meeting Minutes

July 16, 2013

- S200-13-570: Right of Entry Permit to COMM22 Family Housing L.P. to construct residential housing at 24<sup>th</sup> Street in the City of San Diego.
- S200-13-571: Easement to SDG&E for power service to a new traction power substation at Palm Avenue in the City of San Diego.
- S200-13-572: Right of Entry Permit to Flatiron West, Inc. to construct the Blue Line Low-Floor Station Improvements project.
- S200-13-577: Right of Entry Permit to Aguirre Engineering for general land surveying on SD&AE right-of-way.
- S200-13-578: Right of Entry Permit to the San Diego County Bicycle Coalition for the Bike the Bay fun bike ride.
- S200-13-579: Right of Entry Permit to SDG&E for pole removal and overhead wire transfer at Moss Street in the City of Chula Vista.

Action Taken

Mr. Ovitt moved to receive the report for information. Mr. Jablonski seconded the motion, and it was unanimously approved.

6b. Easements for an At-Grade Crossing at the U.S./Mexico Border in San Ysidro

Tim Allison showed an overhead of the proposed easement to the Department of Homeland Security (DHS) for a commonly used access road (by DHS and the U.S. Border Patrol) at the south line on the San Ysidro border known as the Durand Gate. Mr. Allison explained that the Board previously authorized two similar easements on the Desert Line to access the border fence. He reviewed the overhead and explained the layout of the area.

Mr. Allison explained that the San Diego Association of Governments (SANDAG) is requesting a quit claim deed from the U.S. Government for property near Beyer in relation to the San Ysidro Intermodal Yard Expansion Project. DHS wants to make sure that this easement is in place. Mr. Allison and Ms. Landers have been working on the language for the indemnification to address the U.S. Government's issues.

Mr. Allison clarified for Mr. Jablonski that this request will be in addition to the other two easements. Ms. Landers clarified that this request is tied up with the San Ysidro Intermodal Yard Project, which may not be able to move forward unless some of the issues are resolved.

Discussion ensued regarding the layout of the easement. Mr. Ovitt clarified that although the easement has been accessed for years, we will now get compensation for its use. Ms. Landers added that it's the indemnification that will have the most value as the easement fees are fairly nominal. Ms. Landers stated that she recommends being cooperative in granting the easement agreement.

## SD&amp;AE Railway Company Board Meeting Minutes

July 16, 2013

Mr. Domen stated that the Baja Railroad is going to replace the rail between the border fences. He reported that the Border Patrol cemented over the rails years ago without permission, and now it needs to be repaired. Mr. Domen asked who will pay for that expense. Mr. Jablonski stated that the Border Patrol should be required to make a legitimate track crossing. Mr. Allison agreed, and conversation continued about needed improvements to the easement.

Ms. Landers added that the time is now to have this discussion (before granting the easement). It was agreed that terms would be included in the language requiring repairs if there is any damage to the easement. Ms. Landers explained that the U.S. Government says it can't agree to a contract that's not already appropriated by Congress and states that you have to file a federal tort claim for liability claims outside of its contract.

After discussion regarding the property and the upcoming improvement project, it was agreed that property-line research of the proposed easement area should be conducted to determine ownership, and improvements or damage repair by DHS should be incorporated into the permanent easement agreement. Mr. Allison will schedule a meeting with DHS to address these issues. He added that there will also be an at-grade construction and maintenance agreement.

#### Action Taken

Mr. Jablonski moved to approve issuing an easement to the U.S. Department of Homeland Security (DHS) for an at-grade crossing over SD&AE tracks located at the U.S./Mexico border in San Ysidro contingent upon resolution of the terms of crossing-improvement criteria. Mr. Domen seconded the motion, and it was unanimously approved.

#### 7. Board Member Communications

There were no Board member communications.

#### 8. Public Comments

- Denis LaSalle – Representative of Consejo De Desarrollo Economico De Tijuana

Mr. LaSalle stated that Donald Stoecklein (of PIR) made a presentation a few weeks ago at Toyota and said that the Desert Line will be operable in January 2014 to move cargo to the maquiladoras. Mr. LaSalle added that businesses in Mexico are interested but won't sign on until the SD&AE Board approves the contract. He added that they are also concerned about the security of the cargo headed for the maquiladoras and the number of milestones required in the contract. He asked for confirmation by the SD&AE Board of the January 2014 start date.

Mr. Jablonski responded that the January 2014 start date is not listed as a milestone in the contract between SD&AE and PIR. He added that PIR can keep its deadlines and milestones, but he is not going to speak for PIR. Mr. Jablonski stated that the SD&AE Board will hold PIR to its contractual schedule. Mr. Jablonski reported that test trains and limited service aren't scheduled to start until around March or April 2014.



## SD&amp;AE Railway Company Board Meeting Minutes

July 16, 2013

Mr. Jablonski explained that from the SD&AE Board's standpoint as owners leasing to PIR, the focus is on the safety of operating the Desert Line, which includes bridge and track inspections, and that security is another issue. Ms. Landers added that PIR is required to have a plan with the Border Patrol and customs and has to meet all of the terms of the contract before operating. Ms. Landers added that if PIR is able to complete the milestones ahead of schedule, there should not be a problem. She clarified that MTS will receive the reports from the construction managers and the inspectors, and if necessary, will conduct additional inspections. Mr. Jablonski added that MTS will review the plans for deficiencies or otherwise accept them as satisfactory if there are no deficiencies.

Ms. Landers clarified for Mr. LaSalle that the miles-per-hour standard for train operations is set by the FRA. Mr. Jablonski added that Class 1 is set at 10 or 15 miles per hour. He stated that he feels that it is not the FRA's long-term intent to have the line operating at that speed. He stated that the Class 1 speed is a reasonable objective initially because the line hasn't been operated in a long time, and a lot has to happen on the Mexico side (to address tunnel damage across the border and other issues).

Mr. LaSalle inquired as to when the damaged tunnel will be repaired. He stated that representatives from ADMICARGA will not invest in repairing the tunnel until a start date is set for operations. Ms. Landers responded that PIR staff reported today that they are beginning work on the Desert Line on the U.S. side next week. Mr. Jablonski added that it will depend upon PIR's completion of milestones in the schedule.

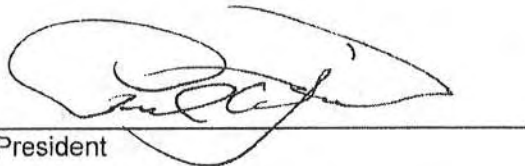
Mr. LaSalle informed the Board that his organization would send a letter to memorialize its safety and security concerns.

9. Next Meeting Date

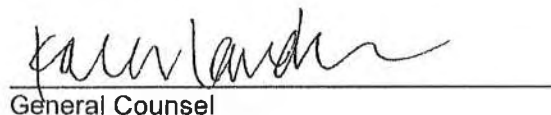
The next meeting of the SD&AE Railway Company Board of Directors is on October 15, 2013.

10. Adjournment

The meeting was adjourned at 9:37 a.m.



President



General Counsel

Attachments: Statement of Railway Finances (handout at meeting)  
PIR's Periodic Report (2<sup>nd</sup> Quarter)

## Agenda Item No. 2

San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting

July 16, 2013

**SUBJECT:**

**STATEMENT OF RAILWAY FINANCES**

**RECOMMENDATION:**

That the SD&AE Board of Directors receive a financial report for four quarters ended June 30, 2013.

Budget Impact

None.

**DISCUSSION:**

Attached are the unaudited financial results for four quarters of fiscal years 2013 and 2012, which includes the periods ended June 2013 and 2012. These statements are subject to adjustment for depreciation and other revenue or expense items that may occur during the annual financial audit to be completed before the end of December 2013.

The current year-to-date income is \$638,878 favorable to budget due to sale of property resulting in a \$642,214 unbudgeted gain on sale. Revenue for the SD&IV freight fee was not received during the year but has been accrued as a receivable as of June 30, 2013. SD&AE has received \$500,000 from Pacific Imperial Railroad in payment of the first installment under the Desert Line Lease and Operating Agreement dated December 20, 2012. Additional payments in accordance with the lease schedule will be due semiannually until limited operations begin after which payments will be due quarterly. The initial payment will be recognized as of July 1, 2013. Management, in consultation with the auditors, will analyze the lease terms to determine when the lease payments should be recognized; as a result, subsequent adjustment to the June 30, 2013, financial statements may be required.

Income has increased by \$684,129 compared to the same period last year due to the property sale cited above and a significant increase in Right of Entry permits. Finally, SD&AE received \$683 from the Secretary of State related to checks sent to us in 1995 that were never cashed.

Expenses are \$15,051 unfavorable to budget due to increased personnel costs and fees paid to PGH Wong for engineering services, both related to increased Right of Entry

permits activity; and \$4,733 paid to RL Banks for consulting services related to the Desert Line project.

Expenses have increased by \$28,255 over the same period last year due to a \$20,156 increase in personnel costs and a \$29,728 increase in Outside Services as stated above. Net income for FY13 was \$650,560 compared to a net loss of \$(5,313) for the same period in FY 12.

Attachment: SD&AE Operating Statement 4th Quarter FY 13

	FY 2013							FY 2012	
	Q1 2013	Q2 2013	Q3 2013	Q4 2013	YTD	Budget	Variance	Q1 - Q4	Variance
Right of entry permits	\$ 13,400	\$29,689	\$ (5,040)	\$ 17,850	\$ 55,899	\$50,000	5,899	9,121	46,778
Lease income	19,563	16,497	22,826	14,196	73,081	80,000	(6,919)	78,762	(5,681)
Other income	-	-	683	-	683	-	683	-	683
SD&IV 1% freight fee	-	-	-	32,000	32,000	35,000	(3,000)	31,866	134
Gain on sale of property	-	-	-	642,214	642,214	-	642,214	-	642,214
<b>Total revenue</b>	<b>32,963</b>	<b>46,186</b>	<b>18,469</b>	<b>706,260</b>	<b>803,878</b>	<b>165,000</b>	<b>638,878</b>	<b>119,749</b>	<b>684,129</b>
Personnel costs	25,179	30,410	21,379	27,196	104,164	91,966	(12,198)	84,008	(20,156)
Outside services	-	-	29,740	(13)	29,728	20,000	(9,728)	-	(29,728)
Energy costs	-	-	-	-	-	-	-	-	-
Risk management	5,752	5,752	3,637	3,751	18,892	22,300	3,409	23,543	4,651
Misc operating expenses	534	-	-	-	534	4,000	3,466	431	(103)
Depreciation	-	-	-	-	-	-	-	-	-
<b>Total expense</b>	<b>31,465</b>	<b>36,162</b>	<b>54,757</b>	<b>30,934</b>	<b>153,317</b>	<b>138,266</b>	<b>(15,051)</b>	<b>107,982</b>	<b>(45,335)</b>
<b>Net Income/(loss)</b>	<b>\$ 1,498</b>	<b>\$ 10,025</b>	<b>\$ (36,288)</b>	<b>\$ 675,326</b>	<b>\$ 650,560</b>	<b>\$ 26,734</b>	<b>623,826</b>	<b>\$ 11,767</b>	<b>638,794</b>

<b>Reserve balance 2012</b>	<b>\$ 916,413</b>
Estimated interest earnings	1,651
Operating profit/(loss)	650,560
Improvement expense 2013	-
<b>Reserve balance 2013-est</b>	<b>\$ 1,568,624</b>



# PERIODIC REPORT

June 30, 2013

The periodic report to the SD&AE Railway Company is produced quarterly by the Pacific Imperial Railroad for the SD&AE Board, in fulfillment of contractual requirements and to document activity in the restoration of the line to regional service along with its ongoing improvement for future generations.

# **Pacific Imperial Railroad**

## **Second Quarter 2013**

### **CONTENTS**

- I. GOVERNMENTAL**
- II. DESERT LINE**
- III. REPORTABLE INJURIES / ACCIDENTS /  
ENVIRONMENTAL INCIDENTS**
- IV. MARKETING**
- V. FREIGHT ACTIVITY**
- VI. MTS OPERATING AGREEMENT REQUIREMENTS**

## **I. GOVERNMENTAL**

- a. No developments during this quarter.

## **II. DESERT LINE STATUS**

### **a. Reconstruction Plan**

- i. **Inspections** – PIR received a proposal to provide bridge inspection, Bridge Management Program, Track Inspection and Tunnel Inspection from J.L. Patterson & Associates, Inc. PIR accepted the proposal and is now working with J.L. Patterson to provide initial repairs to the Desert Line to enable operations of freight service.
- ii. **Construction** PIR has executed an agreement with Watkins Environmental, Inc. wherein Watkins Environmental, Inc. shall perform the necessary repairs on the Desert Line, as determined by the J.L. Patterson inspection(s).

- b. **Financing Plan** – PIR is continuing its fundraising efforts through the CEO Ernie Dahlman and is considering agreements with other investment bankers.

## **III. REPORTABLE**

### **INJURIES/ACCIDENTS/ENVIRONMENTAL INCIDENTS**

- a. There have not been any reportable accidents.
- b. There have not been any reportable injuries.
- c. There have not been any reportable environmental incidents.

## **IV. MARKETING**

- a. PIR finalized its Marketing Plan by utilizing information gathered in surveys generated from the numerous Maquiladora manufacturers. In May 2013, PIR implemented aspects of the marketing campaign outlined in the Marketing Plan.

## **V. FREIGHT ACTIVITY**

- a. Currently PIR has not commenced revenue generation pending completion of the Inspections and Construction above.

## **VI. MTS OPERATING AGREEMENT REQUIREMENTS**

- a. Pursuant to the Amended and Restated Desert Line Lease and Operating Agreement between PIR, San Diego and Arizona Eastern Railways Company and the San Diego Metropolitan Transit System, the following Performance Milestone Requirements fell within First Quarter:
  - i. **Business Plan.** Submittal of Business Plan to SD&AE within 30 days from the effective date of the Agreement; and
    - 1. PIR Timely submitted the Business Plan on January 19, 2013
  - ii. **Reconstruction Plan.** Desert Line Reconstruction Plan submitted to MTS within 90 days of the effective date of the Agreement.
    - 1. PIR Timely submitted the Reconstruction Plan on March 20, 2013.



## Agenda Item No. 2

San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting

October 22, 2013

**SUBJECT:**

**STATEMENT OF RAILWAY FINANCES**

**RECOMMENDATION:**

That the SD&AE Railway Company Board of Directors receive a financial report for the quarter ended September 30, 2013.

Budget Impact

None.

**DISCUSSION:**

Attached are the financial results for the first quarter of fiscal year 2014, which include the periods ended September 30, 2013, and 2012.

The current year-to-date income is \$250,000 favorable to budget primarily due to the Desert Line lease revenue not being in the original budget. Income has increased by \$253,000 compared to the same period last year—again primarily due to the Desert Line lease. Expenses are \$1,100 unfavorable to budget due to an unfavorable variance in personnel costs offset by favorable risk management costs and the timing of expenses for outside services. Expenses have increased by \$3,400 over the same period last year primarily due to the increase in personnel costs. The net income for the first quarter of FY 14 was \$251,215 compared to net income of \$1,498 for the same period in FY 13.

Attachment: SD&AE Operating Statement 1st Quarter FY 14

**SD&AE operating statement FY2014-13**

	<b>Q1 2014</b>	<b>Budget</b>	<b>Variance</b>	<b>Q1 2013</b>	<b>Variance</b>
<b>Revenue</b>					
Right of entry permits	\$ 13,250	\$ 7,500	5,750	13,400	(150)
Lease income	13,081	20,001	(6,920)	19,563	(6,482)
Desert Line Lease Revenue	250,000	-	250,000	-	250,000
SD&IV 1% freight fee	9,704	8,751	953	-	9,704
	<u>286,035</u>	<u>36,252</u>	<u>249,783</u>	<u>32,963</u>	<u>253,072</u>
<b>Expense</b>					
Personnel costs	30,685	21,715	(8,970)	25,179	(5,506)
Outside services	515	5,042	4,527	-	(515)
Energy costs			-	-	-
Risk management	3,336	6,825	3,489	5,752	2,416
Misc operating expenses	284	126	(158)	534	250
Depreciation	-	-	-	-	-
	<u>34,820</u>	<u>33,708</u>	<u>(1,112)</u>	<u>31,465</u>	<u>(3,355)</u>
<b>Total expense</b>					
	<u>34,820</u>	<u>33,708</u>	<u>(1,112)</u>	<u>31,465</u>	<u>(3,355)</u>
<b>Net income/(loss)</b>	<u>\$ 251,215</u>	<u>\$ 2,544</u>	<u>248,671</u>	<u>\$ 1,498</u>	<u>249,717</u>

<b>Reserve balance 2013</b>	<b>\$ 1,505,741</b>
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Allocated interest earnings - estimated	1,000
Operating profit/(loss)	251,215

<b>Reserve balance 2014-estimated</b>	<b>\$ 1,757,956</b>
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## **Agenda Item No. 3**

**San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting**

**October 22, 2013**

**SUBJECT:**

**REPORT ON SAN DIEGO AND IMPERIAL VALLEY (SD&IV) RAILROAD OPERATIONS**

**RECOMMENDATION:**

**That the SD&AE Board of Directors receive a report for information.**

**Budget Impact**

**None.**

**DISCUSSION:**

**An oral report will be given during the meeting.**

**Attachment: Periodic Report for the 3rd Quarter of 2013**



SD&AE Board  
C/O MTS  
1255 Imperial Avenue, Suite 1000  
San Diego, California 92101

October 3, 2013

## Periodic Report

In accordance with Section 20 of the Agreement for Operational Freight Service and Control through Management of the San Diego and Arizona Eastern Railway Company activities of interest for the 3rd Quarter of 2013 are listed as follows:

### 1. Labor

At the end of September 30, 2013 the San Diego & Imperial Railroad had 9 employees:

- 1 General Manager
- 1 Asst. Trainmaster
- 1 Manager - Marketing & Sales
- 1 Office Manager
- 1 Mechanical Manager
- 1 Roadmaster
- 1 Maintenance of Way Employee
- 2 Train Service Employees

## 2. Marketing

Volume in the 2nd Quarter declined 7% as compared to 2012. Bridge traffic had a 9% decrease, primarily driven by a decrease in LPG traffic to ConocoPhillips and Texas Gas and Oil. Traffic terminating or originating on the SDIY was virtually flat compared to this time last year.

## 3. Reportable Injuries/Environmental

Days through year to date, Sept 30, 2013, there were no FRA Reportable injuries or environmental incidents on the SDIV Railroad.

Days FRA Reportable Injury Free: 6024

## 4. Summary of Freight

	2013	2012	2011
<b>Total rail carloads that moved by SDIY Rail Service in the quarter.</b>	<b>1219</b>	<b>1305</b>	<b>976</b>
<b>Total railroad carloads Terminating/Originating Mexico in the quarter.</b>	<b>985</b>	<b>1077</b>	<b>667</b>
<b>Total railroad carloads Terminating/Originating El Cajon, San Diego, National City, San Ysidro, California in the quarter.</b>	<b>234</b>	<b>228</b>	<b>309</b>
<b>Total customers directly served by SDIY in the quarter</b>	<b>10</b>	<b>9</b>	<b>11</b>
<b>Regional Truck trips that SDIY Railroad Service replaced in the quarter</b>	<b>3657</b>	<b>3915</b>	<b>2928</b>

Respectfully,

Matt Domen

General Manager

## **Agenda Item No. 4**

**San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting**

**October 22, 2013**

**SUBJECT:**

**REPORT ON PACIFIC SOUTHWEST RAILWAY MUSEUM**

**RECOMMENDATION:**

**That the SD&AE Board of Directors receive a report for information.**

**Budget Impact**

**None.**

**DISCUSSION:**

**A report will be presented during the meeting.**

**Attachment: Quarterly Report**



October 11, 2013

## Pacific Southwest Railway Museum

La Mesa Depot 4895 Nebo Drive La Mesa, CA 91941 619-465-7776

SD&AE Board  
c/o Metropolitan Transit System  
1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101

Re: Third Quarter, 2013

Dear SD&AE Board:

During the third quarter of 2013, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 26 passenger trains carrying 1,254 passengers with no FRA reportable accidents or injuries. This is the first summer season where the museum chose to operate on Saturdays and was closed on Sundays through Labor Day. Total income from SD&AE property for third quarter, 2013 was \$26,538, a check for \$531 will follow under separate cover. By comparison, PSRM carried:

1,012 passengers during the third quarter of 2012  
1,294 passengers during the third quarter of 2011  
1,468 passengers during the third quarter of 2010

During the third quarter, routine track maintenance continued with weed abatement, the installation of gauge rods, tightening of rail joints and double spiking tie plates in various locations. The wide brick pathway from the Campo Depot to the public restroom building has been completed. Grading of roadways and surrounding property continue. The transfer of the Camp Lockett veterinary hospital barn property east of the Depot has been finalized and the property is now in the name of PSRM. The museum is actively seeking a zoning adjustment to accommodate future expansion plans in which the Campo Depot will become the focal point of the museum's facility.

Sincerely,

Diana Hyatt

## **Agenda Item No. 5**

**San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting**

**October 22, 2013**

**SUBJECT:**

**REPORT ON THE DESERT LINE**

**RECOMMENDATION:**

**That the SD&AE Board of Directors receive a report for information.**

**Budget Impact**

**None.**

**DISCUSSION:**

**A report will be presented during the meeting.**

**Attachment: Quarterly Report**





# PERIODIC REPORT

September 30, 2013

The periodic report to the SD&AE Railway Company is produced quarterly by the Pacific Imperial Railroad for the SD&AE Board, in fulfillment of contractual requirements and to document activity in the restoration of the line to regional service along with its ongoing improvement for future generations.

# **Pacific Imperial Railroad**

## **Third Quarter 2013**

### **CONTENTS**

- I. GOVERNMENTAL**
- II. DESERT LINE**
- III. REPORTABLE INJURIES / ACCIDENTS /  
ENVIRONMENTAL INCIDENTS**
- IV. MARKETING**
- V. FREIGHT ACTIVITY**
- VI. MTS OPERATING AGREEMENT REQUIREMENTS**

## **I. GOVERNMENTAL**

- a. No developments during this quarter.**

## **II. DESERT LINE STATUS**

### **a. Reconstruction Plan**

- i. Inspections** – On June 14<sup>th</sup>, 2013, PIR executed a Services Agreement with J.L. Patterson & Associates, Inc. (JLP). Phase one of JLP's work to be performed under the Services Agreement began on August 19<sup>th</sup> and continued to progress into the early weeks of September 2013. Balfour Beatty Rail, Inc. (BBR) has been subcontracted by JLP to clear sand, dirt and other debris from the tracks between Division and Campo, California. BBR is a rail infrastructure contractor specializing in construction and maintenance services for the public and private railroad markets and they will be continuing to clear the track throughout September 2013 upon which phase two of JLP's services will begin.
- ii. Track Testing**– JLP subcontracted Holland Company, LP which is an acknowledged leader in the world market for track testing and has been engineering rail solutions since 1935. Holland Company will be conducting the strength testing of the mainline between Division and Plaster City, California. Following the strength testing, an additional subcontractor to JLP, Nordco Rail Services, will be performing rail flaw detection from Division to Plaster City, CA on the mainline tracks. Nordco Rail Services is a field leader in

ultrasonic non-destructive testing equipment (NDT). During the various track clearing and testing phase, JLP will be developing the PIR Bridge Management Plan and will be performing a complete inspection of all 57 bridges and 17 tunnels along the 70 mile Desert Line.

- iii. **Construction**— PIR has executed an agreement with Watkins Environmental, Inc. wherein Watkins Environmental, Inc. shall perform the necessary repairs on the Desert Line, as determined by the J.L. Patterson inspection(s) and track testing.

**b. Financing Plan**

PIR is continuing its fundraising efforts through the CEO Ernie Dahlman and is considering agreements with other investment bankers.

**III. REPORTABLE**

**INJURIES/ACCIDENTS/ENVIRONMENTAL INCIDENTS**

- a. There have not been any reportable accidents.
- b. There have not been any reportable injuries.
- c. There have not been any reportable environmental incidents.

**IV. MARKETING**

- a. PIR finalized its Marketing Plan by utilizing information gathered in surveys generated from the numerous Maquiladora manufacturers. In May 2013, PIR implemented aspects of the marketing campaign outlined in the Marketing Plan.

**V. FREIGHT ACTIVITY**

- a. Currently PIR has not commenced revenue generation pending completion of the Inspections and Construction above.

## **VI. MTS OPERATING AGREEMENT REQUIREMENTS**

- a. Pursuant to the Amended and Restated Desert Line Lease and Operating Agreement between PIR, San Diego and Arizona Eastern Railways Company and the San Diego Metropolitan Transit System, the following Performance Milestone Requirements fell within First Quarter:

- i. **Business Plan.** Submittal of Business Plan to SD&AE within 30 days from the effective date of the Agreement; and

- 1. PIR Timely submitted the Business Plan on January 19, 2013

- ii. **Reconstruction Plan.** Desert Line Reconstruction Plan submitted to MTS within 90 days of the effective date of the Agreement.

- 1. PIR Timely submitted the Reconstruction Plan on March 20, 2013.

## Agenda Item No. 6a

San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting

October 22, 2013

**SUBJECT:**

SUMMARY OF SD&AE DOCUMENTS ISSUED SINCE JULY 16, 2013

**RECOMMENDATION:**

That the SD&AE Railway Company Board of Directors receive a report for information.

Budget Impact

None.

**DISCUSSION:**

Since the July 16, 2013, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-13-575: Right of Entry Permit to RVM Construction, Inc. to construct an underground sewer pipeline at Moss Street in the City of Chula Vista.
- S200-13-576: Right of Entry Permit to Kimley-Horn Associates, Inc. for engineering investigations to support various San Diego Association of Governments (SANDAG) projects.
- S200-13-580: Right of Entry Permit to J.L. Patterson & Associates, Inc. for engineering support to reconstruct the Desert Line.
- S200-14-581: Right of Entry Permit to Watkins Environmental, Inc. for engineering support to reconstruct the Desert Line.

## **Agenda Item No. 6b**

**San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting**

**October 22, 2013**

**SUBJECT:**

**LICENSE AGREEMENT WITH COX COMMUNICATIONS, INC.**

**RECOMMENDATION:**

That the SD&AE Railway Company Board of Directors approve issuing a license to Cox Communications, Inc. for a proposed underground fiber-optics utility crossing under SD&AE tracks located at milepost 9.6 on the Coronado Branch Line in Chula Vista.

**Budget Impact**

If approved, the initial income to SD&AE would be \$1,500 per year. Cox Communications, Inc. would also reimburse MTS for processing fees incurred in preparing and processing the license.

**DISCUSSION:**

Cox Communications, Inc. is requesting a license for an underground fiber-optics utility crossing under SD&AE tracks located at milepost 9.6 on the Coronado Branch Line. The site is located along the 1100 block of Bay Boulevard just north of Palomar Street in Chula Vista. The underground crossing would serve Cox customers located at 1120, 1124, and 1128 Bay Boulevard, Chula Vista. (See attachment of the proposed project.)

**Attachment: Proposed Project**





## **Agenda Item No. 6C**

San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting

October 22, 2013

**SUBJECT:**

**UNDERGROUND SEWER MAIN EASEMENT**

**RECOMMENDATION:**

That the SD&AE Railway Company Board of Directors approve an easement to the City of La Mesa for a proposed underground 8-inch High-Density Polyethylene Pipe (HDPE) trunk sewer pipeline.

**Budget Impact**

If approved, the initial income to SD&AE would be a one-time fee based on an appraisal from an MAI-certified appraiser. The City of La Mesa would also reimburse MTS for processing fees incurred in preparing and processing the easement.

**DISCUSSION:**

The City of La Mesa requests the issuance of an easement for an underground 8-inch HDPE trunk sewer pipeline that will run parallel with SD&AE tracks for 160.80 feet and connect to an existing sewer main. The location of the 8-inch HDPE pipe would be located along SD&AE tracks at approximate milepost 14.6 between the Amaya Trolley Station and State Route 125 in the City of La Mesa. The 8-inch HDPE pipe would serve as an upgrade to the City of La Mesa's system. An exhibit of the proposed project is attached.

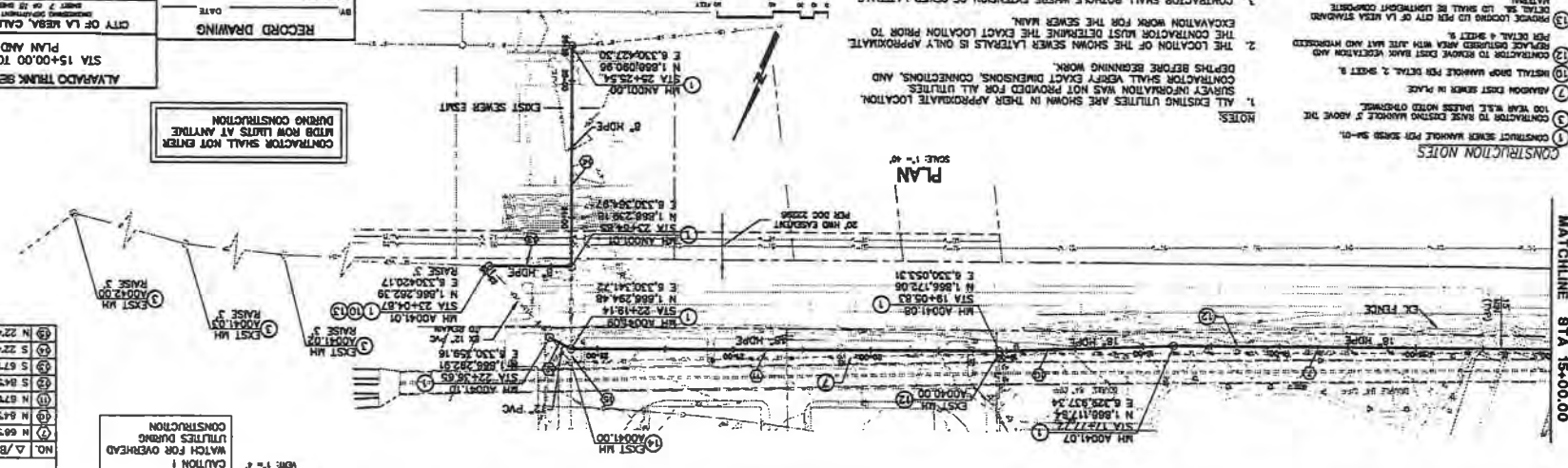
**Attachment: Proposed Project**

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15 CONTRACTOR TO RASE EXISTING MANHOLE 5' ABOVE THE  
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- CONSTRUCTION NOTES
1. ALL EXISTING UTILITIES ARE SHOWN IN THEIR APPROXIMATE LOCATION. SURVEY INFORMATION WAS NOT PROVIDED FOR ALL UTILITIES. CONTRACTOR SHALL VERIFY EXACT DIMENSIONS, CONNECTIONS, AND DEPTHS BEFORE BEGINNING WORK.
  2. THE LOCATION OF THE SHOWN SEWER LATERALS IS ONLY APPROXIMATE. EXCAVATION WORK MUST DETERMINE THE EXACT LOCATION PRIOR TO EXCAVATION WORK FOR THE SEWER MAIN.
  3. CONTRACTOR SHALL UTILIZE TO ASCERTAIN CLEARANCE PRIOR TO EXCAVATION OTHER UTILITIES TO ASCERTAIN CLEARANCE PRIOR TO EXCAVATION WORK FOR THE SEWER MAIN.
  4. CONTRACTOR SHALL REPLACE IN KIND TREES, PLANTINGS, LANDSCAPING FEATURES DISTURBED OR DAMAGED DURING CONSTRUCTION. IMPROVEMENTS SHALL BE DOCUMENTED BY PRE AND POST CONSTRUCTION VIDEOS.



PLAN  
SCALE: 1" = 40'

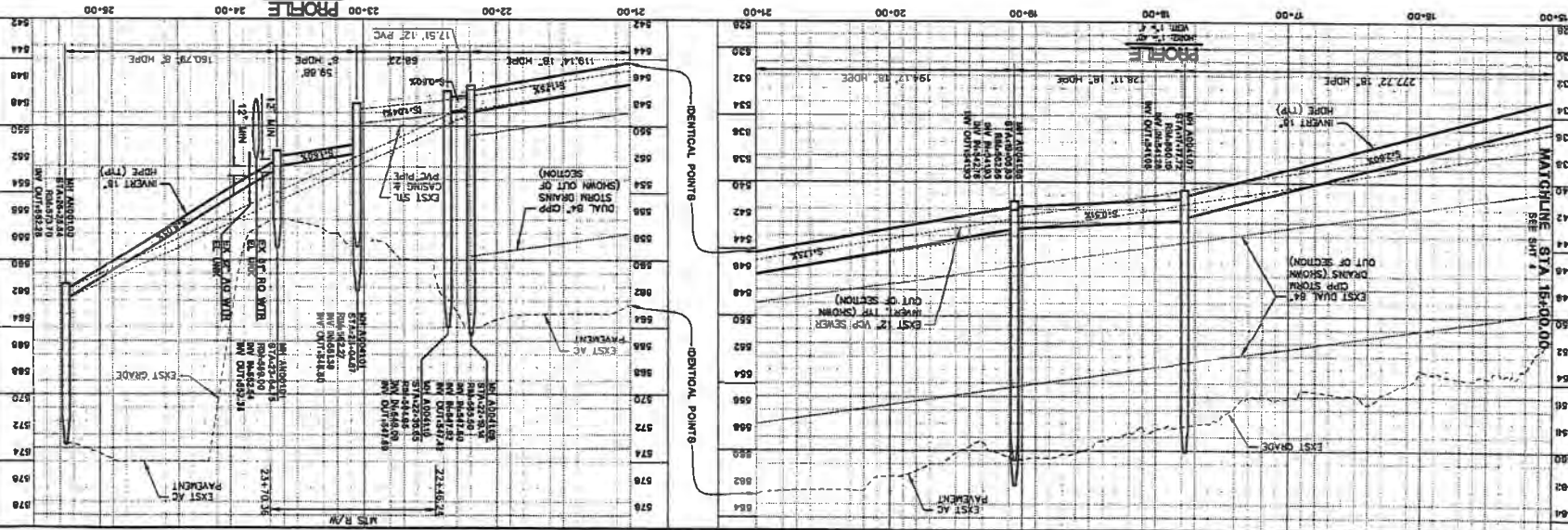


CAUTION: UTILITIES DURING CONSTRUCTION. WATCH FOR OVERHEAD UTILITIES DURING CONSTRUCTION.

PIPE DATA TABLE

NO.	Δ BEARING	RADIUS	LENGTH
1	N 22°46'19" W	—	0.81'
2	S 22°46'19" E	—	160.79'
3	S 67°11'41" W	—	58.66'
4	S 64°50'22" E	—	17.91'
5	N 67°00'05" E	—	31.33'
6	N 64°51'35" E	—	128.11'
7	N 66°36'52" E	—	27.72'

PROFILE  
HORIZ. 1" = 40'  
VERT. 1" = 4'



VERTICAL POINTS  
VERTICAL POINTS

## Agenda Item No. 7

San Diego and Arizona Eastern (SD&AE)  
Railway Company  
Board of Directors Meeting

October 22, 2013

**SUBJECT:**

**APPROVAL OF THE 2014 SD&AE BOARD OF DIRECTORS MEETING SCHEDULE**

**RECOMMENDATION:**

That the SD&AE Board of Directors approve the 2014 SD&AE Board of Directors meeting schedule.

**Budget Impact**

None.

**DISCUSSION:**

The SD&AE Board of Directors customarily meets once each quarter to discuss business and receive reports from its contract operators. The following meeting schedule is recommended for 2014:

Tuesday, January 14, 2014	9:00 a.m.	(Fourth Quarter 2013 Reports)
Tuesday, April 15, 2014	9:00 a.m.	(First Quarter 2014 Reports)
Tuesday, July 15, 2014	9:00 a.m.	(Second Quarter 2014 Reports)
Tuesday, October 21*, 2014	9:00 a.m.	(Third Quarter 2014 Reports)

Upon approval of the above meeting dates, additional information regarding materials due dates and mail-outs are as follows:

**Materials Due to Clerk**

Friday, January 3, 2014  
Friday, April 4, 2014  
Thursday, July 3\*\*, 2014  
Friday, October 10, 2014

**Materials Mailed**

Wednesday, January 8, 2014  
Wednesday, April 9, 2014  
Wednesday, July 9, 2014  
Wednesday, October 15, 2014

\*To accommodate APTA Annual Conference on 10/12/14-10/15/14

\*\* Due to July 4 holiday



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## Agenda Item No. 7

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

#### SUBJECT:

ADOPTION OF THE 2014 MTS EXECUTIVE COMMITTEE AND BOARD OF  
DIRECTORS MEETING SCHEDULE

#### RECOMMENDATION:

That the Board of Directors adopt the 2014 Executive Committee and Board of Directors meeting schedule (Attachment A).

#### Budget Impact

None.

#### DISCUSSION:

The MTS Board of Directors annually adopts its meeting schedule for the next calendar year. Attachment A is the proposed 2014 Executive Committee and Board of Directors meeting schedule for MTS.

The meeting schedule reflects Executive Committee and Board of Directors meetings throughout the 2014 calendar year. Meetings are generally scheduled to occur on the second and third Thursdays of the month with the exception of September, November, and December. The schedule has been modified during these months to avoid of conflicts with city council legislative recesses; the League of California Cities Annual Meeting; and Thanksgiving and Christmas holidays.



Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [sharon.cooney@sdmts.com](mailto:sharon.cooney@sdmts.com)

Attachment: A. 2014 MTS Executive Committee and Board of Directors Meeting Schedule





Metropolitan Transit System

Att. A, AI 7, 11/14/13

**DRAFT**

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**2014**

**METROPOLITAN TRANSIT SYSTEM**

**JOINT BOARD OF DIRECTORS AND  
EXECUTIVE COMMITTEE MEETINGS**

**James R. Mills Building  
1255 Imperial Avenue, 10<sup>th</sup> Floor**

<b>Executive Committee Meetings Thursdays at 9:00 a.m.</b>	<b>Board Meetings Thursdays at 9:00 a.m.</b>
January 9	January 16
February 13	February 20
March 13	March 20 (Finance Workshop)
April 10	April 17 (Finance Workshop)
May 8	May 15 (Finance Workshop)
June 12	June 19
July 10	July 17
August 7	August 14
September 11 *	September 18*
October 2 October 23	October 9 October 30
November 13	November 20
December 4	December 11

\* The League of California Cities is holding the 2014 Annual Conference & Expo September 3–5. Meetings in September have been scheduled accordingly.

\* The APTA 2014 Annual meeting will be October 12-15.

2014 MTS BOARD & EC MEETING SCHEDULE - 1

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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, San Marcos, and the County of San Diego.





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## Agenda Item No. 8

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

#### SUBJECT:

INVESTMENT REPORT – SEPTEMBER 2013

#### 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 September 30, 2013. The combined total of all investments has decreased from \$234.3 million to \$221.7 million in the current month. This \$12.6 million decrease is attributable to expenditure of \$10.9 million for the acquisition of capital assets as well as normal timing differences in other payments and receipts.

The first column provides details about investments restricted for capital improvement projects and debt service, 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 payments for employee payroll and vendors' goods and services.

  
\_\_\_\_\_  
Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [Sharon.Cooney@sdmts.com](mailto:Sharon.Cooney@sdmts.com)

Attachment: A. Investment Report for September 2013



**San Diego Metropolitan Transit System  
Investment Report  
September 30, 2013**

	<b>Restricted</b>	<b>Unrestricted</b>	<b>Total</b>	<b>Average rate of return</b>
Cash and Cash Equivalents				
JP Morgan Chase - concentration account	18,155,040	36,349,368	54,504,408	0.00%
Total Cash and Cash Equivalents	18,155,040	36,349,368	54,504,408	
Cash - Restricted for Capital Support				
US Bank - retention trust account	8,148,605		8,148,605	N/A *
San Diego County Investment Pool Proposition 1B TSGP grant funds	3,971,997	8,990	3,980,987	
Total Cash - Restricted for Capital Support	12,120,602	8,990	12,129,592	
Investments - Working Capital				
Local Agency Investment Fund (LAIF)	-	37,127,049	37,127,049	0.257%
Total Investments - Working Capital	-	37,127,049	37,127,049	
Investments - Restricted for Debt Service				
US Bank - Treasury Strips - market value (Par value \$39,474,000)	39,278,125	-	39,278,125	
Rabobank - Payment Undertaking Agreement	78,692,891	-	78,692,891	7.69%
Total Investments Restricted for Debt Service	117,971,016	-	117,971,016	
Total cash and investments	<b>\$ 148,246,658</b>	<b>\$ 73,485,407</b>	<b>\$ 221,732,065</b>	

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



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## Agenda Item No. 9

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

#### SUBJECT:

#### STATE LOBBYING SERVICES – CONTRACT AWARD

#### RECOMMENDATION:

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

1. execute MTS Doc. No. G1644.0-14 (in substantially the same format as Attachment A) 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.

#### Budget Impact

The total cost of this agreement is a not-to-exceed \$168,600, broken down as follows:

Base Year 1	\$33,000
Base Year 2	\$33,000
Base Year 3	\$33,000
Option Year 1	\$34,800
Option Year 2	\$34,800
Total	\$168,600

Funding will be covered under the annual budget under account number 0902 - General.





## DISCUSSION:

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

On August 20, 2013 MTS released a Request for Proposals (RFP). Public announcements were made through five newspapers of general circulation and sent directly to potential Proposers.

A single proposal was received from the incumbent, Smith, Watts and Martinez, LLC on the proposal due date of September 25, 2013. To ascertain that the Solicitation was properly published and to ensure that its contents were not restrictive firms who were invited but did not propose were canvassed. The results indicated that neither the RFP nor MTS' procurement processes played a role in the decision to not respond.

Using available procurement history and pricing data from other transit agencies a price analysis was held to ensure the price tendered were fair and reasonable. Of the five agencies sampled, MTS's proposed price was the lowest and, thus, deemed fair and reasonable.

An evaluation committee was convened and scored the Proposal on the following:

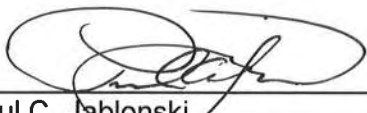
Proposer's Qualifications	35%
Staffing, Organization, and Management Plan	35%
Work Plan	10%
Cost	20%
Total	100%

A Best and Final Offer (BAFO) was then requested. The BAFO was further reduced by the Proposer by another \$71,400 for the life of the Agreement.

Based on the evaluation committee's analysis of the technical proposal, their negotiations with the Proposer, and evaluation of the BAFO Smith, Watts, and Martinez LLC's offer is reasonably priced and offers terms advantageous to the MTS.

Therefore, staff recommends that the Board of Directors authorize the Chief Executive Officer (CEO) to

1. execute MTS Doc. No. G1644.0-14 (in substantially the same format as Attachment A) 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.



Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [Sharon.Cooney@sdmts.com](mailto:Sharon.Cooney@sdmts.com)

Attachments: A. Standard Services Agreement

ATTACHMENT A  
STANDARD SERVICES AGREEMENT

G1644.0-14  
CONTRACT NUMBER  
50902  
FILE NUMBER(S)

THIS AGREEMENT is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2013, in the State of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following, hereinafter referred to as "Contractor":

Name: Smith, Watts & Martinez, LLC Address: 1111 L Street  
Form of Business: Partnership Sacramento, CA 95814  
(Corporation, partnership, sole proprietor, etc.)  
Telephone: (916) 446-5508

Authorized person to sign contracts: Mark Watts Principal  
Name Title

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

Provide State Lobbying services as set forth in the Scope of Work (attached as Exhibit A), Smith, Watts & Martinez's cost proposal (attached as Exhibit B) and in accordance with the Standard Services Agreement, including Standard Conditions Services (attached as Exhibit C).

This contract term is for up to a five (5) year period (3-year base and two (2) one-year options exercisable at MTS's sole discretion. Base period shall be effective January 1, 2014 through December 31, 2016 and option years shall be effective January 1, 2017 through December 31, 2018.

Payment terms shall be net 30 days from invoice date. The total cost of this contract shall not exceed \$99,000 for the base years and \$69,600 for the option years, for a total not to exceed \$168,600 without the express written consent of MTS.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM		CONTRACTOR AUTHORIZATION	
By: _____ Chief Executive Officer		Firm: _____	
Approved as to form:		By: _____	
By: _____ Office of General Counsel		Signature	
		Title: _____	
AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR	
Base years (1, 2 and 3)	\$99,000		
<u>Option years (4 and 5)</u>	<u>\$69,600</u>		
Total	\$168,600	50902	
		FY 14 – FY 19	

\$ \_\_\_\_\_

By: \_\_\_\_\_ Date \_\_\_\_\_  
Chief Financial Officer

( \_\_\_\_ total pages, each bearing contract number)

SA-SERVICES REVISED (REV 6-13)  
DATE



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## Agenda Item No. 10

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

#### SUBJECT:

MEDICAL PROVIDER SERVICES – CONTRACT AWARD

#### RECOMMENDATION:

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

1. execute MTS Doc. No. G1514.0-13 (in substantially the same format as Attachment A), 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.

#### Budget Impact

The total cost of this agreement is a not-to-exceed \$338,013.95 of which \$197,580.24 will provide coverage for the three base years, based on the number of tests anticipated to occur within those years and \$140,433.71 will cover the two option years, also based on the number of tests anticipated to occur within the period. The total amount includes a ten (10) percent contingency to allow for additional medical services on an as needed basis. The funding will be covered in the Human Resources Department's annual operating budget under account numbers 711-53410 and 711-53420.

#### DISCUSSION:

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

On February 19, 2013, MTS released a Request for Proposals (RFP). Federal regulations dictate that MTS must require all employees to complete a medical evaluation prior to beginning employment. While the requirements are more stringent for driving and safety-sensitive positions, these regulations promote safety and efficiency in



both the field and office environments. The purpose of the RFP is to ensure that MTS receives the best possible economic value and quality health care from its medical provider.

Two proposals were received on the due date of April 11, 2013 from U.S. HealthWorks and Kaiser-On-The-Job. Both were deemed responsive to the requirements of the RFP and have sufficient resources to responsibly perform under a contract. A cost summary including the comparison of the rates offered by each are found in Attachment (B).

A selection committee consisting of representatives from various MTS departments rated the proposals on the following criteria:

1.	Proposer's Qualifications and Experience	20%
2.	Work Plan	30%
3.	Cost & Price	<u>50%</u>
	Total	100%

Based on the evaluation panel's analysis of the technical proposal, negotiations, and evaluation of price, the U.S. HealthWorks proposal was determined to be the offer that best meets the requirements of the RFP and tendered the more advantageous terms to the MTS.

Therefore, staff recommends that the Board of Directors authorize the Chief Executive Officer (CEO) to

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



Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [Sharon.Cooney@sdmts.com](mailto:Sharon.Cooney@sdmts.com)

Attachments: A. Draft MTS Doc. G1514.0-13  
B. Cost Summary

## STANDARD SERVICES AGREEMENT

G1514.0-13  
 CONTRACT NUMBER  
 OPS 960.2  
 FILE NUMBER(S)

THIS AGREEMENT is entered into this \_\_\_\_\_ day of \_\_\_\_\_ 2013, in the State of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following, hereinafter referred to as "Contractor":

Name: US Healthworks Medical Group, PC Address: 5575 Ruffin Rd., Suite 100  
 Form of Business: Partnership San Diego, CA 92123  
 (Corporation, partnership, sole proprietor, etc.)  
 Telephone: 858-492-5443

Authorized person to sign contracts: Kathleen Marchetti Regional VP  
 Name Title

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

Provide Medical Provider Services as set forth in the MTS Scope of Work (attached as Exhibit A), US Healthworks Medical Group, PC, Best and Final Offer (BAFO) dated 7/10/13 (attached as Exhibit B) in accordance with the Standard Services Agreement, including Standard Conditions Services (attached as Exhibit C).

The contract term is for up to a 5 year period (3-year base with two 1-year options exercisable at MTS' sole discretion). Base period shall be effective December 1, 2013 through November 30, 2016 and option years shall be effective December 1, 2016 through November 30, 2018.

Payment terms shall be net 30 days from invoice date. The total cost of this contract shall not exceed \$197,580.24 for the base years and \$140,433.71 for the option years, for a total not to exceed \$338,013.95 without the express written consent of MTS.

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
\$197,580.24 – Base years		
\$140,433.71 – Option years		
\$338,013.95 – Total	711-53410/711-53420	FY14-19

By: \_\_\_\_\_ Chief Financial Officer Date \_\_\_\_\_

(\_\_\_\_ total pages, each bearing contract number)

Description	US Healthworks	Kaiser Permanente
<b>BASE YEAR ONE</b>		
Pre-employment Physical Exam (Non-DOT)	\$ 65.00	\$ 65.00
Pre-employment Physical Exam	\$ 65.00	\$ 70.00
Drug Screening (Non-DOT)	\$ 45.00	\$ 25.00
Drug Screening (DOT)	\$ 55.00	\$ 60.00
DOT (DL51) Renewal	\$ 65.00	\$ 70.00
Fit for Duty	\$ 65.00	\$ 95.00
Return to Work	\$ 65.00	\$ 95.00
Breath Alcohol Test	\$ 35.00	\$ 30.00
	\$ 460.00	\$ 510.00

<b>BASE YEAR TWO</b>		
Pre-employment Physical Exam (Non-DOT)	\$ 67.00	\$ 65.00
Pre-employment Physical Exam	\$ 67.00	\$ 70.00
Drug Screening (Non-DOT)	\$ 46.00	\$ 25.00
Drug Screening (DOT)	\$ 57.00	\$ 60.00
DOT (DL51) Renewal	\$ 67.00	\$ 70.00
Fit for Duty	\$ 67.00	\$ 95.00
Return to Work	\$ 67.00	\$ 95.00
Breath Alcohol Test	\$ 36.00	\$ 30.00
	\$ 474.00	\$ 510.00

<b>BASE YEAR THREE</b>		
Pre-employment Physical Exam (Non-DOT)	\$ 69.00	\$ 65.00
Pre-employment Physical Exam	\$ 69.00	\$ 70.00
Drug Screening (Non-DOT)	\$ 48.00	\$ 25.00
Drug Screening (DOT)	\$ 58.00	\$ 60.00
DOT (DL51) Renewal	\$ 69.00	\$ 70.00
Fit for Duty	\$ 69.00	\$ 95.00
Return to Work	\$ 69.00	\$ 95.00
Breath Alcohol Test	\$ 37.00	\$ 30.00
	\$ 488.00	\$ 510.00

<b>OPTION YEAR ONE</b>		
Pre-employment Physical Exam (Non-DOT)	\$ 71.00	\$ 65.00
Pre-employment Physical Exam	\$ 71.00	\$ 70.00
Drug Screening (Non-DOT)	\$ 49.00	\$ 25.00
Drug Screening (DOT)	\$ 60.00	\$ 60.00
DOT (DL51) Renewal	\$ 71.00	\$ 70.00
Fit for Duty	\$ 71.00	\$ 95.00
Return to Work	\$ 71.00	\$ 95.00
Breath Alcohol Test	\$ 38.00	\$ 30.00
	\$ 502.00	\$ 510.00

<b>OPTION YEAR TWO</b>		
Pre-employment Physical Exam (Non-DOT)	\$ 73.00	\$ 65.00
Pre-employment Physical Exam	\$ 73.00	\$ 70.00
Drug Screening (Non-DOT)	\$ 51.00	\$ 25.00
Drug Screening (DOT)	\$ 62.00	\$ 60.00
DOT (DL51) Renewal	\$ 73.00	\$ 70.00
Fit for Duty	\$ 73.00	\$ 95.00
Return to Work	\$ 73.00	\$ 95.00
Breath Alcohol Test	\$ 39.00	\$ 30.00
	\$ 517.00	\$ 510.00

Additional Services	Kaiser Permanente				
	Base year 1	Base Year 2	Base Year 3	Option Year 1	Option Year 2
BAT Confirmation Test	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00
MRO for non-neg UDS	\$ 40.00	\$ 40.00	\$ 40.00	\$ 60.00	\$ 60.00
Physician Time each 15 minutes (on expanded exams)	\$ 60.00	\$ 60.00	\$ 60.00	\$ 40.00	\$ 40.00
Visual Screen - Eye Exam	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Complete Blood count	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Hemoglobin and Hematocrit	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00
Venipuncture	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Blood Chemistry Panel	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00
TB Skin Test - one step/one reading	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00
Lumber Spine X-ray	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00
Chest X-ray, 2 views	\$ 65.00	\$ 65.00	\$ 65.00	\$ 65.00	\$ 65.00
Pulmonary Function Test	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00
	\$ 426.00	\$ 426.00	\$ 426.00	\$ 426.00	\$ 426.00

Additional Services	US Healthworks				
	Base year 1	Base Year 2	Base Year 3	Option Year 1	Option Year 2
BAT Confirmation Test	\$ 35.00	\$ 36.00	\$ 37.00	\$ 38.00	\$ 39.00
MRO for non-neg UDS	\$ 35.00	\$ 36.00	\$ 37.00	\$ 38.00	\$ 39.00
Physician Time each 15 minutes (on expanded exams)	\$ 35.00	\$ 36.00	\$ 37.00	\$ 38.00	\$ 39.00
Visual Screen - Eye Exam	\$ 15.00	\$ 15.00	\$ 16.00	\$ 16.00	\$ 17.00
Complete Blood count	\$ 15.00	\$ 15.00	\$ 16.00	\$ 16.00	\$ 17.00
Hemoglobin and Hematocrit	\$ 25.00	\$ 26.00	\$ 27.00	\$ 27.00	\$ 28.00
Venipuncture	\$ 20.00	\$ 21.00	\$ 21.00	\$ 22.00	\$ 23.00
Blood Chemistry Panel	\$ 40.00	\$ 41.00	\$ 42.00	\$ 44.00	\$ 45.00
TB Skin Test - one step/one reading	\$ 22.00	\$ 23.00	\$ 23.00	\$ 24.00	\$ 25.00
Lumber Spine X-ray	\$ 45.00	\$ 46.00	\$ 48.00	\$ 49.00	\$ 51.00
Chest X-ray, 2 views	\$ 55.00	\$ 57.00	\$ 58.00	\$ 60.00	\$ 62.00
Pulmonary Function Test	\$ 35.00	\$ 36.00	\$ 37.00	\$ 38.00	\$ 39.00
	\$ 377.00	\$ 388.00	\$ 399.00	\$ 410.00	\$ 424.00



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

## Agenda Item No. 11

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

#### SUBJECT:

**MTS CODE COMPLIANCE eFORCE RECORDS MANAGEMENT SYSTEM (RMS) –  
HARDWARE PURCHASE**

#### RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1665.0-14 (in substantially the same format as Attachment A) 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.

#### Budget Impact

The total cost of the new Code Compliance RMS, including three years of system maintenance is \$189,379.32 and is broken down as follows:

EDA's, Fingerprint Readers, Printers, Chargers, Batteries	\$157,279.00
3-year Warranty, Maintenance and Technical Support	\$19,518.00
Shipping & Handling	\$0.00
Taxes	\$12,582.32
<b>TOTAL:</b>	<b>\$189,379.32</b>

This purchase would be funded by FY 14 CIP 11322 (CCI Handheld Units) in the amount of \$169,861.32 and FY 14 IT Operations (Account #661-53910) in the amount of \$19,518.00.

CIP 11322 (approved in FY 14 CCI Handheld Units)	\$169,861.32
3-Year Service & Support (FY 14 Operations Account 661-53910)	\$19,518.00
<b>TOTAL:</b>	<b>\$189,379.32</b>





## DISCUSSION:

On April 18, 2013, the Board of Directors authorized the sole source contract award for MTS' Code Compliance Records Management System to Intellichoice Inc. (doing business as eFORCE). The purpose of this purchase is to better support MTS' fare and law enforcement activities by replacing the existing obsolescent TransitWatch system which is outdated and unmaintainable.

The purchase of these EDA's, Fingerprint Readers, Printers and ancillary hardware is in support of this initiative and would provide the hardware components of the new system supporting the fare and law enforcement activities of Code Compliance staff.

The stated equipment is being acquired through the use of the Federal Government's General Services Administration's (GSA's) Cooperative Purchasing Program, Federal Supply Schedule 70, Information Technology Contracts. This schedule is commonly referred to as "GSA Schedule 70" or "IT Schedule 70."

The FTA's Best Practices Procurement Manual (BPPM) also references the authority to purchase information technology equipment in the discussion section of Chapter 1.3.3.5, Inter-Governmental Agreements, Joint Procurements, Piggybacking.

In addition to following this procedure, MTS staff also obtained Independent Cost Estimates from one or more other companies to ensure that prices were fair and reasonable. All prices exceeded those quoted by CDW-G.



Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [Sharon.Cooney@sdmts.com](mailto:Sharon.Cooney@sdmts.com)

Attachments: A. Draft MTS Doc. No. G1665.0-14  
B. CDW-G Quote

## STANDARD PROCUREMENT AGREEMENT

G1665.0-14  
 CONTRACT NUMBER  
 CIP 11322, OPS 53910  
 FILE NUMBER(S)

THIS AGREEMENT is entered into this \_\_\_\_\_ day of \_\_\_\_\_ 2013, in the State of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following, hereinafter referred to as "Contractor":

Name: CDW Government, LLC. Address: 230 N. Milwaukee Ave.

Form of Business: Corporation Vernon Hills, IL 60061  
 (Corporation, partnership, sole proprietor, etc.)

Telephone: 877-603-6330

Authorized person to sign contracts: Tara Barbieri Director, Program Management-Contracts  
 Name Title

**The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS the following:**

Motorola MC75A Enterprise Digital Assistants, printers, batteries, cradles, chargers, maintenance services as described in CDW-G Quotation No. DSWR964, dated October 7, 2013 under GSA Schedule No. GS-35F-0195J, (attached as Exhibit A), the MTS Standard Procurement Agreement, Standard Conditions (attached as Exhibit B), and the Federal Requirements (attached as Exhibit C).

This is a firm-fixed price contract for a total not to exceed \$189,379.32.

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
\$169,861.32	11322-0200	FY14
\$19,518.00	661-53910	FY14

By: \_\_\_\_\_  
Chief Financial Officer Date

(\_\_\_\_ total pages, each bearing contract number)



CDWG.com | 800.594.4239

OE400SPS

## SALES QUOTATION

QUOTE NO.	ACCOUNT NO.	DATE
DSWR964	3873798	10/7/2013

**BILL TO:**  
 SAN DIEGO TRANSIT  
 1255 IMPERIAL AVE STE 1000

**SHIP TO:**  
 SAN DIEGO TRANSIT CORP  
 Attention To: GARY DEXTER  
 100 16TH ST

Accounts Payable  
 SAN DIEGO, CA 92101-7490

SAN DIEGO, CA 92101-7694  
 Contact: GARY DEXTER 619.238.0100

Customer Phone #619.238.0100

Customer P.O. # DSWR964 QUOTE

## ACCOUNT MANAGER

## SHIPPING METHOD

## TERMS

## EXEMPTION CERTIFICATE

JON CACIOPPO 877.603.6330

AIT - Deferred, 3-5 Days

Net 30 Days-Govt  
State/Local

QTY	ITEM NO.	DESCRIPTION	UNIT PRICE	EXTENDED PRICE
45	2105609	SYMBOL MC75A8 TERM WLP-VZ/BB/CAM/256 Mfg#: MC75A8-P4FSWQRA9WR Contract: MARKET	2,045.00	92,025.00
45	2011439	SYMBOL BIOMETRIC FINGERPRINT READER Mfg#: MC7XFPR-01R Contract: MARKET	425.00	19,125.00
14	2481702	SYMBOL 4 SLOT CRADLE F/ MC70/MC75 Mfg#: CRD7X00-401CES Contract: MARKET	270.00	3,780.00
14	2306653	SYMBOL 4 SLOT BATTERY CHARGER Mfg#: SAC7X00-400CES Contract: MARKET	185.00	2,590.00
45	1531484	SYMBOL 3YR SVC F/START BRON MC75 Mfg#: SSB-MC75XX-30 Contract: MARKET	265.00	11,925.00
45	1840375	Electronic distribution - NO MEDIA ZEBRA RW420 4" B/W DT 203 USB SER BT Mfg#: R4D-0UBA000N-00 Contract: MARKET	679.00	30,555.00
14	1837223	ZEBRA RW 420 POWER STATION KIT Mfg#: AK18618-1 Contract: MARKET	319.00	4,466.00
7	742538	ZEBRA RW420 FOUR CELL LI-ION BATT Mfg#: AK17463-005 Contract: MARKET	88.00	616.00
45	1791111	ZEBRA 2YR STD PLUS WTY COMP RW420 Mfg#: ZA0-RW41-2C0 Contract: MARKET	164.00	7,380.00
3	2460622	ZEBRA GX420 TT 203DPI USB/SER/ENET Mfg#: GX42-102410-000 Contract: MARKET	519.00	1,557.00
3	2451599	ZEBRA 2YR ZEBRACARE DEPOT EXT WTY Mfg#: ZA0-GSER-2C0 Contract: MARKET	71.00	213.00
45	1570590	SYMBOL 1.5X LI-ION BATT 3600MAH Mfg#: BTRY-MC7XEAB00 Contract: MARKET	57.00	2,565.00

## SPECIAL INSTRUCTIONS

GSA CONTRACT# GS-35F-0195J

SUBTOTAL  
 FREIGHT  
 TAX

176,797.00  
 0.00  
 12,582.32

US Currency

---

**TOTAL** ♦ 189,379.32

CDW Government  
230 North Milwaukee Ave.  
Vernon Hills, IL 60061

Fax: 847.371.8831

**Please remit payment to:**  
CDW Government  
75 Remittance Drive  
Suite 1515  
Chicago, IL 60675-1515



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

## Agenda Item No. 12

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

#### SUBJECT:

ULTRASONIC RAIL-TESTING SERVICES - CONTRACT AWARD

#### RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L1115.0-13 (in substantially the same format as Attachment A) 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.

#### Budget Impact

The total cost of this engagement would not exceed \$230,713.07 and is broken down as follows:

➤	Year 1 (January 1, 2014 - December 31, 2014)	\$ 42,208.00
➤	Year 2 (January 1, 2015 - December 31, 2015)	\$ 44,498.40
➤	Year 3 (January 1, 2016 - December 31, 2016)	\$ 45,583.32
➤	Year 4 (January 1, 2017 - December 31, 2017)	\$ 47,967.49
➤	Year 5 (January 1, 2018 – December 31, 2018)	\$ <u>50,455.86</u>
	<b>Total</b>	<b>\$ 230,713.07</b>

This procurement would be funded annually under MTS Rail Operations Account No. 371-53710.



## DISCUSSION:

MTS Policy No. 52 governing procurement of services requires a formal competitive process for procurements exceeding \$100,000. On July 12, 2013, staff released a Request for Proposals (RFP). On September 9, 2013, three proposals were received from Nordco Rail Services, Herzog Services, and Sperry Rail Services. All were determined responsive and responsible. An evaluation committee of staff from various MTS departments met and rated the proposals. The ratings were based on the following criteria:

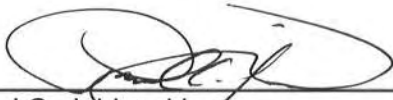
1.	Company Background and Technical Experience	30%
2.	Proposed Staffing, Firm Organization, & Management Plan	20%
3.	Work Plan and Equipment	20%
4.	<u>Cost/Price</u>	30%
		Total: 100%

The Federal Railroad Administration (FRA) requires that MTS conduct a full-system rail test every 12 months. Due to the age of the rail lines, MTS conducts additional tests each year on its Blue, Orange, and Green Lines. Ultrasonic rail testing is critical to ensuring MTS's safe operations as rail defects can lead to derailments.

The contract would require testing of the rail lines, including all freight crossovers, yard leads, and spurs. Tests would be done during nonoperating hours—generally between 12:00 a.m. and 5:00 a.m. A test vehicle is also required to work around any active freight operations during this period.

The evaluation team analyzed the technical proposals, held discussions and negotiations, and evaluated price proposals. It concluded that Nordco Rail Services' proposal presents the best overall value to MTS.

Therefore, staff is requesting that the MTS Board of Directors authorize the CEO to execute MTS Doc. No. L1115.0-13 (in substantially the same format as Attachment A) 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.



Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [Sharon.Cooney@sdmts.com](mailto:Sharon.Cooney@sdmts.com)

Attachments: A. Draft MTS Doc. L1115.0-13  
B. Cost Summary

# DRAFT

## STANDARD SERVICES AGREEMENT FOR ULTRASONIC RAIL TESTING

L1115.0-13 CONTRACT NUMBER
OPS 970.2 FILE/PO NUMBER(S)

THIS AGREEMENT is entered into this \_\_\_\_\_ day of \_\_\_\_\_ 2014, 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: Nordco Rail Services, LLC Address: 1328 Southwest Market  
 Form of Business: Corporation Lees Summit, MO 64081  
 (Corporation, Partnership, Sole Proprietor, etc.)  
 Telephone: 414.766.2483

Authorized person to sign contracts: Jill Shafer Sales Manager  
 Name Title

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

Ultrasonic Rail Testing Services, as specified in the Technical Specifications (attached as Exhibit A), the Bid Summary (attached as Exhibit B), and the Standard Conditions Services (attached as Exhibit C), and the Federal Requirements (attached as Exhibit D).

The contract term is for five (5) year period and shall be effective January 1, 2014, through December 31, 2018. Payment terms shall be net 30 days from invoice date.

The total amount of this contract shall not exceed \$230,713.07 including all applicable sales taxes and mobilization and transportation costs.

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

AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
\$ 230,713.07	371-53710	FY14- FY 18

By: \_\_\_\_\_  
Chief Financial Officer

(\_\_\_\_\_ total pages, each bearing contract number)



1255 Imperial Avenue, Suite 1000  
 San Diego, CA 92101-7490  
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**ULTRASONIC RAIL TESTING SERVICES RFP**  
**MTS DOC. NO. L1115.0-13**

**COST SUMMARY**

<b>FIRM/PROPOSER</b>	<b>COST</b>
<b><i>NORDCO RAIL SERVICES, LLC</i></b>	<b><i>\$230,713.07</i></b>
<b>HERZOG SERVICES</b>	<b>\$408,704.48</b>
<b>SPERRY RAIL SERVICES</b>	<b>\$418,000.00</b>







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San Diego, CA 92101-7490  
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## Agenda Item No. 13

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

#### SUBJECT:

WIRELESS INFRASTRUCTURE PROJECT PHASE 2 – SOLE SOURCE CONTRACT  
AWARD

#### RECOMMENDATION:

That the Board of Directors 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.

#### Budget Impact

The total cost of this Agreement is a not-to-exceed amount of \$169,678.01 broken down as follows:

Equipment:	\$111,343.65
Sales Tax (8%)	\$ 8,907.49
Freight/Delivery Charge:	<u>\$ 2,226.87</u>
Subtotal	\$122,478.01

Professional Services:	<u>\$ 47,200.00</u>
------------------------	---------------------

**TOTAL: \$169,678.01**

This project is funded by Proposition 1B under MTS Capital Improvement Program (CIP) project number 11341.

#### DISCUSSION:

This recommended sole source award is under the County of Merced's Fast Open Contract Utilization Services (FOCUS) Contract Number 2009177.

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



Over the past several years, MTS has installed a number of systems that rely on a variety of wireless components and capabilities to upload and download configuration data, passenger data, fare data, video data, and the like. In all cases, the wireless component for each of these systems was implemented as a stand-alone "island" of wireless coverage for that specific system only. The proliferation of these wireless coverage "islands" has resulted in coverage conflicts, difficulty in managing wireless infrastructure, and inability to leverage established wireless coverage for other purposes.

The Wireless Infrastructure Project will unify these wireless coverage "islands" into a coherent and integrated wireless infrastructure which will enable MTS to properly manage the wireless infrastructure and systems and to leverage wireless components and coverage for all systems in use at MTS.

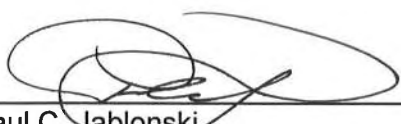
For easier project management, the Project was divided in three (3) phases (Discovery, Pilot Program, and Implementation) with the material needs of each phase dictated by the nature and extent of work completed in the preceding phase.

In September 2013, MTS initiated Phase 1 of the project. It included the development and design of a proof of concept, as well as, a survey of possible pilot sites. Phase 1 is now complete.

Phase 2 provides for consolidation of the existing wireless infrastructure in high-availability mode, and calls for the installation and testing of wireless functionalities at 12<sup>th</sup> & Imperial, Kearny Mesa Division, and one pilot trolley station.

This sole source award is recommended due to the highly technical nature of MTS' requirements. While a separately held competitive procurement was possible it carries a risk that a selected contractor, outside of AT&T, will lack the familiarity, and therefore, the technical expertise to effectively assist MTS achieve its end goals. Similarly, a selected contractor, other than AT&T, may elect to supply equipment not necessarily compatible with those installed in Phase 1, resulting in a hybrid system. In both cases MTS can expect to incur significant additional costs if it is to have a fully productive wireless system in place.

Therefore, staff recommends that the Board of Directors 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' Wireless Infrastructure Project.



---

Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [Sharon.Cooney@sdmts.com](mailto:Sharon.Cooney@sdmts.com)



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## Agenda Item No. 14

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

#### SUBJECT:

PRINTING OF TIMETABLES - CONTRACT AWARD

#### RECOMMENDATION:

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

1. execute MTS Doc. No. G1534.0-13 (in substantially the same format as Attachment A) with AAA Printing Company for services for the printing of MTS timetables, for a five-year base period with 2 one-year option terms (for a total of 7 years) exercisable at MTS's exclusive determination; and
2. exercise each option year at the CEO's discretion.

#### Budget Impact

The total cost of this contract would not exceed \$1,098,720.06 and is broken down as follows:

➤	Year 1 (12/1/13 – 11/30/14)	\$ 144,242.86
➤	Year 2 (12/1/14 – 11/30/15)	\$ 148,419.38
➤	Year 3 (12/1/15 – 11/30/16)	\$ 152,742.28
➤	Year 4 (12/1/16 – 11/30/17)	\$ 157,200.43
➤	Year 5 (12/1/17 – 11/30/18)	\$ 161,811.26
➤	Year 6 (Option Yr. 1) (12/1/18 – 11/30/19)	\$ 165,710.96
➤	Year 7 (Option Yr. 2) (12/1/19 – 11/30/20)	\$ 168,592.89

**Total: \$1,098,720.06**



The annual costs are based on estimated usage quantities of timetables for various MTS routes. Annual funding would fall under MTS's bus and rail operations account 902-53730 using local funding.

#### DISCUSSION:

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

On June 21, 2013, staff released a Request for Proposals (RFP). This solicitation combined timetable requirements for MTS bus operations, Access and Americans with Disabilities Act (ADA) services, and rail operations. Timetables contain fare information, arrival times at certain stops, and a map of each route. The timetables are printed in both English and Spanish.

On August 7, 2013, seven proposals were received from the proposers listed below in response to the RFP. Of these, L & L Printers was deemed nonresponsive for failing to follow the RFP instructions (Section A. Proposal Content, Requirements and Format).

1. AAA Printing Company, El Cajon, CA 92021
2. All Source, Lake Arrowhead, CA 92352
3. Golden State Graphics, San Marcos, CA 92069
4. L & L Printers, Carlsbad, CA 92011
5. Mailing US, dba Note Pads Inc., Anaheim, CA 92807
6. Neb-Cal, San Diego, CA 92121
7. Pacific Graphics, City of Industry, CA 91744

A selection committee consisting of representatives from various MTS departments met and rated the proposals. The ratings were based on the following criteria:

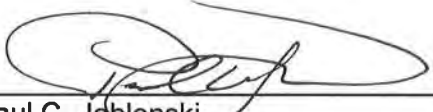
1.	Qualifications and Project Experience of Firm or Staff	25%
2.	Contractor Responsiveness and Flexibility	15%
3.	Quality of Printing and Samples	20%
4.	Proposed Methodology and Approach to Work	15%
5.	<u>Cost/Price</u>	<u>25%</u>
		Total: 100%

Based on the evaluation panel's analysis of the technical proposal, discussions, negotiations, and evaluation of price, MTS staff has determined that AAA Printing Company's proposal represents the best overall value of fulfilling MTS's requirements as outlined in the RFP.

While cost was only one criterion considered in the selection, it should be noted that AAA Printing Company, the recommended firm (which is also the incumbent), has proposed a \$38,136.52 per year (or 20%) cost reduction over its original proposal for printing timetables.

Therefore, staff is requesting that the MTS Board of Directors authorize the CEO to:

1. execute MTS Doc. No. G1534.0-13 (in substantially the same format as Attachment A) with AAA Printing Company for printing services for a five-year base period with 2 one-year option terms (for a total of 7 years); and
2. exercise each option year at the CEO's discretion.



Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [Sharon.Cooney@sdmts.com](mailto:Sharon.Cooney@sdmts.com)

Attachments: A. Draft MTS Doc. G1534.0-13  
B. Cost Summary

# DRAFT

Att. A, AI 14, 11/14/13

## STANDARD PROCUREMENT AGREEMENT

G1534.0-13  
CONTRACT NUMBER

FILE NUMBER(S)

THIS AGREEMENT is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2013, in the State of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following, hereinafter referred to as "Contractor":

Name: AAA Printing Company

Address: 1315 Broadway

Form of Business: Sole Proprietor  
(Corporation, partnership, sole proprietor, etc.)

El Cajon, CA 92021

Telephone: 619.447.7468

Authorized person to sign contracts: David Bueltel Owner  
Name Title

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

Provide printing of timetables as set forth in the MTS Scope of Work (attached as Exhibit A), AAA Printing Company's Proposal dated October 25, 2013 (attached as Exhibit B), in accordance with the Standard Procurement Agreement, including Standard Conditions Procurement (attached as Exhibit C).

The contract term is for up to a 7-year period (5-year base with two 1-year options exercisable at MTS's sole discretion). Base period shall be effective December 1, 2013, through November 30, 2018, and Option Years I and II shall be effective December 1, 2018, through November 30, 2020. Payment terms shall be net 30 days from invoice date.

The total contract cost shall be \$764,416.21 for the base period and \$334,303.85 for the option years for a total of \$1,098,720.06.

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
\$764,416.21 – Base Period		
\$334,303.85 – Option Years I & II		
\$1,098,720.06 – Total	902-53730	FYs 13-20

By: \_\_\_\_\_ Chief Financial Officer \_\_\_\_\_ Date

(\_\_\_\_ total pages, each bearing contract number)

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**PRINTING OF TIMETABLES RFP  
MTS DOC. NO. G1534.0-13**

**COST SUMMARY**

<b>FIRM/PROPOSER</b>	<b>COST</b>
<b>AAA PRINTING COMPANY</b>	<b>\$1,098,720.06</b>
NEB-CAL	\$1,171,788.50
PACIFIC GRAPHICS	\$1,551,919.55
<i>L &amp; L PRINTERS *</i>	\$1,920,888.01
GOLDEN STATE GRAPHICS	\$2,439,104.26
MAILING US, DBA NOTE PADS INC.	\$3,753,643.68
ALL SOURCE	\$5,065,291.80

\*Nonresponsive Proposer





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## Agenda Item No. 15

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

#### SUBJECT:

PROPOSED REVISIONS TO MTS POLICY NO. 41 – SIGNATURE AUTHORITY

#### RECOMMENDATION:

That the Board of Directors approve the proposed revisions to MTS Policy No. 41 – Signature Authority (Attachment A).

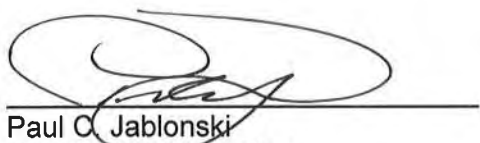
#### Budget Impact

None.

#### DISCUSSION:

MTS staff is proposing minor changes to Board Policy No. 41, MTS Signature Authority. The purposed changes are as follows:

1. To include the Director of Financial Planning and Analysis as an authorized signer for check and wire disbursements up to \$10,000.
2. In the CEO's absence, to include the Chief of Staff as an authorized signer for all checks, purchase requisitions, contracts, and documents.
3. In the Procurement Manager's absence, to include the Director of Financial Planning and Analysis and the Controller as authorized signers to execute purchase orders and contracts falling within the Procurement Manager's signature authority.



Paul O. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [Sharon.Cooney@sdmts.com](mailto:Sharon.Cooney@sdmts.com)

Attachment: A. Proposed Revisions to Policy No. 41

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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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## Policies and Procedures

No. 41

SUBJECT:

Board Approval: 44/48/4011/14/2013

SIGNATURE AUTHORITY

PURPOSE:

To establish guidelines and procedures for authorized signatories relating to check processing (including wire transfers) and MTS documents (purchase requisitions, contracts, agreements, payment vouchers). The policies below relate to MTS, San Diego Transit Corporation (SDTC), and San Diego Trolley, Inc. (SDTI).

BACKGROUND:

MTS, SDTC, and SDTI maintain a number of checking accounts in various approved financial institutions. To ensure adequate internal controls, signing of checks and execution of wire transfers ~~is~~ restricted to authorized personnel only. This policy ~~would~~ establishes guidelines and procedures for obtaining appropriate approval. In addition, this policy establishes guidelines and procedures for delegating authority to execute MTS documents, including contracts and agreements, on behalf of the Chief Executive Officer in his or her absence.

POLICY:

### 41.1 Authorized Signatories for Disbursements

Authorized signatures for disbursements are: the Finance Manager, Controller, Director of Financial Planning and Analysis, Chief Operating Officer – Bus/Rail, Chief Financial Officer, Chief of Staff, General Counsel, and Chief Executive Officer.

One signature is required for check and wire transfer disbursements under \$2,000. This signature can be a facsimile signature. Two signatures are required for all checks and wire transfer disbursements over \$2,000. One of these can be a facsimile signature. A listing of all facsimile checks must be reviewed and approved by an authorized check signer. For checks and wire transfer disbursements over \$10,000, the second signature SHALL NOT BE the Finance Manager, ~~or~~ Controller, or Director of Financial Planning and Analysis. Checks and wire transfer disbursements over \$25,000 require that one of the



signatures be that of the Chief of Staff, General Counsel, Chief Financial Officer, or Chief Executive Officer.

The listing below summarizes the above as to effective levels of check-signing authority:

Finance Manager	To	\$ 10,000
Controller	To	\$ 10,000
Director of Financial Planning & Analysis	To	\$ 10,000
Chief Operating Officer – Bus/Rail	To	\$ 25,000
Chief Financial Officer	Over	\$ 25,000
Chief of Staff	Over	\$ 25,000
General Counsel	Over	\$ 25,000
Chief Executive Officer	Over	\$ 25,000

#### 41.2 Authorized Signatories on Purchase Requisitions

Authorized signatures for purchase requisitions are Supervisors, Managers, Directors, Chief Operating Officer – Bus/Rail, Chief Financial Officer, Chief of Staff, General Counsel, and Chief Executive Officer.

Manager/Supervisor	To	\$ 3,000
Directors	To	\$ 5,000
Chief Operating Officer – Bus/Rail	To	\$ 50,000
Chief Financial Officer	To	\$ 50,000
Chief of Staff	To	\$ 50,000
General Counsel	To	\$ 50,000
Chief Executive Officer	Over	\$ 50,000

#### 41.3 Purchase Orders

Upon completion of the procurement process (i.e. Board approval of a formal contract, staff approval of a purchase order), the Manager of Procurement may execute the ~~Elipse~~ Purchase Order which shall be transmitted to the vendor.

#### 41.4 Authorized Signatories on Contracts and Documents

Authorized signatures for Contracts and Documents are Supervisors, Managers, Directors, Chief Operating Officer – Bus/Rail, Chief Financial Officer, Chief of Staff, General Counsel, and Chief Executive Officer.

All approval levels must be contained within and be consistent with overall Board of Directors approval levels. The approval levels are as follows:

Manager/Supervisor	To	\$ 3,000
Directors	To	\$ 5,000
Chief Operating Officer – Bus/Rail	To	\$ 50,000
Chief Financial Officer	To	\$ 50,000
Chief of Staff	To	\$ 50,000
General Counsel	To	\$ 50,000
Chief Executive Officer	Up To	\$ 100,000

Board of Directors approval is required for all contracts over \$100,000.

41.5 Authorized Signatories for the Clerk of the Board

In the Clerk of the Board's absence, the Assistant Clerk of the Board is authorized to execute documents as may be required to certify actions of the Board.

41.6 Authorized Signatories of Payment Vouchers and Check RequestsRequest for Payment/Payment Vouchers

Authorized signatures for ~~payment vouchers and check requestsRequest for Payment/Payment Vouchers~~ are Supervisors, Managers, Directors, Chief Operationsng Officer – Bus/Rail, Chief Financial Officer, General Counsel, and Chief Executive Officer.

All approval levels must be contained within and be consistent with overall Board of Directors approval levels. The approval levels are as follows:

Manager/Supervisor	To	\$	3,000
Directors	To	\$	5,000
Chief Operationsng Officer – Bus/Rail	To	\$	50,000
Chief Financial Officer	To	\$	50,000
General Counsel	To	\$	50,000
Chief Executive Officer	Over	\$	50,000

41.7 Authorized Signatories for Absences

In the CEO's absence, General Counsel, Chief of Staff, or the CEO's designee is authorized to execute all checks, purchase requisitions, contracts, and documents as necessary, so long as prior approval is given by the CEO.

In the Procurement Manager's absence, the Chief Financial Officer, the General Counsel, the Director of Financial Planning and Analysis, or the Controller ~~or a Director with appropriate signature authority~~ is authorized to execute purchase orders and contracts falling within the Procurement Manager's signature authority.

This original Policy was adopted on 2/13/92.

Policy revised on 8/11/94.

Policy revised on 1/29/04.

Policy revised on 2/23/06.

Policy revised on 11/18/10.

Policy revised on 11/14/13.



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## Agenda Item No. 45

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

#### SUBJECT:

FISCAL YEAR 2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT (ERIN DUNN  
AND GARY CAPORICCI OF PUN & MCGEADY)

#### RECOMMENDATION:

That the Board of Directors receive the Fiscal Year 2013 Comprehensive Annual  
Financial Report (CAFR).

#### Budget Impact

None.

#### DISCUSSION:

MTS staff and auditors Pun & McGeady will present the Fiscal Year 2013 CAFR.

Gary Caporicci of Pun & McGeady will present a brief overview of new Government  
Accounting Standards Board Statements.

  
\_\_\_\_\_  
Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [Sharon.Cooney@sdmts.com](mailto:Sharon.Cooney@sdmts.com)

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





**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2013 AND 2012**



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

# **San Diego Metropolitan Transit System**

San Diego, California

*Comprehensive Annual Financial Report  
and Independent Auditors' Report*

*For the years ended June 30, 2013 and 2012*

PREPARED BY SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
FINANCE DEPARTMENT

# San Diego Metropolitan Transit System

## Table of Contents

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	Page
<b>Introductory Section (Unaudited):</b>	
Letter of Transmittal .....	i
Listing of Board of Directors and Management .....	v
Executive Level Organization Chart .....	vii
Certificate of Achievement for Excellence in Financial Reporting – GFOA .....	viii
<b>Financial Section:</b>	
<b>Independent Auditors' Report</b> .....	<b>1</b>
<b>Management's Discussion and Analysis</b>	
<b>(Required Supplementary Information) (Unaudited)</b> .....	<b>3</b>
<b>Basic Financial Statements:</b>	
Statements of Net Position .....	8
Statements of Revenues, Expenses and Changes in Net Position .....	9
Statements of Cash Flows .....	10
Notes to Basic Financial Statements .....	13
<b>Required Supplementary Information (Unaudited):</b>	
Schedule of Funding Progress of Defined Pension Plan .....	42
Schedule of Funding Progress of Other Postemployment Healthcare Plan .....	43
<b>Supplementary Information:</b>	
Combining Schedule of Net Position .....	46
Combining Schedule of Revenues, Expenses, and Changes in Net Position .....	48
Combining Schedule of Cash Flows .....	50
<b>Schedules of Revenues, Expenses and Changes in Net Position - Budget and Actual:</b>	
Combined Operations .....	52
General Operations:	
General Fund .....	54
Taxicab Administration .....	56
San Diego & Arizona Eastern Railway .....	57
Contracted Services .....	58
San Diego Transit Corporation .....	60
San Diego Trolley, Inc. ....	62

# San Diego Metropolitan Transit System

## Table of Contents

---

	Page
<b>Statistical Section (Unaudited):</b>	
Financial Trends:	
Net Position by Component .....	68
Changes in Net Position .....	69
Revenue Capacity:	
Operating Revenue by Source .....	72
Fare Structure .....	73
Farebox Recovery Percentages .....	74
Debt Capacity:	
Ratio of Outstanding Debt by Type .....	76
Demographic and Economic Statistics:	
Regional Population and Personal Income Statistics .....	78
Full-time and Part-time Employees by Function .....	79
Ten Largest Employers in San Diego County .....	80
Operating Information:	
Operating Indicators by Function .....	82
Service Performance Data .....	83
Capital Asset Statistics by Function .....	84
Ridership .....	85
Operating Subsidy .....	86
<b>Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....</b>	<b>87</b>



## **INTRODUCTORY SECTION**



**Metropolitan Transit System**

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**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, 2013 and 2012 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 (U.S. 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 Pun & McGeady 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, 2013 and 2012 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, 2013 and 2012 are fairly presented, in all material respects, in conformity with U.S. 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.

U.S. GAAP requires 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.

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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.

## 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.

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 America Plaza Station to San Ysidro at the International Border, the Orange Line from the Santa Fe Depot through Centre City and then east to El Cajon Transit Center, and the Green Line from the 12th and Imperial Transit Center Bayside platform to Santee. During FY2013, MTS accomplished significant changes to the configuration of each operating line to achieve greater efficiency and meet the transit need of a greater number of people. SDTI operates on a total of 54.3 miles of track. SDTC operates 27 routes with an active fleet of 260 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 Security, Planning, Human Resources, Finance, Information Technology, Stores, 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 outside parties for the operation of 70 fixed-route bus lines and paratransit services with an active fleet of 427 buses. The contracts require full operation and maintenance of the bus services. Contract services are accounted for in the Contracted Services 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. In December 2012, SD&AE entered into a 99-year lease and operating agreement with Pacific Imperial Railroad, Inc. (PIR) over the 70-mile Desert Line freight right of way in East San Diego County. The agreement provides specific performance milestones for the first 5 years of the term, with a minimum of \$1 million in annual revenue required. The agreement may be terminated if PIR fails to meet the specified milestones. If PIR meets all milestones and commences freight operations along the Desert Line, MTS's revenue will increase over time to 15% of gross freight revenue.

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, La Mesa, Lemon Grove, 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.

## **ECONOMIC CONDITION AND OUTLOOK**

The San Diego region continues to show moderate recovery from the economic downturn that has affected all parts of the nation since 2008, fueled by increased military spending and moderate improvements in tourism, biotech industries, healthcare and housing construction. San Diego's gross regional product (GRP), the total value of the region's economy, has been forecasted to reach \$180.1 billion in 2012 and \$187.6 billion in 2013, increasing from the \$172.6 billion earned in 2011. Unemployment has declined in San Diego County and compares favorably to the unemployment rate in California and the national average. Sales tax receipts have grown in the current year as have sales tax related revenues.

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

On a local level, area voters approved a one-half cent transportation sales tax in 1987, called *TransNet*. One-third of the sales tax proceeds is allocated for transit purposes which is further divided between MTS and North County Transit District (MTS' counterpart in North San Diego County) based on the proportion of the population within the area of each jurisdiction. Prior to FY 2004, 80% of the *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 continued to make small improvements over the past 5 years, but has yet to recover fully from the economic downturn. Sales tax receipts throughout California have continued to increase resulting in increased subsidy revenue available to MTS from both TDA and *TransNet* funds. MTS continues to monitor its costs and initiate additional revenue programs, and has initiated restoration of some service reduced in prior years. In response to significant pressure from growing pension and benefits liabilities, MTS has made pension reform a priority. As of fiscal year 2013, all employees now contribute towards their defined benefit pension plans, and all new members of the Amalgamated Transit Union will participate in a defined contribution retirement plan.

As directed by the MTS Board of Directors, MTS plans to bring its contingency reserve balance from 10.0% of the operating budget up to 12.5% over the next three years.

MTS also established a capital reserve to begin planning for the replacement of 52 SD100 light rail vehicles that are 18 years old.

### **Major Initiatives**

In addition to the challenge of aligning operating cost with recurring revenues, MTS is also committed to keeping its capital infrastructure in a state of good repair. During fiscal year 2013, MTS continued its ongoing programs to upgrade its bus fleet and light rail vehicles. As of June 30, 2013, MTS accepted delivery of 54 new low-floor vehicles as part of the Trolley Renewal project, with the final 11 to arrive during fiscal year 2014. In addition, two bus maintenance facilities, in East County and South Bay, are in the process of being expanded and upgraded.

MTS partners with SANDAG on many regional capital projects to enhance the public transit system. This includes three "Rapid" bus projects in the San Diego region. These routes will operate high-frequency, limited stop service to higher-amenity stations utilizing new, articulated buses. Two of the "Rapid" bus projects are currently under construction with an anticipated in-service date in the middle of calendar year 2014. The third project is in the final development phase.

The Mid-Coast extension of the trolley system is another regional project; it is currently in the preliminary engineering phase. When complete, this extension will span 11 miles between Old Town and north University City. Construction on the Mid-Coast extension is scheduled to begin in calendar year 2016 and is anticipated to open for revenue service in calendar year 2018.

### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (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, 2012. This was the seventh consecutive year and the seventeenth year overall that MTS has achieved this prestigious award. To be awarded a Certificate of Achievement MTS must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **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 Teller  
Chief Financial Officer

October 17, 2013

# San Diego Metropolitan Transit System

## Listing of Board of Directors and Management

### BOARD OF DIRECTORS

<b>Members</b>	<b>Board position (elected position)</b>
Harry Mathis	Chairman, since 1/06; Board Member since 1/95
Ron Roberts	Vice Chairman, since 1/11; Board Member since 12/89 (Supervisor, County Board of Supervisors)
David Alvarez	Board Member, since 1/12 (Councilmember, City of San Diego)
Lorie Bragg	Board Member, since 1/12 (Mayor Pro Tem, Imperial Beach)
Jim Cunningham	Board Member, since 12/09 (Councilmember, City of Poway)
Marti Emerald	Board Member, since 12/09 (Councilmember, City of San Diego)
Ernest Ewin	Chair Pro Tem, since 1/13, Board Member, since 3/05 (Councilmember, City of La Mesa)
George Gastil	Board Member, since 12/12 (Councilmember, City of Lemon Grove)
Todd Gloria	Board Member, since 1/09 (Interim Mayor, 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)
Mona Rios	Board Member, since 9/11 (Councilmember, National City)
Mary Salas	Board Member, since 2/13 (Councilmember, City of Chula Vista)
Lorie Zapf	Board Member, since 1/13 (Councilmember, City of San Diego)

### BOARD COMMITTEE MEMBERSHIP

<b>Executive Committee</b>	<b>Accessible Services Advisory Committee</b>	<b>Airport Authority Advisory Committee</b>	<b>Ad Hoc Public Security Committee</b>
Harry Mathis, Chair Jim Cunningham Todd Gloria Al Ovrom Ron Roberts	Lorie Bragg, Chair	Harry Mathis	David Alvarez Jim Cunningham Harry Mathis John Minto Mona Rios
<b>Audit Oversight Committee</b>	<b>Budget Development Committee</b>	<b>Joint Committee on Regional Transit</b>	<b>Los Angeles-San Diego Rail Corridor Agency</b>
Ernie Ewin, Chair Jim Cunningham Todd Gloria Harry Mathis Al Ovrom Ron Roberts	Todd Gloria Harry Mathis Bob McClellan John Minto Ron Roberts	Jim Cunningham Ernie Ewin Harry Mathis	Jerry Rindone (Former Board Member)
<b>SANDAG Board</b>	<b>SANDAG Regional Planning Committee</b>	<b>SANDAG Transportation Committee</b>	<b>Taxicab Committee</b>
Harry Mathis	Mona Rios	Harry Mathis	Lorie Zapf, Chair

# **San Diego Metropolitan Transit System**

## **Listing of Board of Directors and Management (Continued)**

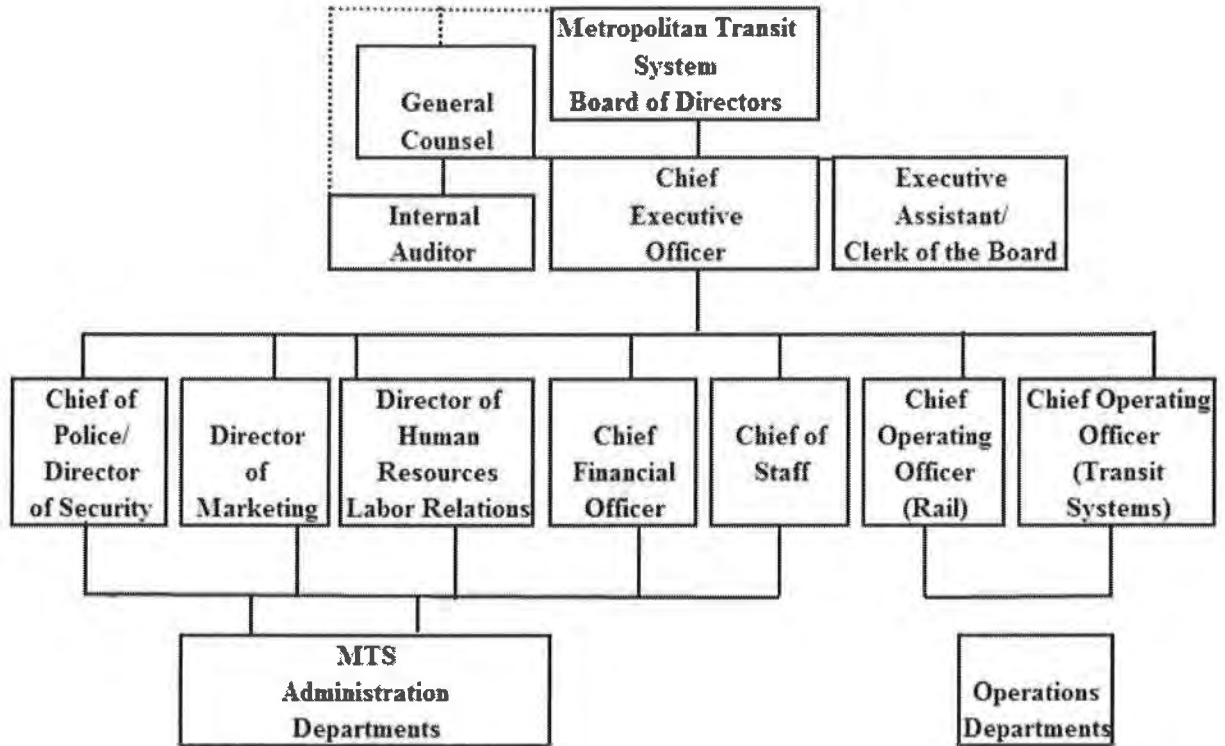
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### **MTS MANAGEMENT**

<b>Staff</b>	<b>Position</b>
Paul Jablonski	Chief Executive Officer
Sharon Cooney	Chief of Staff
Karen Landers	General Counsel
Cliff Telfer	Chief Financial Officer
William Spraul	Chief Operating Officer, Transit Systems
E. Wayne Terry	Chief Operating Officer, Rail
Robert Schupp	Director, Marketing and Communications
Jeff Stumbo	Director, Human Resources and Labor Relations
Bill Burke	Chief of Police/Director of Security

# San Diego Metropolitan Transit System

## Executive Level Organization Chart





**San Diego Metropolitan Transit System**

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

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**Government Finance Officers Association**

**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, 2012**

A handwritten signature in black ink, reading 'Jeffrey R. Egan'. The signature is written in a cursive, flowing style.

**Executive Director/CEO**

## **FINANCIAL SECTION**





6265 Greenwich Drive  
Suite 220  
San Diego, California 92122

**Phone:** (858) 242-5100  
**Fax:** (858) 242-5150  
[www.pm-llp.com](http://www.pm-llp.com)

## INDEPENDENT AUDITORS' REPORT

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

### Report of Financial Statements

We have audited the accompanying basic financial statements of the San Diego Metropolitan Transit System (MTS), which comprise of the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and related notes to the basic financial statements.

### Management Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MTS as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic 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 them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2013, on our consideration of MTS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MTS' internal control over financial reporting and compliance.

*For /s/ Mc Geady LLP*

San Diego, California  
October 17, 2013

# San Diego Metropolitan Transit System

## Management's Discussion and Analysis

### June 30, 2013 and 2012

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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, 2013 and 2012. 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 position, as reported in the statement of net position, totaled \$1,493 million as of June 30, 2013, \$1,409 million as of June 30, 2012 and \$1,254 million as of June 30, 2011. Of this amount, \$190 million was unrestricted as of June 30, 2013, \$158 million was unrestricted as of June 30, 2012, and \$173 million was unrestricted as of June 30, 2011. Total net position increased by \$84 million in the current year and increased by \$155 million in the prior year. The current year increase is attributable to an increase in contributed capital offset by increases in operating expenses and decreases in Federal, *TransNet* and Prop 1B subsidy revenues for capital projects.
- For the year ended June 30, 2013, the combined farebox recovery ratio (the measure of the ability to recover operating costs through fare revenue) for San Diego Trolley, Inc., San Diego Transit Corporation, and MTS Contracted Services was 39.92% compared to 41.05% for the year ended June 30, 2012 and 41.68% for the year ended June 30, 2011. The current year decrease is due primarily to an increase in personnel costs related to the amortization of the net pension asset.

#### Overview of the Financial Statements

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

**Financial statements.** The financial statements are designed to provide readers with a broad overview of MTS' finances, in a manner similar to a private-sector business. In fiscal year 2013, MTS presents comparative statements for FY2013 and FY2012.

The *statement of net position* presents information on all of MTS' assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between the four reported as net position. Over time, increases or decreases in net position 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 position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in 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).

**San Diego Metropolitan Transit System**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2013 and 2012**

**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 postemployment benefits to its employees.

**Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of an entity's financial stability. In the case of MTS, net position was \$1,493 million at the close of the most recent fiscal year and \$1,409 million at the end of FY2012.

The largest portion of MTS' net position reflects the investment in capital assets, net of accumulated depreciation and reduced by any outstanding bonds or other borrowings. Most of the investment in capital assets is comprised of trolley system assets, buses, and construction-in-progress totaling \$23 million, of which the largest project under construction is the procurement of 65 light rail vehicles, \$16 million. Prior year construction-in-progress totaled \$88 million, of which the largest projects under construction included the procurement of 65 light rail vehicles, \$66 million; procurement of buses, \$14 million; and security-related trolley car enhancements, \$4 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 FY2013, MTS transferred completed projects worth \$146 million to SDTC, SDTI and Other Contracted Services. In FY2012, MTS transferred completed projects worth \$151 million to SDTC, SDTI, and Other Contracted Services.

The balance in the unrestricted component of net position increased by \$32 million during the current year and decreased \$15 million in the prior year.

	June 30, 2013	June 30, 2012	Change	June 30, 2011	Change
Current and other assets	\$ 316,370,757	\$ 377,313,773	\$ (60,943,016)	\$ 299,353,436	\$ 77,960,337
Capital assets	1,416,260,555	1,295,206,414	121,054,141	1,198,153,827	97,052,587
Total assets	1,732,631,312	1,672,520,187	60,111,125	1,497,507,263	175,012,924
Long-term liabilities outstanding	176,376,307	193,730,156	(17,353,849)	197,238,134	(3,507,978)
Other liabilities	62,945,676	69,755,429	(6,809,753)	46,571,745	23,183,684
Total liabilities	239,321,983	263,485,585	(24,163,602)	243,809,879	19,675,706
Net position:					
Net investment in capital assets	1,296,216,965	1,172,815,524	123,401,441	1,073,561,720	99,253,804
Restricted	7,255,404	78,378,268	(71,122,864)	7,007,293	71,370,975
Unrestricted	189,836,960	157,840,810	31,996,150	173,128,371	(15,287,561)
Total net position	<u>\$ 1,493,309,329</u>	<u>\$ 1,409,034,602</u>	<u>\$ 84,274,727</u>	<u>\$ 1,253,697,384</u>	<u>\$ 155,337,218</u>

Increases in operating revenue are attributable to an increase in riders utilizing one-way fares as well as the \$2.00 fee being charged for compass cards. Variances between FY2013 and FY2012 are attributable to significant decreases in FTA, *TransNet*, and Prop 1B funding for capital projects, and a decrease in STA revenue. The current year increase in operating expenses is attributable to an increase in personnel costs, primarily due to the amortization cost associated with the net pension asset, and an increase in depreciation expense associated with the acquisition of new assets.

**San Diego Metropolitan Transit System  
Management's Discussion and Analysis (Continued)  
June 30, 2013 and 2012**

	June 30, 2013	June 30, 2012	Change	June 30, 2011	Change
<b>Revenues:</b>					
Operating revenues:					
Charges for services	\$ 90,652,522	\$ 88,280,779	\$ 2,371,743	\$ 84,893,386	\$ 3,387,393
Other operating revenue	5,906,691	5,228,636	678,055	5,308,624	(79,988)
Nonoperating revenues:					
Federal revenue	57,733,099	71,822,863	(14,089,764)	48,814,276	23,008,587
Transportation Development Act	71,893,404	71,538,917	354,487	61,509,431	10,029,486
State Transit Assistance	9,878,189	18,981,989	(9,103,800)	15,044,930	3,937,059
State revenue - other	5,213,539	84,878,549	(79,665,010)	18,520,399	66,358,150
<i>TransNet</i> funds	32,275,380	75,793,217	(43,517,837)	19,117,834	56,675,383
Other nonoperating revenue	14,022,580	9,644,573	4,378,007	16,250,239	(6,605,666)
Total revenues	<u>287,575,404</u>	<u>426,169,523</u>	<u>(138,594,119)</u>	<u>269,459,119</u>	<u>156,710,404</u>
<b>Expenses:</b>					
Operating expenses	327,929,073	306,931,351	20,997,722	291,893,326	15,038,025
Nonoperating expenses	<u>7,553,638</u>	<u>8,018,977</u>	<u>(465,339)</u>	<u>8,559,112</u>	<u>(540,135)</u>
Total expenses	<u>335,482,711</u>	<u>314,950,328</u>	<u>20,532,383</u>	<u>300,452,438</u>	<u>14,497,890</u>
Increase (decrease) in net position before capital contributions	(47,907,307)	111,219,195	(159,126,502)	(30,993,319)	142,212,514
Capital contributions	<u>132,182,034</u>	<u>44,118,023</u>	<u>88,064,011</u>	<u>26,806,292</u>	<u>17,311,731</u>
Increase (decrease) in net position	84,274,727	155,337,218	(71,062,491)	(4,187,027)	159,524,245
Net position - beginning of year	<u>1,409,034,602</u>	<u>1,253,697,384</u>	<u>155,337,218</u>	<u>1,257,884,411</u>	<u>(4,187,027)</u>
Net position - end of year	<u><u>\$1,493,309,329</u></u>	<u><u>\$1,409,034,602</u></u>	<u><u>\$ 84,274,727</u></u>	<u><u>\$1,253,697,384</u></u>	<u><u>\$ 155,337,218</u></u>

**Capital Asset and Debt Administration**

**Capital assets.** MTS' investment in capital assets net of depreciation as of June 30, 2013 and 2012 amounted to \$1,416 million and \$1,295 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 65 light rail vehicles for a total cost of \$239 million through the end of FY2013. As of June 30, 2013, MTS had placed 54 new trolley cars in service, 27 in the current year and 27 in FY2012.
- MTS continues to modernize the bus fleet. In FY2013, 53 buses were placed into service for a total cost of \$24 million.
- MTS purchased 40 new ADA buses for a total cost of \$2.8 million. As of June 30, 2013, MTS had placed all 40 buses in service.
- Completed capital projects totaling \$132 million were transferred from SANDAG to MTS and its component units during FY2013.



**San Diego Metropolitan Transit System**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2013 and 2012**

<b>CAPITAL ASSETS</b> (Net of depreciation)			
	2013	2012	2011
Land	\$ 240,453,415	\$ 240,471,287	\$ 224,793,077
Buildings	727,660,383	648,037,600	654,759,921
Vehicles	378,389,642	272,442,209	179,108,728
Equipment & other	47,215,318	46,728,919	42,137,343
Construction-in-progress	22,541,797	87,526,399	97,354,759
Total	<u>\$ 1,416,260,555</u>	<u>\$ 1,295,206,414</u>	<u>\$ 1,198,153,828</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 \$4.2 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 for a total obligation of \$141.1 million. In connection with the lease/leaseback transaction, MTS placed funds on deposit, which, together with the interest earned on the deposits, will be sufficient to cover the amounts due under the finance obligation.

The pension obligation bonds were issued in fiscal year 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; this refunding was retired in FY2013. 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 2013. 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](http://www.sdmts.com) or direct inquiries to the Chief Financial Officer, MTS, 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101.

## **BASIC FINANCIAL STATEMENTS**

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**San Diego Metropolitan Transit System**  
**Statements of Net Position**  
**June 30, 2013 and 2012**

	2013	2012
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 67,342,108	\$ 37,090,439
Investments restricted for debt service payable within one year	1,807,484	1,678,414
Accounts and other receivables	7,487,415	12,124,112
Due from other governments	64,554,910	64,126,299
Inventory	17,673,252	17,129,732
Prepaid expenses and other current assets	1,150,754	2,270,695
Total current assets	<u>160,015,923</u>	<u>134,419,691</u>
<b>Noncurrent assets:</b>		
Cash and certificates of deposit restricted for capital support	12,143,571	82,396,323
Investments restricted for debt service and capital projects	116,056,580	117,681,495
Unamortized bond issuance cost	329,045	360,626
Capital assets (net of accumulated depreciation)	1,416,260,555	1,295,206,414
Net pension asset	27,825,638	42,455,638
Total noncurrent assets	<u>1,572,615,389</u>	<u>1,538,100,496</u>
Total assets	<u>1,732,631,312</u>	<u>1,672,520,187</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	12,931,617	35,363,435
Due to other governments	20,184,156	6,803,474
Unearned revenue	4,223,070	2,214,435
Accrued expenses	10,123,462	11,103,737
Retention payable	334,827	57,256
Due within one year:		
Compensated absences payable	7,455,502	7,090,823
Accrued damage, injury, and employee claims	3,394,889	3,036,806
Long-term debt	2,490,669	2,407,049
Long-term debt payable from restricted assets	1,807,484	1,678,414
Total current liabilities	<u>62,945,676</u>	<u>69,755,429</u>
<b>Noncurrent liabilities:</b>		
Retention payable from restricted assets	7,487,745	6,435,064
Long-term debt payable from restricted assets	113,457,002	115,264,486
Due in more than one year:		
Compensated absences payable	4,713,238	5,133,802
Accrued damage, injury, and employee claims	8,854,074	11,227,194
Net other postemployment benefits obligation	13,695,813	12,118,669
Long-term debt, due in more than one year	28,168,435	43,550,941
Total noncurrent liabilities	<u>176,376,307</u>	<u>193,730,156</u>
Total liabilities	<u>239,321,983</u>	<u>263,485,585</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,296,216,965	1,172,815,524
Restricted	7,255,404	78,378,268
Unrestricted	189,836,960	157,840,810
Total net position	<u>\$ 1,493,309,329</u>	<u>\$ 1,409,034,602</u>

See accompanying notes to basic financial statements.

**San Diego Metropolitan Transit System**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended June 30, 2013 and 2012**

	2013	2012
<b>Operating revenues:</b>		
Passenger revenue	\$ 90,651,622	\$ 88,094,391
Advertising	972,190	784,204
Charter	900	186,388
Miscellaneous	4,934,501	4,444,432
<b>Total operating revenues</b>	<b>96,559,213</b>	<b>93,509,415</b>
<b>Operating expenses:</b>		
Personnel costs	123,720,353	112,536,825
Outside services	67,413,522	66,050,312
Transit operations funding	3,570,758	3,720,825
Materials and supplies	8,468,837	7,977,299
Energy costs	22,572,397	22,688,865
Risk management	2,902,322	4,029,950
Miscellaneous	6,492,642	5,115,682
Depreciation	92,788,242	84,811,593
<b>Total operating expenses</b>	<b>327,929,073</b>	<b>306,931,351</b>
<b>Operating (loss)</b>	<b>(231,369,860)</b>	<b>(213,421,936)</b>
<b>Public support and nonoperating revenues (expenses):</b>		
Federal revenue	57,733,099	71,822,863
Transportation Development Act (TDA) funds	71,893,404	71,538,917
State Transit Assistance (STA) funds	9,878,189	18,981,989
State revenue - other	5,213,539	84,878,549
<i>TransNet</i> funds	32,275,380	75,793,217
Other local subsidies	6,951,227	2,642,020
Investment earnings	6,266,933	7,622,252
Interest expense	(7,520,331)	(8,013,519)
Gain (loss) on disposal of assets	804,420	(619,699)
Other expenses	(1,726)	(4,155)
Amortization of bond issuance costs	(31,581)	(1,303)
<b>Total public support and nonoperating revenues (expenses)</b>	<b>183,462,553</b>	<b>324,641,131</b>
<b>Income (loss) before contributed capital</b>	<b>(47,907,307)</b>	<b>111,219,195</b>
Contributed capital, net	132,182,034	44,118,023
<b>Changes in net position</b>	<b>84,274,727</b>	<b>155,337,218</b>
<b>Net Position:</b>		
Beginning of year	1,409,034,602	1,253,697,384
End of year	<b>\$ 1,493,309,329</b>	<b>\$ 1,409,034,602</b>

See accompanying notes to basic financial statements.

**San Diego Metropolitan Transit System**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2013 and 2012**

	2013	2012
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 94,759,953	\$ 93,641,105
Payments to suppliers	(122,201,949)	(109,954,300)
Payments to employees	(115,897,734)	(105,546,593)
Payments for damage and injury	(2,560,951)	(2,414,484)
<b>Net cash provided (used) by operating activities</b>	<b>(145,900,681)</b>	<b>(124,274,272)</b>
<b>Cash flows from noncapital financing activities:</b>		
Public support funds received	203,981,276	336,075,331
<b>Net cash provided (used) by noncapital financing activities</b>	<b>203,981,276</b>	<b>336,075,331</b>
<b>Cash flows from capital and related financing activities:</b>		
Debt service costs	(16,867,535)	(9,114,411)
Property acquisition	(82,816,993)	(118,522,969)
Proceeds from disposal of assets	1,409,694	1,493,031
<b>Net cash provided (used) by capital financing activities</b>	<b>(98,274,834)</b>	<b>(126,144,349)</b>
<b>Cash flows from investing activities:</b>		
Interest received on investments	193,156	89,221
<b>Net cash provided (used) by investing activities</b>	<b>193,156</b>	<b>89,221</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(40,001,083)</b>	<b>85,745,931</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>119,486,762</b>	<b>33,740,831</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 79,485,679</b>	<b>\$ 119,486,762</b>
<b>Cash and cash equivalents:</b>		
Cash and cash equivalents	\$ 67,342,108	\$ 37,090,439
Cash and certificates of deposit restricted for capital support	12,143,571	82,396,323
<b>Total cash and cash equivalents</b>	<b>\$ 79,485,679</b>	<b>\$ 119,486,762</b>

See accompanying notes to basic financial statements.

**San Diego Metropolitan Transit System**  
**Statements of Cash Flows (Continued)**  
**For the Years Ended June 30, 2013 and 2012**

	2013	2012
<b>Reconciliation of operating (loss) to net cash provided (used) by operating activities</b>		
Operating (loss)	\$ (231,369,860)	\$ (213,421,936)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	92,788,242	84,811,593
Amortization of net pension asset	14,630,000	6,755,000
(Increase) decrease in:		
Accounts and other receivables	(3,807,895)	393,602
Inventory	(543,520)	(4,529,385)
Prepaid expenses and other current assets	1,119,941	(103,920)
Increase (decrease) in:		
Accounts payable	(23,282,245)	6,782,301
Accrued expenses	(980,275)	(6,013,542)
Unearned revenue	2,008,635	(261,919)
Net other postemployment benefits obligation	1,577,144	1,660,389
Compensated absences payable	(55,885)	(182,455)
Accrued damage, injury and employee claims	2,015,037	(164,000)
Total adjustments	85,469,179	89,147,664
<b>Net cash provided (used) by operating activities</b>	<b>\$ (145,900,681)</b>	<b>\$ (124,274,272)</b>
<b>Noncash investing, capital, and financing activities:</b>		
Contributions of capital assets from SANDAG	\$ 131,736,037	\$ 44,118,023
Contributions/adjustments of capital assets from outside parties	445,997	-
Total contributions of capital assets	<b>\$ 132,182,034</b>	<b>\$ 44,118,023</b>
 Increase in fair value of investments	 <b>\$ 258,247</b>	 <b>\$ 1,563,278</b>

See accompanying notes to basic financial statements.

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements**  
**For the years ended June 30, 2013 and 2012**

**Table of Contents**

	<b>Page</b>
<b>Note 1 – Summary of Significant Accounting Policies .....</b>	<b>15</b>
A. Reporting Entity .....	15
B. Financial Statements.....	16
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation .....	16
D. Use of Restricted/Unrestricted Assets .....	18
E. Cash, Cash Equivalents, and Investments .....	18
F. Inventory .....	19
G. Prepaid Items and Other Assets.....	19
H. Capital Assets .....	19
I. Construction-in-Progress .....	20
J. Net Pension Asset.....	20
K. Compensated Absences .....	20
L. Long-Term Obligations .....	20
M. Refunding of Debt .....	20
N. Use of Estimates .....	20
O. Accounting Changes.....	21
<b>Note 2 – Cash, Cash Equivalents, and Investments .....</b>	<b>21</b>
<b>Note 3 – Accounts Receivable.....</b>	<b>25</b>
A. Accounts and Other Receivables .....	25
B. Due from Other Governments .....	25
<b>Note 4 – Inventory .....</b>	<b>25</b>
<b>Note 5 – Capital Assets .....</b>	<b>26</b>
<b>Note 6 – Net Pension Asset.....</b>	<b>26</b>
<b>Note 7 – Due to Other Governments.....</b>	<b>27</b>
<b>Note 8 – Unearned Revenue .....</b>	<b>27</b>
<b>Note 9 – Commodity Swap .....</b>	<b>27</b>
<b>Note 10 – Long-Term Debt .....</b>	<b>28</b>
A. Summary .....	28
B. Capital Lease .....	29
C. Finance Obligations.....	30
<b>Note 11 – Risk Management.....</b>	<b>31</b>
<b>Note 12 – Contingencies .....</b>	<b>32</b>
<b>Note 13 – Postemployment Health Care Benefits .....</b>	<b>33</b>
<b>Note 14 – Employee Retirement Systems .....</b>	<b>36</b>
A. MTS and SDTI .....	36
B. SDTC .....	38
<b>Note 15 – Other Required Individual Fund Disclosures.....</b>	<b>39</b>
<b>Note 16 – Subsequent Events.....</b>	<b>39</b>

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements**  
**For the years ended June 30, 2013 and 2012**

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**Note 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 (U.S. 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 (also known as 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 position, 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 Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**A. Reporting Entity (Continued)**

**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 position, 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. SD&AE's assets, liabilities, net position, 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 position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the primary government and its component units. The statement of revenues, expenses, and changes in net position 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.

In 2013, MTS implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

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

**Deferred Inflows of Resources** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

MTS receives funding primarily from the following revenue sources:

**Passenger Revenue**

Passenger fares comprised approximately 36 percent and 38 percent of MTS' \$249.4 million and \$232.9 million operating budget for FY2013 and FY2012, respectively.

**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. Effective October 1, 2012 the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) Legislation was replaced with Moving Ahead for Progress in the 21st Century (MAP-21) which reauthorized surface transportation programs through Fiscal Year 2014. Under MAP-21, MTS receives Section 5307 and Section 5337 grants which are earmarked for capital assistance and preventive maintenance. In addition, MTS also receives Section 5311 and Section 5311F grants for operations. The Job Access Reverse Commute (JARC) grants which are used for operations have been eliminated. MTS expects to receive JARC funding for the next 1-2 years from grants previously awarded.

**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 2013.

**Transportation Development Act (TDA)**

TDA provides funding for public transit operators. This state fund is one quarter of a percent of the 8.0 percent sales tax assessed in the region. SANDAG is responsible for apportionment of these funds within the San Diego region. As economic conditions improve, sales tax receipts have increased over the prior year, and as a result the TDA funds available for disbursement have increased as well.

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

**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.

**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 that 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 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.

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**E. *Cash, Cash Equivalents, and Investments (Continued)***

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

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

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**H. Capital Assets (Continued)**

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

**I. Construction-in-Progress**

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

**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.

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**O. Accounting Changes**

GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA)*. The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement became effective for periods beginning after December 15, 2011 and did not have an impact on MTS' financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This Statement became effective for periods beginning after June 15, 2012 and did not have an impact on MTS' financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement combines the authoritative accounting and financial reporting of the Financial Accounting Standards Board ("FASB") and the American Institute of Certified Public Accountants ("AICPA"). The Statement eliminates the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments. This Statement became effective for periods beginning after December 15, 2011 and did not have a significant impact on MTS' financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirement of this Statement standardizes the presentation of the deferred inflows and outflows of resources and their effects on a government's net position. This Statement became effective for periods beginning after December 15, 2011. The implementation of this Statement to MTS was limited to renaming "Net Assets" to "Net Position" in the 2013 financial statements.

**Note 2 – Cash, Cash Equivalents, and Investments**

A summary of cash, cash equivalents, and investments at June 30, 2013 and 2012:

	2013	2012
Cash and cash equivalents	\$ 67,342,108	\$ 37,090,439
Cash and certificates of deposit restricted for capital support	12,143,571	82,396,323
Investments restricted for debt service and capital projects - Current	1,807,484	1,678,414
Investments restricted for debt service and capital projects - Noncurrent	116,056,580	117,681,495
Total cash and investments	<u>\$ 197,349,743</u>	<u>\$ 238,846,671</u>



**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 2 – Cash, Cash Equivalents, and Investments (Continued)**

Cash, cash equivalents, and investments consisted as follows on June 30, 2013 and 2012:

<u>Investment type</u>	<u>Fair Value</u>	
	<u>2013</u>	<u>2012</u>
Cash and cash equivalents:		
Demand Deposits	\$ 25,229,120	\$ 28,077,291
Retention Trust Account	7,487,745	6,435,064
San Diego County Investment Pool	4,655,826	75,961,259
State of California - Local Agency Investment Fund	42,112,988	9,013,148
Total cash and cash equivalents	<u>79,485,679</u>	<u>119,486,762</u>
Investments:		
U.S. Treasuries	39,171,173	38,924,428
Bank Investment Contract	78,692,891	80,435,481
Total investments	<u>117,864,064</u>	<u>119,359,909</u>
Total cash, cash equivalents, and investments	<u>\$ 197,349,743</u>	<u>\$ 238,846,671</u>

At year end the carrying amount of demand deposits was \$25,299,120 and the bank balance was \$26,774,449 compared to \$28,077,291 and \$29,038,991 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 Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

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**Note 2 – Cash, Cash Equivalents, and Investments (Continued)**

**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 8.8% of the Investment Pool as of June 30, 2013.

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

To mitigate credit risk, the Investment Pool's Investment Policy, which is more restrictive than the Government Code, places a minimum standard on the ratings of investments held in the Investment Pool. Investments in securities other than those guaranteed by the U.S. Treasury or Government Sponsored Enterprises must have a credit rating of no less than "A" for long-term or "A1" for short-term. Non-rated securities include sweep accounts, collateralized certificates of deposit and repurchase agreements. Sweep accounts and collateralized certificates of deposit must be FDIC insured and collateralized with securities held by a named agent of the depository. Repurchase agreements are 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, 2013, MTS had \$4,655,826 invested in the San Diego County Investment Pool, compared to \$75,961,259 at June 30, 2012.

**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, 2013, MTS had \$42,112,988 invested in LAIF, which had invested 1.96% of the pool investment funds in Structured Notes and Asset-Backed Securities compared to \$9,013,148 and 3.47% at June 30, 2012.

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

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**Note 2 – Cash, Cash Equivalents, and Investments (Continued)**

**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.

**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; U.S. Government taxable bonds; and a bank investment contract, are not rated and do not require 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, 2013 and 2012, are shown below:

<u>Maturity</u>	<u>2013</u>	<u>2012</u>
Current to one year	\$ 79,485,679	\$ 119,486,762
One to five years	39,171,173	38,924,428
Five to ten years	-	-
Ten to twenty years	78,692,891	80,435,481
Total	<u>\$ 197,349,743</u>	<u>\$ 238,846,671</u>

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 3 – Accounts Receivable**

**A. Accounts and Other Receivables**

At June 30, 2013 and 2012, the net realizable accounts and other receivables consisted of the following:

	2013	2012
Interest receivable	\$ 2,910,105	\$ 2,976,781
Passenger revenue - General Public	2,188,076	-
Pension plan receivable	1,255,716	8,209,465
Miscellaneous trade receivables	687,683	517,068
Advertising receivable	445,835	420,798
Total accounts and other receivables	<u>\$ 7,487,415</u>	<u>\$ 12,124,112</u>

**B. Due from Other Governments**

At June 30, 2013 and 2012, amounts due from other governments consisted of the following:

	2013	2012
FTA Grant Funds	\$ 47,082,147	\$ 47,860,775
STA Funds	5,791,324	4,843,032
Passenger revenue	3,538,468	5,246,831
SANDAG - project/route reimbursements	3,468,099	1,307,296
U.S. Treasury Department	1,651,284	1,042
County of San Diego - MediCal	1,112,738	1,394,591
City of Chula Vista	745,907	188,388
Department of Homeland Security	649,937	435,503
SANDAG - TransNet	404,299	703,790
State of California	58,965	234,550
North County Transit District-shared costs	49,692	94,910
City of San Diego	2,050	84,464
County of San Diego - TDA	-	1,731,127
Total due from other governments	<u>\$ 64,554,910</u>	<u>\$ 64,126,299</u>

**Note 4 – Inventory**

At June 30, 2013 and 2012, inventory consists of the following repair and maintenance parts for revenue vehicles:

	2013	2012
San Diego Transit Corp.	\$ 2,249,585	\$ 2,300,244
San Diego Trolley, Inc.	15,423,667	14,829,488
Total inventory	<u>\$ 17,673,252</u>	<u>\$ 17,129,732</u>

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 5 – Capital Assets**

MTS converted \$151 million in capital assets from CIP to assets in service compared to \$155 million in FY2012. Capital asset additions totaling \$131.7 million were contributed by SANDAG, including \$21.5 million to SDTC, and \$110.2 million to SDTI. In FY2012, the contributions from SANDAG totaled \$44.0 million.

A summary of changes in capital assets is as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets, not depreciated				
Land and right-of-way	\$ 240,471,287	\$ -	\$ (17,872)	\$ 240,453,415
Construction-in-progress	87,526,399	85,516,636	(150,501,238)	22,541,797
Total capital assets, not depreciated	<u>327,997,686</u>	<u>85,516,636</u>	<u>(150,519,110)</u>	<u>262,995,212</u>
Capital assets, depreciated:				
Buildings and structures	1,284,786,118	131,358,102	(2,836,934)	1,413,307,286
Buses and vehicles	530,564,522	138,314,777	(7,100,681)	661,778,618
Equipment and other	88,050,458	9,176,022	(117,074)	97,109,406
Capital lease property	12,091,981	-	-	12,091,981
Total capital assets, depreciated	<u>1,915,493,079</u>	<u>278,848,901</u>	<u>(10,054,689)</u>	<u>2,184,287,291</u>
Less accumulated depreciation for:				
Buildings and structures	(639,960,450)	(51,357,445)	2,836,934	(688,480,961)
Buses and vehicles	(258,122,313)	(32,365,779)	7,099,116	(283,388,976)
Equipment and other	(41,321,539)	(8,687,144)	114,595	(49,894,088)
Capital lease property	(8,880,049)	(377,874)	-	(9,257,923)
Total accumulated depreciation	<u>(948,284,351)</u>	<u>(92,788,242)</u>	<u>10,050,645</u>	<u>(1,031,021,948)</u>
Total capital assets, depreciated, net	<u>967,208,728</u>	<u>186,060,659</u>	<u>(4,044)</u>	<u>1,153,265,343</u>
Total capital assets	<u>\$1,295,206,414</u>	<u>\$ 271,577,295</u>	<u>\$ (150,523,154)</u>	<u>\$1,416,260,555</u>

Depreciation expense for capital assets for the years ended June 30, 2013 and 2012 was comprised of the following:

	2013	2012
General operations	\$ 1,361,426	\$ 1,246,870
Other contracted services	12,305,236	11,249,023
San Diego Transit Corporation	14,121,961	14,612,267
San Diego Trolley, Inc.	64,999,619	57,703,433
Total	<u>\$ 92,788,242</u>	<u>\$ 84,811,593</u>

**Note 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, 2013, the Net Pension Asset amounted to \$27,825,638, compared to \$42,455,638 for FY2012.

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 7 – Due to Other Governments**

At June 30, 2013 and 2012, amounts due to other governments consisted of the following:

	2013	2012
SANDAG - Subsidy revenue for construction projects in process	\$ 18,172,628	\$ 4,531,369
SANDAG - CIP Reimbursement	1,182,154	462,483
North County Transit District	295,945	64,143
City of Lemon Grove - TDA Funds	134,122	121,170
City of San Diego - Shared Revenue	122,338	104,359
City of El Cajon - TDA Funds	90,883	90,890
State of California	45,638	666,505
City of Poway - TDA Funds	67,977	60,027
City of La Mesa - TDA Funds	51,500	104,000
City of Coronado - TDA Funds	20,600	18,816
County of San Diego	371	47,091
SANDAG - Pass Sales	-	357,526
City of Santee - TDA Funds	-	100,000
SANDAG - Compass Card Program	-	75,095
Total due to other governments	<u>\$ 20,184,156</u>	<u>\$ 6,803,474</u>

**Note 8 – Unearned Revenue**

At June 30, 2013 and 2012, unearned revenue consisted of the following:

	2013	2012
Fare media payments received in advance	\$ 2,787,666	\$ 1,124,825
Lease payments received in advance	898,185	595,886
Deposit from City of Mendoza for sale of light rail vehicles	428,341	-
County funds - 4S Ranch development	98,570	219,049
Land management deposits	10,308	21,225
Advertising revenue received in advance	-	253,450
Total unearned revenue	<u>\$ 4,223,070</u>	<u>\$ 2,214,435</u>

**Note 9 – Commodity Swap**

On April 27, 2011, 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 \$4.698 MMBTU as fixed in the contract.

Type	Objective	Notional Quantity	Effective Date	Matures	Terms
Fuel contract	Hedge natural gas market price changes	732,000 MMBTU	7/1/2011	6/30/2012	Pay fixed price \$4.698 per MMBTU

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 9 – Commodity Swap (Continued)**

During the period of the agreement (FY2012) MTS paid \$2,688,798 to British Petroleum for natural gas purchases and paid an additional \$978,496 to Deutsche Bank under the terms of the pricing guarantee.

While the commodity swap did not provide a reduction in the total cost of natural gas, it did shield MTS from seasonal price variances. A commodity swap contract was not in place for FY2013.

**Note 10 – Long-Term Debt**

**A. Summary**

The following is a summary of changes in long-term obligations for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due within one year	Amounts due in more than one year
<b>MTS:</b>						
Capital lease obligations	\$ 4,766,867	\$ -	\$ (577,049)	\$ 4,189,818	\$ 575,669	\$ 3,614,149
Deferred gain on refunding	681,123	-	(91,837)	589,286	-	589,286
Finance obligation	116,942,900	-	(1,678,414)	115,264,486	1,807,484	113,457,002
Compensated absences payable	899,978	823,098	(756,471)	966,605	756,471	210,134
Accrued damage, injury, and employee claims	390,000	215,950	(97,000)	508,950	508,950	-
Net other postemployment benefits	3,036,541	533,100	(49,167)	3,520,474	-	3,520,474
<b>Total MTS</b>	<b>126,717,409</b>	<b>1,572,148</b>	<b>(3,249,938)</b>	<b>125,039,619</b>	<b>3,648,574</b>	<b>121,391,045</b>
<b>San Diego Transit Corporation:</b>						
Pension obligation bonds	40,510,000	-	(14,630,000)	25,880,000	1,915,000	23,965,000
Compensated absences payable	8,572,345	3,984,336	(4,134,207)	8,422,474	4,134,207	4,288,267
Accrued damage, injury, and employee claims	10,293,000	1,525,943	(2,481,213)	9,337,730	2,015,000	7,322,730
Net other postemployment benefits	3,405,264	1,442,600	(840,906)	4,006,958	-	4,006,958
<b>Total San Diego Transit Corporation</b>	<b>62,780,609</b>	<b>6,952,879</b>	<b>(22,086,326)</b>	<b>47,647,162</b>	<b>8,064,207</b>	<b>39,582,955</b>
<b>San Diego Trolley, Inc.:</b>						
Compensated absences payable	2,752,302	3,033,316	(3,005,957)	2,779,661	2,564,824	214,837
Accrued damage, injury, and employee claims	3,581,000	(52,717)	(1,126,000)	2,402,283	870,939	1,531,344
Net other postemployment benefits	5,676,864	644,200	(152,683)	6,168,381	-	6,168,381
<b>Total San Diego Trolley, Inc.</b>	<b>12,010,166</b>	<b>3,624,799</b>	<b>(4,284,640)</b>	<b>11,350,325</b>	<b>3,435,763</b>	<b>7,914,562</b>
<b>Total</b>	<b>\$ 201,508,184</b>	<b>\$ 12,149,826</b>	<b>\$ (29,620,904)</b>	<b>\$ 184,037,106</b>	<b>\$ 15,148,544</b>	<b>\$ 168,888,562</b>

**Reconciliation to Statement of Net Position:**

**Due within one year:**

Compensated absences payable	\$ 7,455,502
Accrued damage, injury, and employee claims	3,394,889
Long-term debt	2,490,669
Long-term debt payable from restricted assets	1,807,484
	<u>\$ 15,148,544</u>

**Noncurrent liabilities:**

Long-term debt payable from restricted assets	\$ 113,457,002
Compensated absences payable	4,713,238
Accrued damage, injury and employee claims	8,854,074
Net other postemployment benefits	13,695,813
Long-term debt	28,168,435
	<u>\$ 168,888,562</u>

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 10 – Long-Term Debt (Continued)**

**B. Capital Lease**

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 \$788,266 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 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.

The asset acquired through a capital lease is as follows:

	2013	2012
Building – MTS Tower	\$ 12,091,981	\$ 12,091,981
Less accumulated depreciation	(9,257,923)	(8,880,049)
Total	<u>\$ 2,834,058</u>	<u>\$ 3,211,932</u>

The following is a summary of future minimum payments under the capital lease as of June 30, 2013:

Year ending June 30:	Tower Lease Payments
2014	\$ 736,704
2015	750,550
2016	731,665
2017	739,617
2018	743,537
2019-2020	<u>1,116,204</u>
Total minimum lease payments	4,818,277
Less amount representing interest	<u>(628,459)</u>
Present value of minimum lease payments	<u>\$ 4,189,818</u>

At June 30, 2013, the future minimum payments were \$4,189,818.



**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 10 – Long-Term Debt (Continued)**

**C. Finance Obligations**

The following is a summary of changes in finance obligations for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due within one one year	Amounts due in more than one year
1995 LRV Lease/Leaseback	\$116,942,900	\$ -	\$ (1,678,414)	\$115,264,486	\$ 1,807,484	\$113,457,002
Pension Obligation Bonds	40,510,000	-	(14,630,000)	25,880,000	1,915,000	23,965,000
Total Finance Obligations	<u>\$157,452,900</u>	<u>\$ -</u>	<u>\$ (16,308,414)</u>	<u>\$141,144,486</u>	<u>\$ 3,722,484</u>	<u>\$137,422,002</u>

**1995 LRV Lease/Leaseback**

In fiscal year 1996, MTS entered into a master lease to lease 52 light rail vehicles to an investor and then simultaneously entered into a sublease agreement to lease them back. MTS received prepayments of the master lease from the investor of approximately \$102.7 million, of which it used approximately \$90.7 million to place two investments 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, 2013, the remaining future obligations total \$115,264,486.

Year ending June 30:	Principal	Interest	Total
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	4,923,324	5,240,909	10,164,233
2018	4,642,844	4,873,030	9,515,874
2019-2023	37,342,982	17,303,046	54,646,028
2024-2026	23,691,104	2,015,568	25,706,672
	<u>\$115,264,486</u>	<u>\$ 46,441,797</u>	<u>\$161,706,283</u>

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

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 10 – Long-Term Debt (Continued)**

**C. Finance Obligations (Continued)**

**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 2024 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. The Taxable Pension Obligation Refunding Bonds 2009 Series A were retired in December 2012.

At June 30, 2013, the outstanding balance of the Pension Obligation Bonds is \$25,880,000.

Year ending June 30:	Principal	Interest	Total
2014	\$ 1,915,000	\$ 1,238,882	\$ 3,153,882
2015	2,005,000	1,149,100	3,154,100
2016	2,100,000	1,052,065	3,152,065
2017	2,205,000	947,884	3,152,884
2018	2,315,000	838,500	3,153,500
2019-2023	13,495,000	2,280,387	15,775,387
2024	1,845,000	47,509	1,892,509
	<u>\$ 25,880,000</u>	<u>\$ 7,554,327</u>	<u>\$ 33,434,327</u>

**Note 11 – Risk Management**

MTS (including SDTI, SDTC, and Other Contracted Services) is self-insured for liability claims to a maximum of \$2,000,000 per occurrence. Amounts in excess of the self-insured retention limits for public liability are covered 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 \$250,000, 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 statutory limits. SDTC and MTS are self-insured for unemployment claims. SDTC and SDTI have policies for crime coverage through commercial insurance.

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 11 – Risk Management (Continued)**

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 position. Claim payments did not exceed insurance coverage in any of the past three years.

	Beginning of fiscal year	Current year claims and changes in estimates	Claims payments	End of fiscal year
MTS:				
2010-2011	\$ 14,643,000	\$ 2,808,963	\$ (3,023,963)	\$ 14,428,000
2011-2012	14,428,000	2,313,883	(2,477,883)	14,264,000
2012-2013	14,264,000	1,689,176	(3,704,213)	12,248,963

Following is summary of accrued damage injury, and employee claims for fiscal years 2013 and 2012:

Accrued damage, injury and employee claims	2013	2012
Current portion	\$ 3,394,889	\$ 3,036,806
Non-current portion	8,854,074	11,227,194
Total	<u>\$ 12,248,963</u>	<u>\$ 14,264,000</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 \$12,248,963 at June 30, 2013 and \$14,264,000 at June 30, 2012.

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

**Note 12 – Contingencies**

**Pending legal actions.** MTS, SDTC and SDTI have been named in certain legal actions pending at June 30, 2013. 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.

**Pledged Revenue.** SDTC has pledged future revenues pursuant to the provision of the Pension Obligation Bonds issued by SDTC in 2004.

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 12 – Contingencies (Continued)**

**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.

**Note 13 – Postemployment Health Care Benefits**

**Plan Description.** As of January 1, 2011, all employees at MTS, all management employees at SDTI and SDTC, and all union employees at SDTI participated in HMO and PPO plans offered by Kaiser and Anthem. As in years past, SDTC has provided payments to operator and maintenance employee unions for provision of postemployment benefits as determined by each union. Total MTS payments for the year ended June 30, 2013 were \$49,167 for 9 retirees currently receiving postemployment health care benefits. Total SDTI payments for the year ended June 30, 2013 were \$152,683 for 25 retirees currently receiving benefits. Total SDTC payments for the year ended June 30, 2013 were \$433,836 for 45 management retirees plus \$407,070 for 156 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 2013 is as follows:

**Net OPEB Obligation (NOO)**

	MTS	SDTI	SDTC	Total
NOO at June 30, 2012	\$ 3,036,541	\$ 5,676,864	\$ 3,405,264	\$ 12,118,669
Benefit payments paid outside of a trust	(49,167)	(152,683)	(840,906)	(1,042,756)
Estimated contributions to a trust	-	-	-	-
Annual Required Contribution	526,600	631,900	1,435,300	2,593,800
Accrued interest on June 30, 2012 NOO	136,600	255,500	153,200	545,300
Amortization of June 30, 2012 NOO	(130,100)	(243,200)	(145,900)	(519,200)
NOO at June 30, 2013	<u>\$ 3,520,474</u>	<u>\$ 6,168,381</u>	<u>\$ 4,006,958</u>	<u>\$ 13,695,813</u>

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 13 – Postemployment Health Care Benefits (Continued)**

*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, 2012 (most current available)	Total
Current retirees and surviving spouses	237
Other participants fully eligible for benefits	330
Other participants not yet fully eligible for benefits	964
Total	<u>1,531</u>

*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 2013 MTS contributions to the plan were \$1,042,756 (or 49.29% of total gross health costs), while retirees contributed \$1,072,969 (or 50.71% 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 shows the components of MTS' ARC and Annual OPEB Cost for the year, the amount actually contributed to the plans, and the changes in MTS' Net OPEB Obligation to the Plan:

	All Groups
Normal Cost	\$ 1,050,300
Amortization of Unfunded AAL	<u>1,543,500</u>
Annual Required Contribution	2,593,800
Interest on beginning of year NOO	545,300
Amortization of beginning of year NOO	<u>(519,200)</u>
Annual OPEB cost	2,619,900
Contributions or Benefit Payments	(726,656)
Implicit subsidy payments	<u>(316,100)</u>
Increase in net OPEB obligation	1,577,144
Net OPEB obligation - beginning of year	<u>12,118,669</u>
Net OPEB obligation - end of year	<u>\$ 13,695,813</u>

MTS' Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan and the Net OPEB Obligation for fiscal years 2011, 2012 and 2013 were as follows:

Fiscal Year ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 2,276,900	40.85%	\$ 10,458,280
June 30, 2012	2,628,300	36.83%	12,118,669
June 30, 2013	2,619,900	39.80%	13,695,813

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 13 – Postemployment Health Care Benefits (Continued)**

**Funded Status and Funding Progress.** As of June 30, 2011, the most recent actuarial valuation date, the Plan was not funded. The Actuarial Accrued Liability (AAL) for benefits was \$37,018,400 and the actuarial value of assets was \$0 compared to \$31,643,500 and \$0 as of June 30, 2009. The covered payroll (annual payroll of active employees covered by the plan) as of June 30, 2011 was \$65,775,100 and the ratio of Unfunded AAL to covered payroll was 56% percent compared to \$72,531,100 and 44% as of June 30, 2009.

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

**MTS (in 000s)**

Valuation Date	Actuarial Value of Assets	Entry Age Normal AAL	Unfunded AAL	Funded Status	Annual Covered Payroll	UAAL as a % of payroll
6/30/2011	\$ -	\$ 3,276	\$ 3,276	0.00%	\$ 8,023	40.83%

**SDTI (in 000s)**

Valuation Date	Actuarial Value of Assets	Entry Age Normal AAL	Unfunded AAL	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2011	\$ -	\$ 9,417	\$ 9,417	0.00%	\$ 24,617	38.25%

**SDTC (in 000s)**

Valuation Date	Actuarial Value of Assets	Entry Age Normal AAL	Unfunded AAL	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2011	-	\$ 24,326	\$ 24,326	0.00%	\$ 33,136	73.41%

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 2011 study was completed during FY2012. The next study, which we will based on activity through June 2013, will be completed during FY2014.

**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, 2011 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, a compensation increase of 3%, and an annual healthcare cost trend rate which varies depending on the plan and type of health care service involved. Beginning in fiscal year 2012/2013, medical/drug trends generally grade down from 7.5% and 8% to an ultimate of 4.5% by 2024/2025, while dental expense trends grade down from 5.0% to an ultimate of 4.5% by 2018/2019. A general inflation rate of 3.0% was included in the investment rate, compensation rate, and the health care cost trend rate. The UAAL is being amortized as a level percentage of projected payroll over a rolling 30 years.

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 14 – Employee Retirement Systems**

**A. MTS and SDTI**

**Plan Description and Provisions**

MTS' and SDTI's defined benefit pension plans (Plan) 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 (CalPERS), 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 have selected optional benefit provisions in their contracts with CalPERS and adopt these benefits through local ordinances. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

**Funding Policy**

All employees working the equivalent of 1,000 hours per fiscal year are eligible to participate as members of CalPERS. The age at which MTS and SDTI employees are eligible to retire varies based on when they joined the Agency; all employees must have at least five years of vested service at separation to receive benefits. Annual retirement benefits are determined based on age at retirement, the length of membership service, and the amount of earnings based on the highest average pay rate in either a 12 or 36 month period (depending on when the employee first became a CalPERS member). CalPERS also provides death and disability benefits.

The contribution requirements of the Plan members are established by State statute and the employer contribution rate is established based on annual CalPERS actuarial studies of Plan assets and liabilities and participant demographics. All MTS and SDTI employees are required to contribute a percentage of their gross pay to fund their future retirement benefits. Employee contributions vary based on the applicable Collective Bargaining Agreement, agency policy, and the date the employees' CalPERS membership began. 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 CalPERS Board of Administration.

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

**SDTI (in 000s)**

Valuation Date	Actuarial Value of Assets	Entry Age Normal AAL	Unfunded AAL	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2011	\$ 77,582	\$ 88,127	\$ 10,545	88.03%	\$ 24,097	43.76%

MTS is a member of the CalPERS risk pool for groups under 100 because the plan had less than 100 active members for at least one valuation since June 30, 2003. As a result individual funding progress is not available for MTS.

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 14 – Employee Retirement Systems (Continued)**

**A. MTS and SDTI (Continued)**

**Annual Pension Cost**

For fiscal year 2013, MTS' and SDTI's annual required employer contributions were \$2,095,466 and \$4,029,158, respectively. Of these totals, employees contributed \$66,436 and \$1,398,251. The required contribution for fiscal year 2013 was determined as part of the June 30, 2010, actuarial valuation using the Entry Age Normal Actuarial Cost Method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases from 3.30% to 14.20% depending on age, service, and type of employment; (c) 3.00% payroll growth adjustment; (d) 2.75% inflation adjustment; and (e) a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% 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, 2011, the most recent valuation date, was 20 years for MTS and 27 years for SDTI.

**Trend information for MTS (in 000s):**

Fiscal Year Ended June 30:	Annual Required Contribution (ARC)	Actual Contribution	Percentage of ARC Contributed
2011	\$ 1,647	\$ 1,647	100%
2012	2,021	2,021	100%
2013	2,095	2,095	100%

**Trend information for SDTI (in 000s):**

Fiscal Year Ended June 30:	Annual Required Contribution (ARC)	Actual Contribution	Percentage of ARC Contributed
2011	\$ 3,565	\$ 3,565	100%
2012	3,908	3,908	100%
2013	4,029	4,029	100%



**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

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**Note 14 – Employee Retirement Systems (Continued)**

**B. SDTC**

**Plan Description**

The San Diego Transit Corporation (SDTC) Employee Retirement Plan (Plan) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to eligible Plan members and beneficiaries. 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 Plan. To be eligible for participation in the defined benefit plan, the employee must have been hired before November 25, 2012 if they are an Amalgamated Transit Union (ATU), Local 1309 member, or before April 28, 2011 if they are an International Brotherhood of Electrical Workers (IBEW) Local 465 member.

Beginning in FY 2011, SDTC negotiated changes to retirement benefits for ATU Local 1309 members and IBEW Local 465 members. ATU Local 1309 represented employees hired after November 25, 2012 and IBEW local 465 represented employees hired after April 28, 2011 will receive their retirement benefits from a defined contribution 401(a) plan. Based on the applicable Collective Bargaining Agreement, SDTC contributes a fixed percentage of each employee's gross wages to a 401(a) account and matches voluntary employee contributions up to a maximum of 2% of the employees' gross wages.

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**

The SDTC defined benefit pension plan is funded with both employer and employee contributions. Required funding levels are determined by annual independent actuarial studies comparing plan assets and liabilities and participant demographics. Employee contributions vary based on the applicable Collective Bargaining Agreement, agency policy, and the date the employees' membership began. After deducting employee contributions, SDTC contributes the remaining balance necessary to achieve the actuarially required funding level. 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 3.25% 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, 2012, the most recent valuation date, was 25 years.

**San Diego Metropolitan Transit System**  
**Notes to Basic Financial Statements (Continued)**  
**For the years ended June 30, 2013 and 2012**

**Note 14 – Employee Retirement Systems (Continued)**

**B. SDTC (Continued)**

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

**SDTC (in 000s)**

Valuation Date	Actuarial Value of Assets	Entry Age Normal AAL	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
7/1/2012	\$ 147,787	\$ 235,401	\$ 87,614	62.78%	\$ 33,393	262.37%

**Annual Pension Cost**

For fiscal year ended June 30, 2013, the annual pension cost of \$10,957,255 for the pension plan was equal to SDTC's required and actual contributions. Of this total, employees contributed \$401,274. The required contribution was determined as part of the July 1, 2011 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 ARC Contributed
2011	\$ 7,753	\$ 7,753	100%
2012	10,132	10,132	100%
2013	10,957	10,957	100%

**Note 15 – Other Required Individual Fund Disclosures**

SDTC had unrestricted net deficits of \$15,881,180 at June 30, 2013 compared to \$21,072,108 at June 30, 2012. The deficit is 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 this deficit will be funded with future subsidies.

**Note 16 – Subsequent Events**

MTS negotiated a sale of a property commonly known as the Pyramid Van Lines Building. The property, 1603 Main Street, is located at the southwest corner of Main Street and Sigsbee Street in the Barrio Logan neighborhood of the City of San Diego (APN 538-210-25). The parcel is 3.59 acres and is improved with a 90,000 square-foot warehouse. The property is contiguous and directly east of the existing trolley yard. The purchase of the property is for the last remaining viable yard expansion property. The purchase price for the property was \$16,610,000 plus closing costs, engineering studies, and brokers fees.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

**San Diego Metropolitan Transit System**  
**Required Supplementary Information**  
**For the year ended June 30, 2013**

**SCHEDULE OF FUNDING PROGRESS OF DEFINED PENSION PLAN**

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 for the Schedule of Funding Progress for MTS is not available.

**SDTI (in 000s)**

Valuation Date	Actuarial Value of Assets	Entry Age Normal AAL	Unfunded AAL	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2009	\$ 65,117	\$ 74,005	\$ 8,888	87.99%	\$ 23,501	37.82%
6/30/2010	71,032	79,497	8,466	89.35%	23,364	36.24%
6/30/2011	77,582	88,127	10,545	88.03%	24,097	43.76%

**SDTC (in 000s)**

Valuation Date	Actuarial Value of Assets	Entry Age Normal AAL	Unfunded AAL	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
7/1/2010	\$ 152,896	\$ 226,821	\$ 73,925	67.41%	\$ 31,889	231.82%
7/1/2011	151,113	236,875	85,762	63.79%	32,573	263.29%
7/1/2012	147,787	235,401	87,614	62.78%	33,393	262.37%

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

**San Diego Metropolitan Transit System**  
**Required Supplementary Information (Continued)**  
**For the year ended June 30, 2013**

**SCHEDULE OF FUNDING PROGRESS OF OTHER POST EMPLOYMENT HEALTHCARE PLAN**

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

**MTS (in 000s)**

Valuation Date	Actuarial Value of Assets	Entry Age Normal 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%
6/30/2011	-	3,276	3,276	0.00%	8,023	40.83%

**SDTC (in 000s)**

Valuation Date	Actuarial Value of Assets	Entry Age Normal AAL	Unfunded AAL	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
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%
6/30/2011	-	24,326	24,326	0.00%	33,136	73.41%

**SDTI (in 000s)**

Valuation Date	Actuarial Value of Assets	Entry Age Normal AAL	Unfunded AAL	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
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%
6/30/2011	-	9,417	9,417	0.00%	24,617	38.25%

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 FY2014 based on the year ending June 30, 2013.

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## **SUPPLEMENTARY INFORMATION**

Combining Schedule of Net Position

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

Combining Schedule of Cash Flows

Schedule of Revenues, Expenses, and Changes in Net Position – 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 Position**  
**June 30, 2013**

ASSETS	General Operations	Contracted Services	SDTC	SDTI	Total
<b>Current assets:</b>					
Cash and cash equivalents	\$ 68,043,182	\$ -	\$ (603,155)	\$ (97,919)	\$ 67,342,108
Investments restricted for debt service payable within one year	1,807,484	-	-	-	1,807,484
Accounts and other receivables	5,259,186	750,559	1,385,004	92,666	7,487,415
Due from other governments	62,077,048	104,989	1,284,975	1,087,898	64,554,910
Internal balances	(12,177,057)	4,481,031	3,263,083	4,432,943	-
Inventory	-	-	2,249,585	15,423,667	17,673,252
Prepaid expenses and other current assets	143,069	114,537	449,475	443,673	1,150,754
Total current assets	<u>125,152,912</u>	<u>5,451,116</u>	<u>8,028,967</u>	<u>21,382,928</u>	<u>160,015,923</u>
<b>Noncurrent assets:</b>					
Cash and certificates of deposit restricted for capital support	12,143,571	-	-	-	12,143,571
Investments restricted for debt service and capital projects	116,056,580	-	-	-	116,056,580
Unamortized bond issuance cost	-	-	329,045	-	329,045
Capital assets (net of accumulated depreciation)	80,070,149	87,340,937	154,410,214	1,094,439,255	1,416,260,555
Net pension asset	-	-	27,825,638	-	27,825,638
Total noncurrent assets	<u>208,270,300</u>	<u>87,340,937</u>	<u>182,564,897</u>	<u>1,094,439,255</u>	<u>1,572,615,389</u>
Total assets	<u>333,423,212</u>	<u>92,792,053</u>	<u>190,593,864</u>	<u>1,115,822,183</u>	<u>1,732,631,312</u>

**San Diego Metropolitan Transit System**  
**Combining Schedule of Net Position (Continued)**  
**June 30, 2013**

	General Operations	Contracted Services	SDTC	SDTI	Total
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	5,541,694	4,906,859	1,522,316	960,748	12,931,617
Due to other governments	20,058,022	1,911	27,565	96,658	20,184,156
Unearned revenue	3,794,729	-	-	428,341	4,223,070
Accrued expenses	3,348,982	-	2,867,787	3,906,693	10,123,462
Retention payable	334,827	-	-	-	334,827
Due within one year:					
Compensated absences payable	756,471	-	4,134,207	2,564,824	7,455,502
Accrued damage, injury, and employee claims	508,950	-	2,015,000	870,939	3,394,889
Long-term debt	575,669	-	1,915,000	-	2,490,669
Long-term debt payable from restricted assets	1,807,484	-	-	-	1,807,484
Total current liabilities	36,726,828	4,908,770	12,481,875	8,828,203	62,945,676
<b>Noncurrent liabilities:</b>					
Retention payable from restricted assets	7,487,745	-	-	-	7,487,745
Long-term debt payable from restricted assets	113,457,002	-	-	-	113,457,002
Due in more than one year:					
Compensated absences payable	210,134	-	4,288,267	214,837	4,713,238
Accrued damage, injury, and employee claims	-	-	7,322,730	1,531,344	8,854,074
Net other postemployment benefits obligation	3,520,474	-	4,006,958	6,168,381	13,695,813
Long-term debt, due in more than one year	4,203,435	-	23,965,000	-	28,168,435
Total noncurrent liabilities	128,878,790	-	39,582,955	7,914,562	176,376,307
Total liabilities	165,605,618	4,908,770	52,064,830	16,742,765	239,321,983
<b>NET POSITION</b>					
Net investment in capital assets	(39,973,441)	87,340,937	154,410,214	1,094,439,255	1,296,216,965
Restricted	7,255,404	-	-	-	7,255,404
Unrestricted	200,535,631	542,346	(15,881,180)	4,640,163	189,836,960
Total net position	\$ 167,817,594	\$ 87,883,283	\$ 138,529,034	\$ 1,099,079,418	\$ 1,493,309,329

**San Diego Metropolitan Transit System**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**For the year ended June 30, 2013**

	General Operations	Contracted Services	SDTC	SDTI	Eliminations	Total
<b>Operating revenues:</b>						
Passenger revenue	\$ -	\$ 26,476,421	\$ 28,621,363	\$ 35,553,838	\$ -	\$ 90,651,622
Advertising	972,190	-	-	-	-	972,190
Charter	-	-	900	-	-	900
Miscellaneous	4,355,342	-	4,877	574,282	-	4,934,501
<b>Total operating revenues</b>	<b>5,327,532</b>	<b>26,476,421</b>	<b>28,627,140</b>	<b>36,128,120</b>	<b>-</b>	<b>96,559,213</b>
<b>Operating expenses:</b>						
Personnel costs	17,688,738	569,249	74,452,424	31,009,942	-	123,720,353
Outside services	10,430,851	52,032,538	1,635,086	3,315,047	-	67,413,522
Transit operations funding	109,181,503	-	-	-	(105,610,745)	3,570,758
Materials and supplies	34,567	1,981	4,517,591	3,914,698	-	8,468,837
Energy costs	216,244	8,240,259	5,246,719	8,869,175	-	22,572,397
Risk management	479,284	15,300	1,478,030	929,708	-	2,902,322
Miscellaneous	(23,883,816)	1,713,190	10,351,122	18,312,146	-	6,492,642
Depreciation	1,361,426	12,305,236	14,121,961	64,999,619	-	92,788,242
<b>Total operating expenses</b>	<b>115,508,797</b>	<b>74,877,753</b>	<b>111,802,933</b>	<b>131,350,335</b>	<b>(105,610,745)</b>	<b>327,929,073</b>
<b>Operating income (loss)</b>	<b>(110,181,265)</b>	<b>(48,401,332)</b>	<b>(83,175,793)</b>	<b>(95,222,215)</b>	<b>105,610,745</b>	<b>(231,369,860)</b>

**San Diego Metropolitan Transit System**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position (Continued)**  
**For the year ended June 30, 2013**

	General Operations	Contracted Services	SDTC	SDTI	Eliminations	Total
<b>Public support and nonoperating revenues (expenses):</b>						
Federal revenue	57,733,099	5,595,366	20,265,957	22,425,986	(48,287,309)	57,733,099
Transportation Development Act (TDA) funds	71,893,404	26,659,232	28,826,153	3,353,833	(58,839,218)	71,893,404
State Transit Assistance (STA) funds	9,878,189	-	3,127,607	-	(3,127,607)	9,878,189
State revenue - other	5,213,539	1,473,067	-	25,470	(1,498,537)	5,213,539
<i>TransNet</i> funds	37,775,380	992,174	18,607,740	5,000,000	(30,099,914)	32,275,380
Other local subsidies	6,951,227	1,376,257	278,000	-	(1,654,257)	6,951,227
Investment earnings	6,266,933	-	-	-	-	6,266,933
Interest expense	(5,973,879)	-	(1,546,452)	-	-	(7,520,331)
Gain (loss) on disposal of assets	726,382	-	27,025	51,013	-	804,420
Other expenses	-	-	(1,726)	-	-	(1,726)
Amortization of bond issuance costs	-	-	(31,581)	-	-	(31,581)
<b>Total public support and nonoperating revenues (expenses)</b>	<b>190,464,274</b>	<b>36,096,096</b>	<b>69,552,723</b>	<b>30,856,302</b>	<b>(143,506,842)</b>	<b>183,462,553</b>
<b>Income (loss) before transfers and contributed capital</b>	<b>80,283,009</b>	<b>(12,305,236)</b>	<b>(13,623,070)</b>	<b>(64,365,913)</b>	<b>(37,896,097)</b>	<b>(47,907,307)</b>
Transfers	(37,896,097)	-	-	-	37,896,097	-
Contributed capital, net	(150,690,868)	13,232,829	40,476,157	229,163,916	-	132,182,034
<b>Changes in net position</b>	<b>(108,303,956)</b>	<b>927,593</b>	<b>26,853,087</b>	<b>164,798,003</b>	<b>-</b>	<b>84,274,727</b>
<b>Net Position:</b>						
Beginning of year	276,121,550	86,955,690	111,675,947	934,281,415	-	1,409,034,602
End of year	<u>\$ 167,817,594</u>	<u>\$ 87,883,283</u>	<u>\$ 138,529,034</u>	<u>\$ 1,099,079,418</u>	<u>\$ -</u>	<u>\$ 1,493,309,329</u>

**San Diego Metropolitan Transit System**  
**Combining Schedule of Cash Flows**  
**For the year ended June 30, 2013**

	General Operations	Contracted Services	SDTC	SDTI	Total
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$ 4,228,260	\$ 25,983,066	\$ 29,093,709	\$ 35,454,918	\$ 94,759,953
Payments to suppliers	(25,857,725)	(64,315,623)	(9,724,104)	(22,304,497)	(122,201,949)
Payments to employees	(16,570,311)	(533,256)	(69,744,929)	(29,049,238)	(115,897,734)
Payments for damage and injury	(23,346)	-	(1,903,392)	(634,213)	(2,560,951)
<b>Net cash provided (used) by operating activities</b>	<b>(38,223,122)</b>	<b>(38,865,813)</b>	<b>(52,278,716)</b>	<b>(16,533,030)</b>	<b>(145,900,681)</b>
<b>Cash flows from noncapital financing activities:</b>					
Public support funds received	81,248,481	38,865,813	67,956,896	15,910,086	203,981,276
<b>Net cash provided (used) by noncapital financing activities</b>	<b>81,248,481</b>	<b>38,865,813</b>	<b>67,956,896</b>	<b>15,910,086</b>	<b>203,981,276</b>
<b>Cash flows from capital and related financing activities:</b>					
Debt service costs	(657,776)	-	(16,209,759)	-	(16,867,535)
Property acquisition	(82,816,993)	-	-	-	(82,816,993)
Proceeds from disposal of assets	732,145	-	28,589	648,960	1,409,694
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(82,742,624)</b>	<b>-</b>	<b>(16,181,170)</b>	<b>648,960</b>	<b>(98,274,834)</b>
<b>Cash flows from investing activities:</b>					
Interest received on investments	193,156	-	-	-	193,156
<b>Net cash provided (used) by investing activities</b>	<b>193,156</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>193,156</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(39,524,109)</b>	<b>-</b>	<b>(502,990)</b>	<b>26,016</b>	<b>(40,001,083)</b>
<b>Cash and cash equivalents:</b>					
Beginning of year	119,710,862	-	(100,165)	(123,935)	119,486,762
End of year	<u>\$ 80,186,753</u>	<u>\$ -</u>	<u>\$ (603,155)</u>	<u>\$ (97,919)</u>	<u>\$ 79,485,679</u>
<b>Cash and cash equivalents:</b>					
Cash and cash equivalents	\$ 68,043,182	\$ -	\$ (603,155)	\$ (97,919)	\$ 67,342,108
Cash and certificates of deposit restricted for capital support	12,143,571	-	-	-	12,143,571
<b>Total cash and cash equivalents</b>	<u><b>\$ 80,186,753</b></u>	<u><b>\$ -</b></u>	<u><b>\$ (603,155)</b></u>	<u><b>\$ (97,919)</b></u>	<u><b>\$ 79,485,679</b></u>

**San Diego Metropolitan Transit System**  
**Combining Schedule of Cash Flows (Continued)**  
**For the year ended June 30, 2013**

	General Operations	Contracted Services	SDTC	SDTI	Total
<b>Reconciliation of operating (loss) to net cash provided (used) by operating activities</b>					
<b>Operating (loss):</b>	\$ (30,786,275)	\$ (46,993,208)	\$ (73,372,291)	\$ (80,218,086)	\$ (231,369,860)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities					
Depreciation	1,361,426	12,305,236	14,121,961	64,999,619	92,788,242
Amortization of net pension asset			14,630,000		14,630,000
(Increase) decrease in:					
Accounts and other receivables	(2,100,464)	(739,062)	(1,033,960)	65,591	(3,807,895)
Inventory	-	-	50,659	(594,179)	(543,520)
Prepaid expenses and other current assets	10,862	15,300	167,648	926,131	1,119,941
Increase (decrease) in:					
Accounts payable	(16,012,083)	(3,172,149)	(4,713,647)	615,634	(23,282,245)
Accrued expenses	6,166,683	-	(3,155,216)	(3,991,742)	(980,275)
Unearned revenue	2,705,119	(281,930)	(380,963)	(33,591)	2,008,635
Net other postemployment benefits obligation	483,933	-	601,694	491,517	1,577,144
Compensated absences payable	66,627	-	(149,871)	27,359	(55,885)
Accrued damage, injury and employee claims	(118,950)	-	955,270	1,178,717	2,015,037
Total adjustments	(7,436,847)	8,127,395	21,093,575	63,685,056	85,469,179
<b>Net cash provided (used) by operating activities</b>	<u>\$ (38,223,122)</u>	<u>\$ (38,865,813)</u>	<u>\$ (52,278,716)</u>	<u>\$ (16,533,030)</u>	<u>\$ (145,900,681)</u>

**Supplemental noncash disclosures:**

During the year SANDAG and outside parties contributed \$132,182,034 in capital assets.

During the year the fair value of investments increased by \$258,247.

**San Diego Metropolitan Transit System**  
**Combined Operations**  
**Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
<b>Operating revenues:</b>						
Passenger revenue	\$ 90,681,677	\$ 91,347,457	\$ 90,651,622	\$ -	\$ 90,651,622	\$ (695,835)
Advertising	540,000	900,000	972,190	-	972,190	72,190
Charter	-	-	900	-	900	900
Miscellaneous	4,680,806	4,722,704	4,934,501	(72,917)	4,861,584	138,880
<b>Total operating revenues</b>	<b>95,902,483</b>	<b>96,970,161</b>	<b>96,559,213</b>	<b>(72,917)</b>	<b>96,486,296</b>	<b>(483,865)</b>
<b>Operating expenses:</b>						
Personnel costs	120,962,348	125,023,299	123,720,353	(25,524)	123,694,829	1,328,470
Outside services	68,755,994	69,198,219	67,413,522	(42,164)	67,371,358	1,826,861
Transit operations funding	4,028,379	4,248,534	3,570,758	-	3,570,758	677,776
Materials and supplies	8,382,140	8,444,148	8,468,837	-	8,468,837	(24,689)
Energy costs	21,266,420	22,470,194	22,572,397	-	22,572,397	(102,203)
Risk management	4,036,364	3,823,463	2,902,322	442,154	3,344,476	478,987
Miscellaneous	3,472,174	3,717,522	6,492,642	(2,662,070)	3,830,572	(113,050)
Depreciation	-	-	92,788,242	(92,788,242)	-	-
<b>Total operating expenses</b>	<b>230,903,819</b>	<b>236,925,379</b>	<b>327,929,073</b>	<b>(95,075,846)</b>	<b>232,853,227</b>	<b>4,072,152</b>
<b>Operating income (loss)</b>	<b>(135,001,336)</b>	<b>(139,955,218)</b>	<b>(231,369,860)</b>	<b>95,002,929</b>	<b>(136,366,931)</b>	<b>3,588,287</b>

**San Diego Metropolitan Transit System**  
**Combined Operations**  
**Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual (Continued)**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
<b>Public support and nonoperating revenues (expenses):</b>						
Federal revenue	41,565,787	41,738,755	57,733,099	(15,724,341)	42,008,758	270,003
Transportation Development Act	65,123,144	67,740,993	71,893,404	(3,745,834)	68,147,570	406,577
State Transit Assistance	5,023,764	5,023,765	9,878,189	(6,750,582)	3,127,607	(1,896,158)
State revenue - other	1,320,000	1,320,000	5,213,539	(3,740,472)	1,473,067	153,067
<i>TransNet</i> funds	23,534,650	24,853,634	32,275,380	(7,675,466)	24,599,914	(253,720)
Other local subsidies	2,548,074	2,539,631	6,951,227	(4,507,544)	2,443,683	(95,948)
Investment earnings	7,661,926	7,661,926	6,266,933	1,341,980	7,608,913	(53,013)
Interest expense	(10,035,998)	(9,759,269)	(7,520,331)	(2,255,463)	(9,775,794)	(16,525)
Gain (loss) on disposal of assets	-	-	804,420	(804,420)	-	-
Other expenses	-	-	(1,726)	-	(1,726)	(1,726)
Amortization of bond issuance costs	-	-	(31,581)	31,581	-	-
<b>Total public support and nonoperating revenues (expenses)</b>	<b>136,741,347</b>	<b>141,119,435</b>	<b>183,462,553</b>	<b>(43,830,561)</b>	<b>139,631,992</b>	<b>(1,487,443)</b>
<b>Income (loss) before contributed capital</b>	<b>1,740,011</b>	<b>1,164,217</b>	<b>(47,907,307)</b>	<b>51,172,368</b>	<b>3,265,061</b>	<b>2,100,844</b>
Reserve revenue	(1,740,011)	3,342,498	-	3,364,912	3,364,912	22,414
Contributed capital, net	-	-	132,182,034	(132,182,034)	-	-
<b>Changes in net position</b>	<b>\$ -</b>	<b>\$ 4,506,715</b>	<b>84,274,727</b>	<b>\$ (77,644,754)</b>	<b>\$ 6,629,973</b>	<b>\$ 2,123,258</b>
<b>Net Position:</b>						
Beginning of year			1,409,034,602			
End of year			<u>\$ 1,493,309,329</u>			



**San Diego Metropolitan Transit System**  
**General Operations**  
**Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual (Continued)**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
<b>Operating revenues:</b>						
Advertising	\$ 540,000	\$ 900,000	\$ 972,190	\$ -	\$ 972,190	\$ 72,190
Miscellaneous	2,998,826	3,107,704	3,311,774	(72,917)	3,238,857	131,153
<b>Total operating revenues</b>	<b>3,538,826</b>	<b>4,007,704</b>	<b>4,283,964</b>	<b>(72,917)</b>	<b>4,211,047</b>	<b>203,343</b>
<b>Operating expenses:</b>						
Personnel costs	15,323,177	16,025,922	16,990,145	(550,560)	16,439,585	(413,663)
Outside services	9,998,155	11,039,888	10,180,479	-	10,180,479	859,409
Transit operations funding	4,028,379	4,248,534	109,181,503	(105,610,747)	3,570,756	677,778
Materials and supplies	21,725	19,415	13,454	-	13,454	5,961
Energy costs	211,318	218,822	208,760	-	208,760	10,062
Risk management	379,088	358,112	460,392	(118,950)	341,442	16,670
Miscellaneous	(23,054,249)	(24,204,064)	(24,095,842)	-	(24,095,842)	(108,222)
Depreciation	-	-	1,337,228	(1,337,228)	-	-
<b>Total operating expenses</b>	<b>6,907,593</b>	<b>7,706,629</b>	<b>114,276,119</b>	<b>(107,617,485)</b>	<b>6,658,634</b>	<b>1,047,995</b>
<b>Operating income (loss)</b>	<b>(3,368,767)</b>	<b>(3,698,925)</b>	<b>(109,992,155)</b>	<b>107,544,568</b>	<b>(2,447,587)</b>	<b>1,251,338</b>

**San Diego Metropolitan Transit System**  
**General Operations**  
**Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual (Continued)**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
<b>Public support and nonoperating revenues (expenses):</b>						
Federal revenue	-	110,000	57,733,099	(57,515,739)	217,360	107,360
Transportation Development Act (TDA) funds	4,028,379	8,755,252	71,893,404	(61,708,429)	10,184,975	1,429,723
State Transit Assistance (STA) funds	1,800,000	1,800,000	9,878,189	(9,878,189)	-	(1,800,000)
State revenue - other	-	-	5,213,539	(5,213,539)	-	-
<i>TransNet</i> funds	-	-	37,775,380	(37,775,380)	-	-
Other local subsidies	-	-	6,951,227	(6,951,227)	-	-
Investment earnings	7,661,926	7,661,926	6,266,933	1,341,980	7,608,913	(53,013)
Interest expense	(8,321,538)	(8,321,538)	(5,973,879)	(2,255,463)	(8,229,342)	92,196
Gain (loss) on disposal of assets	-	-	84,168	(84,168)	-	-
<b>Total public support and nonoperating revenues (expenses)</b>	<b>5,168,767</b>	<b>10,005,640</b>	<b>189,822,060</b>	<b>(180,040,154)</b>	<b>9,781,906</b>	<b>(223,734)</b>
<b>Income (loss) before transfers and contributed capital</b>	<b>1,800,000</b>	<b>6,306,715</b>	<b>79,829,905</b>	<b>(72,495,586)</b>	<b>7,334,319</b>	<b>1,027,604</b>
Transfers	-	-	(37,896,097)	37,896,097	-	-
Reserve revenue	(1,800,000)	(1,800,000)	-	(1,800,000)	(1,800,000)	-
Contributed capital, net	-	-	(150,690,868)	150,690,868	-	-
<b>Changes in net position</b>	<b>\$ -</b>	<b>\$ 4,506,715</b>	<b>(108,757,060)</b>	<b>\$ 114,291,379</b>	<b>\$ 5,534,319</b>	<b>\$ 1,027,604</b>
<b>Net Position:</b>						
Beginning of year			257,288,902			
End of year			<u>\$ 148,531,842</u>			

**San Diego Metropolitan Transit System**  
**Taxicab Administration**  
**Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
<b>Operating revenues:</b>						
Miscellaneous	\$ 865,000	\$ 865,000	\$ 883,985	\$ -	\$ 883,985	\$ 18,985
<b>Total operating revenues</b>	<u>865,000</u>	<u>865,000</u>	<u>883,985</u>	<u>-</u>	<u>883,985</u>	<u>18,985</u>
<b>Operating expenses:</b>						
Personnel costs	610,285	595,285	594,429	-	594,429	856
Outside services	106,600	191,600	157,422	-	157,422	34,178
Materials and supplies	5,000	26,700	21,113	-	21,113	5,587
Energy costs	10,100	8,000	7,484	-	7,484	516
Miscellaneous	209,006	213,415	211,357	-	211,357	2,058
Depreciation	-	-	7,118	(7,118)	-	-
<b>Total operating expenses</b>	<u>940,991</u>	<u>1,035,000</u>	<u>998,923</u>	<u>(7,118)</u>	<u>991,805</u>	<u>43,195</u>
<b>Operating income (loss)</b>	<u>(75,991)</u>	<u>(170,000)</u>	<u>(114,938)</u>	<u>7,118</u>	<u>(107,820)</u>	<u>62,180</u>
Reserve revenue	<u>75,991</u>	<u>170,000</u>	<u>-</u>	<u>107,820</u>	<u>107,820</u>	<u>(62,180)</u>
<b>Changes in net position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(114,938)</u>	<u>\$ 114,938</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Position:</b>						
Beginning of year			<u>401,025</u>			
End of year			<u>\$ 286,087</u>			

**San Diego Metropolitan Transit System**  
**San Diego and Arizona Eastern Railway**  
**Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
<b>Operating revenues:</b>						
Miscellaneous	\$ 140,000	\$ 165,000	\$ 159,583	\$ -	\$ 159,583	\$ (5,417)
<b>Total operating revenues</b>	<b>140,000</b>	<b>165,000</b>	<b>159,583</b>	<b>-</b>	<b>159,583</b>	<b>(5,417)</b>
<b>Operating expenses:</b>						
Personnel costs	81,198	91,198	104,164	-	104,164	(12,966)
Outside services	20,000	20,000	92,950	-	92,950	(72,950)
Risk management	22,300	22,300	18,892	-	18,892	3,408
Miscellaneous	500	4,000	669	-	669	3,331
Depreciation	-	-	17,080	(17,080)	-	-
<b>Total operating expenses</b>	<b>123,998</b>	<b>137,498</b>	<b>233,755</b>	<b>(17,080)</b>	<b>216,675</b>	<b>(79,177)</b>
<b>Operating income (loss)</b>	<b>16,002</b>	<b>27,502</b>	<b>(74,172)</b>	<b>17,080</b>	<b>(57,092)</b>	<b>(84,594)</b>
<b>Public support and nonoperating revenues:</b>						
Gain (loss) on disposal of assets	-	-	642,214	(642,214)	-	-
<b>Total public support and nonoperating revenues</b>	<b>-</b>	<b>-</b>	<b>642,214</b>	<b>(642,214)</b>	<b>-</b>	<b>-</b>
Reserve revenue	(16,002)	(27,502)	-	57,092	57,092	84,594
<b>Changes in net position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>568,042</b>	<b>\$ (568,042)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Position:</b>						
Beginning of year			18,431,623			
End of year			<u>\$ 18,999,665</u>			

**San Diego Metropolitan Transit System**  
**Contracted Services**  
**Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
<b>Operating revenues:</b>						
Passenger revenue	\$ 26,399,537	\$ 26,345,409	\$ 26,476,421	\$ -	\$ 26,476,421	\$ 131,012
<b>Total operating revenues</b>	<u>26,399,537</u>	<u>26,345,409</u>	<u>26,476,421</u>	<u>-</u>	<u>26,476,421</u>	<u>131,012</u>
<b>Operating expenses:</b>						
Personnel costs	588,839	579,381	569,249	-	569,249	10,132
Outside services	52,497,588	52,673,577	52,032,538	-	52,032,538	641,039
Materials and supplies	4,800	2,639	1,981	-	1,981	658
Energy costs	8,092,939	8,389,654	8,240,259	-	8,240,259	149,395
Risk management	15,300	15,300	15,300	-	15,300	-
Miscellaneous	1,729,864	1,718,531	1,713,190	-	1,713,190	5,341
Depreciation	-	-	12,305,236	(12,305,236)	-	-
<b>Total operating expenses</b>	<u>62,929,330</u>	<u>63,379,082</u>	<u>74,877,753</u>	<u>(12,305,236)</u>	<u>62,572,517</u>	<u>806,565</u>
<b>Operating income (loss)</b>	<u>(36,529,793)</u>	<u>(37,033,673)</u>	<u>(48,401,332)</u>	<u>12,305,236</u>	<u>(36,096,096)</u>	<u>937,577</u>

**San Diego Metropolitan Transit System**  
**Contracted Services**  
**Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual (Continued)**  
**For the year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts</u>	<u>Budget Basis Adjustments</u>	<u>Actuals on Budget Basis</u>	<u>Variance with Final Budget</u>
<b>Public support and nonoperating revenues (expenses):</b>						
Federal revenue	7,308,531	7,337,754	5,595,366	2,455,482	8,050,848	713,094
Transportation Development Act (TDA) funds	25,732,614	25,904,017	26,659,232	(2,455,482)	24,203,750	(1,700,267)
State revenue - other	1,320,000	1,320,000	1,473,067	-	1,473,067	153,067
<i>TransNet</i> funds	688,000	999,697	992,174	-	992,174	(7,523)
Other local subsidies	1,480,648	1,472,205	1,376,257	-	1,376,257	(95,948)
<b>Total public support and nonoperating revenues (expenses)</b>	<u>36,529,793</u>	<u>37,033,673</u>	<u>36,096,096</u>	<u>-</u>	<u>36,096,096</u>	<u>(937,577)</u>
<b>Income (loss) before contributed capital</b>	-	-	(12,305,236)	12,305,236	-	-
Contributed capital, net	-	-	13,232,829	(13,232,829)	-	-
<b>Changes in net position</b>	<u>\$ -</u>	<u>\$ -</u>	927,593	<u>\$ (927,593)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Position:</b>						
Beginning of year			86,955,690			
End of year			<u>\$ 87,883,283</u>			

**San Diego Metropolitan Transit System**  
**San Diego Transit Corporation**  
**Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual**  
**For the year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts</u>	<u>Budget Basis Adjustments</u>	<u>Actuals on Budget Basis</u>	<u>Variance with Final Budget</u>
<b>Operating revenues:</b>						
Passenger revenue	\$ 28,403,719	\$ 28,707,697	\$ 28,621,363	\$ -	\$ 28,621,363	\$ (86,334)
Charter	-	-	900	-	900	900
Miscellaneous	10,000	10,000	4,877	-	4,877	(5,123)
<b>Total operating revenues</b>	<u>28,413,719</u>	<u>28,717,697</u>	<u>28,627,140</u>	<u>-</u>	<u>28,627,140</u>	<u>(90,557)</u>
<b>Operating expenses:</b>						
Personnel costs	72,712,205	76,160,139	74,452,424	554,263	75,006,687	1,153,452
Outside services	2,269,214	1,774,128	1,635,086	(42,164)	1,592,922	181,206
Materials and supplies	4,750,476	4,616,976	4,517,591	-	4,517,591	99,385
Energy costs	5,208,716	5,165,772	5,246,719	-	5,246,719	(80,947)
Risk management	1,798,810	1,604,634	1,478,030	(50,816)	1,427,214	177,420
Miscellaneous	9,937,028	10,340,965	10,351,122	-	10,351,122	(10,157)
Depreciation	-	-	14,121,961	(14,121,961)	-	-
<b>Total operating expenses</b>	<u>96,676,449</u>	<u>99,662,614</u>	<u>111,802,933</u>	<u>(13,660,678)</u>	<u>98,142,255</u>	<u>1,520,359</u>
<b>Operating income (loss)</b>	<u>(68,262,730)</u>	<u>(70,944,917)</u>	<u>(83,175,793)</u>	<u>13,660,678</u>	<u>(69,515,115)</u>	<u>1,429,802</u>

**San Diego Metropolitan Transit System**  
**San Diego Transit Corporation**  
**Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual (Continued)**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
<b>Public support and nonoperating revenues (expenses):</b>						
Federal revenue	20,820,293	18,291,001	20,265,957	(7,149,251)	13,116,706	(5,174,295)
Transportation Development Act (TDA) funds	27,019,057	25,946,519	28,826,153	1,317,661	30,143,814	4,197,295
State Transit Assistance (STA) funds	3,223,764	3,223,765	3,127,607	-	3,127,607	(96,158)
<i>TransNet</i> funds	17,846,650	18,853,937	18,607,740	-	18,607,740	(246,197)
Other local subsidies	1,067,426	1,067,426	278,000	789,426	1,067,426	-
Interest expense	(1,714,460)	(1,437,731)	(1,546,452)	-	(1,546,452)	(108,721)
Gain (loss) on disposal of assets	-	-	27,025	(27,025)	-	-
Other expenses	-	-	(1,726)	-	(1,726)	(1,726)
Amortization of bond issuance costs	-	-	(31,581)	31,581	-	-
<b>Total public support and nonoperating revenues (expenses)</b>	<b>68,262,730</b>	<b>65,944,917</b>	<b>69,552,723</b>	<b>(5,037,608)</b>	<b>64,515,115</b>	<b>(1,429,802)</b>
<b>Income (loss) before contributed capital</b>	<b>-</b>	<b>(5,000,000)</b>	<b>(13,623,070)</b>	<b>8,623,070</b>	<b>(5,000,000)</b>	<b>-</b>
Reserve revenue	-	5,000,000	-	5,000,000	5,000,000	-
Contributed capital, net	-	-	40,476,157	(40,476,157)	-	-
<b>Changes in net position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>26,853,087</b>	<b>\$ (26,853,087)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Position:</b>						
Beginning of year			111,675,947			
End of year			<u>\$ 138,529,034</u>			



**San Diego Metropolitan Transit System**  
**San Diego Trolley Incorporated**  
**Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual**  
**For the year ended June 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts</b>	<b>Budget Basis Adjustments</b>	<b>Actuals on Budget Basis</b>	<b>Variance with Final Budget</b>
<b>Operating revenues:</b>						
Passenger revenue	\$ 35,878,421	\$ 36,294,351	\$ 35,553,838	\$ -	\$ 35,553,838	\$ (740,513)
Miscellaneous	666,980	575,000	574,282	-	574,282	(718)
<b>Total operating revenues</b>	<b>36,545,401</b>	<b>36,869,351</b>	<b>36,128,120</b>	<b>-</b>	<b>36,128,120</b>	<b>(741,231)</b>
<b>Operating expenses:</b>						
Personnel costs	31,646,644	31,571,374	31,009,942	(29,227)	30,980,715	590,659
Outside services	3,864,438	3,499,026	3,315,047	-	3,315,047	183,979
Materials and supplies	3,600,139	3,778,418	3,914,698	-	3,914,698	(136,280)
Energy costs	7,743,347	8,687,946	8,869,175	-	8,869,175	(181,229)
Risk management	1,820,866	1,823,117	929,708	611,920	1,541,628	281,489
Miscellaneous	14,650,024	15,644,675	18,312,146	(2,662,070)	15,650,076	(5,401)
Depreciation	-	-	64,999,619	(64,999,619)	-	-
<b>Total operating expenses</b>	<b>63,325,458</b>	<b>65,004,556</b>	<b>131,350,335</b>	<b>(67,078,996)</b>	<b>64,271,339</b>	<b>733,217</b>
<b>Operating income (loss)</b>	<b>(26,780,057)</b>	<b>(28,135,205)</b>	<b>(95,222,215)</b>	<b>67,078,996</b>	<b>(28,143,219)</b>	<b>(8,014)</b>

**San Diego Metropolitan Transit System**  
**San Diego Trolley Incorporated**  
**Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual (Continued)**  
**For the year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts</u>	<u>Budget Basis Adjustments</u>	<u>Actuals on Budget Basis</u>	<u>Variance with Final Budget</u>
<b>Public support and nonoperating revenues (expenses):</b>						
Federal revenue	13,436,963	16,000,000	22,425,986	(1,802,142)	20,623,844	4,623,844
Transportation Development Act (TDA) funds	8,343,094	7,135,205	3,353,833	(834,458)	2,519,375	(4,615,830)
State revenue - other	-	-	25,470	(25,470)	-	-
<i>TransNet</i> funds	5,000,000	5,000,000	5,000,000	-	5,000,000	-
Gain (loss) on disposal of assets	-	-	51,013	(51,013)	-	-
<b>Total public support and nonoperating revenues (expenses)</b>	<u>26,780,057</u>	<u>28,135,205</u>	<u>30,856,302</u>	<u>(2,713,083)</u>	<u>28,143,219</u>	<u>8,014</u>
<b>Income (loss) before contributed capital</b>	-	-	(64,365,913)	64,365,913	-	-
Contributed capital, net	-	-	229,163,916	(229,163,916)	-	-
<b>Changes in net position</b>	<u>\$ -</u>	<u>\$ -</u>	164,798,003	<u>\$ (164,798,003)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Position:</b>						
Beginning of year			934,281,415			
End of year			<u>\$ 1,099,079,418</u>			

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## **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*

These schedules contain 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

**San Diego Metropolitan Transit System**  
**Net Position by Component (in 000's)**  
**Last Nine Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Governmental activities:</b>									
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,960	\$ 420,668
Unrestricted	-	-	-	-	-	-	-	35,868	185,115
<b>Total governmental activities net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>147,828</b>	<b>605,783</b>
<b>Business-type activities:</b>									
Net investment in capital assets	1,296,217	1,172,816	1,073,562	1,078,178	1,075,105	1,079,967	1,097,676	1,134,243	695,486
Restricted	7,255	78,378	7,007	2,548	2,700	-	-	-	-
Unrestricted	189,837	157,841	173,128	177,158	172,344	185,610	163,244	(33,761)	(35,563)
<b>Total business-type activities net position</b>	<b>1,493,309</b>	<b>1,409,035</b>	<b>1,253,697</b>	<b>1,257,884</b>	<b>1,250,149</b>	<b>1,265,577</b>	<b>1,260,920</b>	<b>1,100,482</b>	<b>659,923</b>
<b>Primary government:</b>									
Net investment in capital assets	1,296,217	1,172,816	1,073,562	1,078,178	1,075,105	1,079,967	1,097,676	1,246,203	1,116,154
Restricted	7,255	78,378	7,007	2,548	2,700	-	-	-	-
Unrestricted	189,837	157,841	173,128	177,158	172,344	185,610	163,244	2,107	149,552
<b>Total primary government net position</b>	<b>\$ 1,493,309</b>	<b>\$ 1,409,035</b>	<b>\$ 1,253,697</b>	<b>\$ 1,257,884</b>	<b>\$ 1,250,149</b>	<b>\$ 1,265,577</b>	<b>\$ 1,260,920</b>	<b>\$ 1,248,310</b>	<b>\$ 1,265,706</b>

Source: Audited financial statements

In FY 2013, MTS implemented GASB Statement 63. In accordance with the provisions of GASB Statement 63, some line descriptions have been modified. There were no reclassifications resulting from the implementation of GASB Statement 63.

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.

**San Diego Metropolitan Transit System**  
**Changes in Net Position (in 000's)**  
**Last Nine Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Operating revenues:</b>									
Passenger revenue	\$ 90,652	\$ 88,094	\$ 84,764	\$ 84,167	\$ 85,192	\$ 75,939	\$ 68,635	\$ 67,580	\$ 63,803
Advertising	972	784	621	783	925	1,119	1,001	839	1,340
Charter	1	186	129	128	69	63	45	31	895
Miscellaneous	4,934	4,445	4,688	4,264	4,874	3,671	3,703	1,734	18
<b>Total operating revenues</b>	<b>96,559</b>	<b>93,509</b>	<b>90,202</b>	<b>89,342</b>	<b>91,060</b>	<b>80,792</b>	<b>73,384</b>	<b>70,184</b>	<b>66,056</b>
<b>Operating expenses:</b>									
Personnel costs	123,720	112,537	104,329	109,512	101,913	102,847	91,206	90,490	91,486
Outside services	67,414	66,050	64,037	63,574	65,140	64,940	62,630	57,709	70,260
Transit operations funding	3,571	3,721	4,053	3,758	3,004	3,853	5,438	6,758	6,245
Materials and supplies	8,469	7,977	7,678	6,680	7,190	7,590	7,266	8,158	8,756
Energy costs	22,572	22,689	21,932	22,892	25,283	27,211	22,767	24,305	14,140
Risk management	2,902	4,030	3,924	4,859	4,074	3,898	5,615	5,078	5,212
Miscellaneous	6,493	5,116	4,899	3,571	2,052	1,975	944	2,336	2,564
Depreciation	92,788	84,811	81,041	98,238	75,499	85,543	74,473	66,799	49,139
<b>Total operating expenses</b>	<b>327,929</b>	<b>306,931</b>	<b>291,893</b>	<b>313,084</b>	<b>284,155</b>	<b>297,857</b>	<b>270,339</b>	<b>261,633</b>	<b>247,802</b>
<b>Operating income (loss)</b>	<b>(231,370)</b>	<b>(213,422)</b>	<b>(201,691)</b>	<b>(223,742)</b>	<b>(193,095)</b>	<b>(217,065)</b>	<b>(196,955)</b>	<b>(191,449)</b>	<b>(181,746)</b>



**San Diego Metropolitan Transit System**  
**Changes in Net Position (in 000's) (Continued)**  
**Last Nine Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Public support and nonoperating revenues (expenses):</b>									
Grants and contributions	183,945	325,658	170,850	224,506	176,979	200,879	184,332	155,746	209,483
Investment earnings	6,267	7,622	7,695	9,708	10,584	13,394	13,349	7,095	11,707
Indirect cost recovery	-	-	-	-	-	-	-	1,685	2,827
Interest expense	(7,520)	(8,014)	(8,420)	(12,702)	(11,153)	(10,666)	(14,230)	(11,499)	(10,313)
Gain (loss) on disposal of assets	804	(620)	712	(69)	294	88	(1,260)	(1,800)	291
Other expenses	(2)	(4)	(4)	(289)	(642)	(142)	(355)	(188)	(185)
Amortization of bond issuance costs	(31)	(1)	(135)	(786)	(63)	(323)	-	-	-
<b>Total public support and nonoperating revenues (expenses)</b>	<b>183,463</b>	<b>324,641</b>	<b>170,698</b>	<b>220,368</b>	<b>175,999</b>	<b>203,230</b>	<b>181,836</b>	<b>151,039</b>	<b>213,810</b>
<b>Income (loss) before contributed capital</b>	<b>(47,907)</b>	<b>111,219</b>	<b>(30,993)</b>	<b>(3,374)</b>	<b>(17,096)</b>	<b>(13,835)</b>	<b>(15,119)</b>	<b>(40,410)</b>	<b>32,064</b>
Contributed capital, net	132,182	44,118	26,806	11,110	1,668	18,492	27,729	23,013	30,008
<b>Changes in net position</b>	<b>\$ 84,275</b>	<b>\$ 155,337</b>	<b>\$ (4,187)</b>	<b>\$ 7,736</b>	<b>\$ (15,428)</b>	<b>\$ 4,657</b>	<b>\$ 12,610</b>	<b>\$ (17,397)</b>	<b>\$ 62,072</b>

Source: Audited financial statements.

In FY2013, MTS implemented GASB Statement 63. In accordance with the provisions of GASB Statement 63, some line descriptions have been modified. There were no reclassifications resulting from the implementation of GASB Statement 63.

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.

In FY2007, MTS determined that all of its activities were truly business-type activities and presented all funds as Enterprise funds in 2007 and all subsequent years.

## REVENUE CAPACITY

**San Diego Metropolitan Transit System**  
**Operating Revenue by Source (in 000's)**  
**Last Nine Fiscal Years**

Fiscal Year Ended	Passenger Fares	Federal Operating Funds	State Operating Funds	Local Operating Funds	Interest	Other
<b>San Diego Transit</b>						
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
2012	27,498	20,709	20,497	17,549	-	214
2013	28,621	20,266	31,954	18,886	-	33
<b>San Diego Trolley</b>						
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
2012	35,216	14,989	7,208	5,492	-	361
2013	35,554	22,426	3,379	5,000	-	625
<b>MTS - Contract Services</b>						
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	-	-
2012	25,380	7,155	26,635	1,984	-	-
2013	26,476	5,595	28,132	2,368	-	-

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**  
**Fare Structure**  
**Last Seven Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007
<b>Bus Cash Fares</b>							
One-way fare, local routes	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.00	\$ 1.75
Senior/disabled, local routes	1.10	1.10	1.10	1.10	1.10	0.75	0.75
Urban	-	-	-	-	-	2.25	2.25
Express	2.50	2.50	2.50	2.50	2.50	2.50	2.50-4.00
Senior/disabled Express	1.25	1.25	1.25	1.25	1.25	0.75	0.75
Premium	5.00	5.00	5.00	5.00	5.00	5.00	-
Senior/disabled Premium	2.50	2.50	2.50	2.50	2.50	0.75	0.75
Rural bus	5.00-10.00	5.00-10.00	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	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
<b>Trolley Cash Fares</b>							
One-way fare, all stations	2.50	2.50	2.50	2.50	2.50	-	-
Senior/disabled one-way fare all stations	1.25	1.25	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
<b>Bus and Trolley Day Passes</b>							
Regional day pass	5.00	5.00	5.00	5.00	-	-	-
Region plus day pass	12.00	12.00	14.00	14.00	-	-	-
<b>Bus and Trolley Monthly Passes</b>							
Regional monthly pass	72.00	72.00	72.00	72.00	68.00	64.00	-
Senior/disabled Regional	18.00	18.00	18.00	18.00	17.00	16.00	14.50
Youth Regional	36.00	36.00	36.00	36.00	34.00	32.00	29.00
Half-month/14-Day	43.00	43.00	43.00	43.00	41.00	-	-
Premium monthly pass	100.00	100.00	100.00	100.00	90.00	-	-
Senior/disabled Premium	25.00	25.00	25.00	25.00	22.50	-	-
Youth Premium	50.00	50.00	50.00	50.00	45.00	-	-
Half-month/14-Day	60.00	60.00	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.

MTS has continued to convert all passengers to Compass Cards issued at a cost of \$2.00. As of November 2012, MTS requires day and monthly passes to be on Compass Cards. Passengers who purchase a day pass without a compass card on the bus are charged a \$2.00 fee.

In FY2007 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  
Farebox Recovery Percentages  
Last Nine Fiscal Years**

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<b>Fiscal Year Ended</b>	<b>San Diego Transit</b>	<b>San Diego Trolley</b>	<b>MTS-Contract Services</b>
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
2012	30.50	55.63	41.50
2013	29.01	53.98	42.31

Source: Audited financial statements; calculated as passenger revenue divided by operating expenses (less depreciation and OPEB), interest expense, and miscellaneous 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 Eight Fiscal Years**

Year ended June 30	Capital Lease- Tower	Capital Lease - Equipment	1990 LRV Sale/Leaseback	1995 LRV Lease/Leaseback	Certificates of Participation 2002	Certificates of Participation 2003	Pension Obligation Bonds	Total	Percentage of Personal Income	Debt per Capita
2006	\$ 8,516,304	\$ 319,719	\$ 13,174,798	\$ 124,775,518	\$ 7,430,000	\$ 26,065,000	76,075,000	256,356,339	0.20%	87
2007	8,075,925	255,113	3,823,388	123,699,432	3,770,000	19,155,000	74,620,000	233,398,858	0.17%	78
2008	7,617,599	187,737	-	122,540,596	-	-	73,120,000	203,465,932	0.14%	67
2009	7,141,326	117,471	-	121,292,644	-	-	71,565,000	200,116,441	0.14%	65
2010	6,647,108	44,190	-	119,948,726	-	-	61,150,000	187,790,024	0.13%	60
2011	5,317,686	-	-	118,501,460	-	-	47,265,000	171,084,146	0.11%	54
2012	4,766,867	-	-	116,942,900	-	-	40,510,000	162,219,767	0.10%	51
2013	4,189,818	-	-	115,264,486	-	-	25,880,000	145,334,304	0.08%	45

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
- MTS made a \$5 million principal payment on the variable rate Pension Obligation Bonds in FY2012
- MTS retired the variable rate Pension Obligation Bonds in FY2013

In FY2012, MTS changed the presentation of income statistics and has restated this schedule with data for all of San Diego County rather than the MTS service area. In addition, MTS presents this schedule from 2006 through the current year and will present one additional year of activity to a maximum of ten years as of 2015. MTS has made these changes because comparable data for San Diego County Data is available from 2006 forward, and because it has proven difficult to obtain reliable data for the MTS service area from published sources.

## **DEMOGRAPHIC AND ECONOMIC STATISTICS**



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

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	County of San Diego Population (1)	County of San Diego Personal Income (thousands) (1)	County of San Diego Per Capita Personal Income (1)	San Diego County Average Unemployment Rate (2)
2006	2,956,077	\$ 129,600,000	\$ 47,055	4.10%
2007	2,986,085	136,200,000	47,405	4.80%
2008	3,031,360	142,000,000	47,019	4.80%
2009	3,067,544	139,600,000	46,047	10.20%
2010	3,104,160	142,700,000	45,974	10.50%
2011	3,140,025	150,200,000	46,767	10.40%
2012	3,172,600	160,200,000	48,265	9.30%
2013	3,206,892	171,200,000	49,778	7.40%

**Source:**

- (1) California Department of Transportation - Actuals 2006-2010, Estimates 2011-2013
- (2) California Employment Development Department, June 2013

In FY2012, MTS changed the presentation of income statistics and has restated this schedule with data for all of San Diego County rather than the MTS service area. In addition, MTS presents this schedule from 2006 through the current year and will present one additional year of activity to a maximum of ten years as of 2015. MTS has made these changes because comparable data for San Diego County Data is available from 2006 forward, and because it has proven difficult to obtain reliable data for the MTS service area from published sources.

**San Diego Metropolitan Transit System**  
**Full-Time and Part-Time Employees by Function**  
**Last Nine 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
2012	122	761	568	1,451
2013	136	786	599	1,521

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

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Company Name	Number of Employees (1)	Percent of 1,492,300 County Total (2)
U.S. Department of Defense	136,664	9.16%
Federal Government	46,100	3.09%
State of California	44,700	3.00%
University of California, San Diego	26,000	1.74%
County of San Diego	16,011	1.07%
San Diego Unified School District	14,438	0.94%
Sharp Healthcare	14,390	0.96%
Scripps Health	13,000	0.87%
Qualcomm Inc.	11,775	0.79%
City of San Diego	10,296	0.69%

**Source:**

- (1) The Daily Transcript - 2013 Data updated June 28, 2013
- (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 Nine Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Operating Cost (in 000's)</b>									
San Diego Transit	\$ 98,666	\$ 90,153	\$ 83,457	\$ 93,831	\$ 81,271	\$ 80,031	\$ 73,257	\$ 73,284	\$ 80,187
San Diego Trolley	65,859	63,309	60,395	60,913	58,537	55,949	55,952	55,015	47,662
MTS-Contract Services	62,573	61,154	59,536	58,037	59,639	61,451	57,287	54,387	51,815
<b>Farebox Revenue (in 000's)</b>									
San Diego Transit	\$ 28,621	\$ 27,498	\$ 26,056	\$ 26,708	\$ 27,882	\$ 23,680	\$ 22,298	\$ 22,264	\$ 21,383
San Diego Trolley	35,554	35,216	34,673	33,050	33,454	31,120	27,402	27,934	25,855
MTS-Contract Services	26,476	25,380	24,036	24,410	23,857	21,138	18,935	17,382	16,564
<b>Total Passengers (in 000's)</b>									
San Diego Transit	28,927	28,802	27,252	26,921	29,762	28,094	26,076	24,890	24,427
San Diego Trolley	29,699	32,655	31,613	30,469	36,928	37,621	35,114	33,830	29,334
MTS-Contract Services	23,479	23,780	22,664	21,988	21,645	21,460	21,143	18,907	18,449
<b>Revenue Miles (in 000's)</b>									
San Diego Transit	8,557	8,221	8,178	8,624	9,221	9,522	9,622	9,958	10,087
San Diego Trolley	7,758	7,544	7,519	7,743	7,895	8,003	7,940	8,180	7,060
MTS-Contract Services	11,607	11,214	11,196	11,450	12,179	12,501	12,454	12,242	12,701
<b>Subsidy / Total Passenger</b>									
San Diego Transit	2.42	2.18	2.11	2.50	1.79	2.01	1.95	2.05	2.41
San Diego Trolley	1.02	0.86	0.81	0.92	0.68	0.66	0.81	0.80	0.74
MTS-Contract Services	1.54	1.50	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 to a maximum of ten years as of 2014.

**San Diego Metropolitan Transit System**  
**Service Performance Data**  
**Last Nine Fiscal Years**

Service Provided	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>San Diego Transit</b>									
Vehicle Revenue Miles (in 000's)	8,557	8,221	8,178	8,624	9,221	9,522	9,622	9,958	10,090
Vehicle Revenue Hours (in 000's)	787	757	754	789	843	870	853	840	830
Passengers (in 000's)	28,927	28,802	27,252	26,921	29,762	28,094	26,076	24,890	24,425
Passenger Miles (in 000's)	108,222	106,804	100,500	98,163	107,408	100,256	98,203	93,580	93,746
Number of Vehicles	260	236	236	238	247	267	267	274	280
<b>San Diego Trolley</b>									
Vehicle Revenue Miles (in 000's)	7,758	7,544	7,519	7,743	7,895	8,003	7,940	8,180	7,060
Vehicle Revenue Hours (in 000's)	472	428	423	442	410	439	432	469	368
Passenger Car Hours (in 000's)	476	433	429	448	416	445	439	480	379
Passengers (in 000's)	29,699	32,655	31,613	30,469	36,928	37,621	35,114	33,830	29,334
Passenger Miles (in 000's)	173,151	194,822	193,063	186,509	220,639	206,924	207,727	208,875	187,988
Number of Vehicles	178	151	128	134	133	134	134	134	123
<b>MTS-Contract Services</b>									
Vehicle Revenue Miles (in 000's)	11,607	11,214	11,196	11,450	12,179	12,501	12,454	12,242	12,701
Vehicle Revenue Hours (in 000's)	961	933	927	946	986	1,019	996	928	946
Passengers (in 000's)	23,479	23,780	22,664	21,988	21,645	21,460	21,143	18,907	18,449
Passenger Miles (in 000's)	80,434	79,789	82,125	79,237	80,104	77,173	78,304	73,343	69,958
Number of Vehicles	427	404	407	369	388	358	348	337	357
<b>Total</b>									
Passengers (in 000's)	82,105	85,237	81,529	79,378	88,335	87,175	82,333	77,627	72,208
Passenger Miles (in 000's)	361,807	381,414	375,688	363,909	408,151	384,353	384,234	375,798	351,692

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 Asset Statistics by Function**  
**Last Nine Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>General Operations</b>									
Buildings and structures	1	1	1	1	1	1	1	1	1
Nonrevenue vehicles	3	5	5	5	7	7	10	10	12
<b>San Diego Transit</b>									
Land (parcels)	2	2	2	2	2	2	2	2	2
Buildings and structures	2	2	2	2	2	2	2	2	2
Buses	260	236	236	238	247	267	267	274	280
Nonrevenue vehicles	14	19	22	32	39	53	47	45	49
<b>San Diego Trolley</b>									
Trolley stations	54	54	54	54	54	54	54	54	50
Track miles	54	54	54	54	54	54	54	54	49
Light rail vehicles (total inventory)	178	151	128	134	133	134	134	134	123
Nonrevenue vehicles	15	31	43	51	68	72	69	58	78
<b>MTS - Contracted Services</b>									
Land (parcels)	2	2	1	1	1	1	1	1	1
Buildings and structures	4	4	3	3	3	3	1	1	1
Buses	427	393	407	369	388	358	348	337	357
Nonrevenue vehicles	8	8	10	7	7	9	4	2	2
<b>Taxicab Administration</b>									
Buildings and structures	1	1	1	1	1	1	1	1	1
Nonrevenue vehicles	2	4	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.

**San Diego Metropolitan Transit System**  
**Ridership**  
**Last Fiscal Nine Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005
Ridership (in 000's)									
San Diego Transit	28,927	28,802	27,252	26,921	29,762	28,094	26,076	24,890	24,427
% Change	0.43%	5.69%	1.23%	-9.55%	5.94%	7.74%	4.77%	1.90%	
San Diego Trolley	29,699	32,655	31,613	30,469	36,928	37,621	35,114	33,830	29,334
% Change	-9.05%	3.30%	3.75%	-17.49%	-1.84%	7.14%	3.80%	15.32%	
MTS - Contract Services	23,479	23,780	22,664	21,988	21,645	21,460	21,143	18,907	18,449
% Change	-1.27%	4.92%	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 Nine Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005
Average Fare per Rider									
San Diego Transit	0.99	0.95	0.96	0.99	0.94	0.84	0.86	0.90	0.88
San Diego Trolley	1.20	1.08	1.10	1.08	0.91	0.83	0.78	0.83	0.88
MTS - Contract Services	1.13	1.07	1.06	1.11	1.10	0.98	0.90	0.92	0.90
Operating Expense per Rider									
San Diego Transit	3.41	3.13	3.06	3.49	2.73	2.85	2.81	2.74	3.20
San Diego Trolley	2.22	1.94	1.91	2.00	1.59	1.49	1.59	1.63	1.62
MTS - Contract Services	2.67	2.57	2.63	2.64	2.76	2.86	2.71	2.88	2.81
Subsidy per Rider									
San Diego Transit	2.42	2.18	2.11	2.50	1.79	2.01	1.95	2.05	2.41
San Diego Trolley	1.02	0.86	0.81	0.92	0.68	0.66	0.81	0.80	0.74
MTS - Contract Services	1.54	1.50	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.



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**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**

**Independent Auditors' Report**

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

We have audited, in accordance with the 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, the financial statements of the San Diego Metropolitan Transit System (MTS), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 17, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered MTS' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MTS' internal control. Accordingly, we do not express an opinion on the effectiveness of MTS' internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether MTS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors  
of the San Diego Metropolitan Transit System  
San Diego, California  
Page 2

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Pur & Mc Geady LLP*

San Diego, California  
October 17, 2013



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## Agenda Item No. 46

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

#### SUBJECT:

SEMIANNUAL SECURITY REPORT (JANUARY THROUGH JUNE 2013)  
(BILL BURKE)

#### RECOMMENDATION:

That the Board of Directors receive a report for information.

#### Budget Impact

None.

#### DISCUSSION:

Statistics related to security incidents concerning the transit system are compiled by staff based on reports generated by security personnel and Code Compliance Inspectors. This information is augmented by reports from local police authorities and is then compiled, summarized, and submitted to the Board of Directors on a midyear and year-end basis. The semiannual report covers the period from January 1, 2013, through June 30, 2013.

#### DEPARTMENT OF HOMELAND SECURITY – TRANSPORTATION SECURITY GRANT PROGRAM (TSGP)

MTS has been the recipient of several Homeland Security grants on an annual basis. Approved funding through current open grants is approximately \$12,419,732.

#### STATUS OF ONGOING AND OPEN GRANTS

#### Federal Grants

- TSGP FY 2010



Award: \$3,981,000  
Projects: \$2.6 million for Fiber-Optic Green Line Project  
\$750,000 Fiber-Optic Orange Line Project  
\$500,000 Onboard bus video (Phase IV)  
\$100,000 Vulnerability Assessment/Cyber Security Plan

This funding will enable MTS to continue various fiber-optic projects that will greatly enhance the transmission of video data to the Operations Control Center. The fiber-optic projects are almost complete. Additionally, another phase of onboard closed-circuit television (CCTV) allows for installation of CCTV equipment on newly purchased buses. The Vulnerability Assessment/Cyber Security Plan has been completed.

Status: Open - \$2,662,000 expended to date  
Expiration date: November 2013

- TSGP FY 2012

Award: \$100,000  
Projects: \$100,000 for Drills and Exercises

This funding will enable MTS to continue to organize training drills and exercises in order to increase preparedness for emergency situations that would require an emergency response from MTS and/or other agencies. \$33,000 was expended for the Rock 'n' Roll Marathon Drill.

Status: Open - \$33,000 expended to date  
Expiration date: August 2014

#### California Funding

- Proposition 1B FY 2008-09

Award: \$2.78 million  
Projects: \$2.78 million for fiber-infrastructure enhancements

This investment is a two-phase project to create a high-speed quality network connection for all Mission Valley East stations terminating at the Operations Control Center.

Status: Project completed - \$2.7 million expended  
Expiration date: March 2013

- Proposition 1B FY 2009-10

Award: \$2.78 million  
Projects: \$2.78 million for wireless infrastructure to capture real-time video from Onboard LRV Video Surveillance System

This investment funds the continuing phases of onboard CCTV on light rail vehicles (LRVs) and will enable viewing of onboard CCTV at the Operations Control Center on trains and buses via wireless uplinks strategically located along train lines and select transit centers.

Status: Project completed - \$2.7 million expended  
Expiration date: April 2013

- Proposition 1B FY 2010-11

Award: \$2.78 million  
Projects: \$457,526 for CCI Handheld Inspection Units and Software  
\$100,000 for Transit Store Security  
\$1.764 million for CCTV System Upgrades  
\$300,000 for IAD/KMD upgrades

This investment is for automated handheld citation issuance devices including eForce software, improved security measures at The Transit Store, and additional closed-circuit television upgrades throughout the system. CCTV system upgrades are to include upgrade to the Avigilon camera system, which offers a superior video signal. The Transit Store security upgrades have been completed. Some of the funds are being used for fencing repairs at the Imperial Avenue Division (IAD) and the Kearny Mesa Division (KMD) bus yards, as well as a camera system replacement for the revenue department.

Status: Open - \$871,000 expended to date  
Expiration date: March 2014

- Proposition 1B FY 2011-12

Award: \$2.78 million  
Projects: \$500,000 for CCTV system upgrade  
\$700,000 for SDSU monitoring system  
\$165,000 for SDTC security improvement  
\$178,000 for Back-up generator for Building C  
\$500,000 for CCTV installation on ADA/Paratransit vehicles  
\$730,000 for CCTV installation on new buses

This investment funds CCTV system upgrades for the CCTV system and enhanced monitoring capabilities at the San Diego State University Trolley Station (fire alarm enhancements and automated notifications), and the installation of a back-up generator at the C-Building. These funds will also fund security improvements at IAD and KMD and the installation of CCTV cameras on Americans with Disabilities Act/Paratransit vehicles and new buses.

Status: Open - \$700,000 expended to date  
Expiration date: March 2015

- Proposition 1B FY 2012-13

Award: \$2.78 million  
Projects: \$1.06 million for fiber optic cable expansion  
\$75,000 for the Cyber Security project  
\$125,000 for Security handheld software upgrade  
\$40,000 for SDTC security improvement project  
\$200,000 for Operations Control Center back-up generator  
\$645,000 for CCTV installation on ADA/Paratransit vehicles

## \$100,000 for Emergency Operations Center (EOC)

This investment is expansion of the fiber optic cable system, continued improvements to Cyber Security, and a software upgrade for the security department's compass card handheld inspection units (HHU). This investment will also fund the back-up generator at the Operations Control Center, and continue funding of CCTV cameras on new buses. Funding will also be used to repurpose existing space at the Security Department's area in the C-Building to be used as an Emergency Operations Center.

Status: Open - \$16,000 expended to date  
Expiration date: March 2016

### Homeland Security

In June, the City of Los Angeles hosted the 2013 National Homeland Security Conference for grantees from all of the Homeland Security Grant Initiative Programs. Chief Burke was invited to present during the conference where the topic was "Homeland Security begins with Hometown Security". Chief Burke introduced the MTS System and the Transit Enforcement team and how they work with interoperability, joint operations, drills and exercises, and prevention of terrorist acts.

### "If You See Something, Say Something"

In 2010 the Department of Homeland Security (DHS) introduced the "If You See Something, Say Something" Campaign, a slogan borrowed from New York's Metropolitan Transportation Authority. The campaign is to raise public awareness of indicators of terrorism and terrorism-related crime, and to emphasize the importance of reporting suspicious activity to the proper local law enforcement authorities. This familiar slogan is found in airports across the nation.

The DHS partnered with many agencies in this effort. Participants include major and minor league sports teams, including the San Diego Chargers, transportation agencies such as Amtrak, and many colleges and universities.

During this period, MTS launched a media effort to assist DHS with its goal. Staff introduced a new text number so patrons could covertly relay information regarding suspicious activity or packages to our dispatch center. The new text number was published on bus and LRV header posters, small handout cards and in a video created by staff. The video is posted on the MTS web site under the "Contact Us" and "Security and Code Compliance" tabs at <http://www.sdmts.com/Security/contactsecurity.asp>.

While the program was launched late in this reporting period, dispatch has received and responded to several text messages. Nothing believed to be related to terrorist activity has been received to date but MTS regards any message received as a success. Patrons are keeping the number in their cell phones and will be prepared in the case of a true emergency.

In February, four personnel participated in a three day Surveillance Detection for Law Enforcement and Security Professionals training class in Los Angeles. The DHS and Office of Bombing Prevention conducted this hands-on training course covering surveillance detection and counter surveillance tactics through the use of clandestine operations and the recognition of surveillance indicator techniques.

Staff was exposed to two days of classroom training covering familiarization with terrorist/criminal surveillance indicators. Also covered were the basic concepts of Threat and Risk Assessment. On the third day, students participated in an undercover operation where they were sent out to a major metropolitan business complex and had to identify actors who were acting as terrorist.

The exercise was to simulate terrorist organization agents conducting surveillance to carry out a terrorist attack. All MTS personnel passed the final exercise and testing and were certified in counter surveillance operations.

#### Transportation Security Administration (TSA)

MTS collaborates with TSA by participating in the planning, coordination and implementation of Visible Intermodal Prevention and Response (VIPR) team patrols. A VIPR team consists of uniformed federal police officers that provide a customer-friendly, high visibility presence during peak hours on select areas of the MTS network. TSA was present during events at Qualcomm such as a Monster Truck event and a soccer game. They were also at the 12<sup>th</sup> & Imperial Transfer Station for a Padres baseball game. Whenever there are suspicious circumstances on the system, TSA is notified by MTS staff. There were no security issues reported this period.

#### Closed-Circuit Television (CCTV)

During this reporting period, CCTV on an additional four light rail vehicles was installed and accepted, bringing the total to 107 LRVs equipped with onboard CCTV. This enhances our ability to document incidents and provide evidentiary matter to law enforcement agencies. The new equipment and configuration in the Operations Control Center is more efficient and continues to be user friendly for operators.

#### New Technology Testing

During the reporting period, personnel tested body cameras, worn on the officers' uniforms. The purpose of the cameras is to record contacts in the field to more readily investigate allegations of officer misconduct and to afford some protection when officers become involved in litigation stemming from allegations of misconduct. After a test period using cameras from two vendors, one with a high quality and compatible system was selected. Funding for purchasing these cameras has been approved and procurement will take place before the end of this year.

#### Records Management System

Staff currently uses a data base software program called Transit Watch to capture and summarize crime statistics and produce reports such as the Board FTA 405 (Attachments A-D). This program was custom built by staff and an outside contractor in 1997. The software supporting this program is obsolete and in need of replacement. Staff received California Proposition 1B funds in order to replace this aging program and began researching replacement software in late 2012. This software will work in conjunction with the new handheld devices which will be used by the Code Compliance Inspectors for electronic citation issuance beginning in early 2014.

After narrowing down the alternatives, staff visited the Denver Regional Transportation District (RTD), where a software program named eForce is in use. This program captures and reports crime data, accommodates automated and wireless citation writing and utilizes a Computer Aided Dispatch (CAD) module. Denver RTD recommended the



system and MTS moved forward with this option. The Board approved the procurement at the April 2013 Board Meeting.

MTS and eForce signed the contract in June. In the second half of 2013, staff will move forward with the customization, testing and training phases of the project. It is expected that the automated citation writing module will go live in early 2014 and that the reporting/records management and CAD modules will follow shortly thereafter. Complete implementation is planned before the end of March, 2014.

#### Copper Wire Thefts

Two adults were arrested near Murray Drive attempting to steal copper wire from the tracks; they were charged and prosecuted for attempted grand theft. MTS is seeking \$1,015.84 in damages. In 2008, one of these two men was arrested by MTS officers and charged for stealing copper wire in the Baltimore Junction area.

#### Plainclothes Unit

Between January and June, the plain clothes unit worked 96 days and made 41 vandalism arrests. These arrests have led to further charges being filed by the Chula Vista and San Diego police agencies using the Graffiti Tracker database program.

For example, staff arrested the person associated with the moniker "TAPE" and, after forwarding his information to Chula Vista Police; they prosecuted and convicted him for 20 tagging incidents, gathered from the Graffiti Tracker database, and are now seeking \$20,000 in restitution.

Another arrest was the person associated with the moniker "POE" and, after MTS arrested him and forward his information to Chula Vista Police, he admitted to, and was charged with, 46 incidents of tagging resulting in \$5,000 in damage.

While the original arrests related to these cases included minimal damage and repair costs to MTS (\$437.81), through the use of the Graffiti Tracker database, law enforcement was able to utilize the program to its potential in charging these two individuals with a wide web of damage caused throughout the county.

#### Transient Camp Details and Homeless Outreach

During this reporting period, there was a dramatic increase in transient activity in Mission Valley, the San Diego River Preserve and Cactus Park – twenty details were performed. Most of these camps were larger than usual and consisted of three to ten tents/bedding areas each having one or more occupants. Approximately 85% of the occupants in these camps were involved in narcotics activity (dealers/users) with the drugs of choice being methamphetamine and heroin.

We have also seen an increase in the occupants of the camps acquiring dogs, particularly pit bulls, for the purposes of protecting themselves and their property. The dogs will guard the belongings in an occupants camp site, act as an alarm when security or law enforcement is approaching the area and, in some cases, aggressively protect the occupants from MTS enforcement. After several close calls with these dogs aggressively charging at officers, Transit Systems Security implemented new training techniques to deal with the increasing number of dogs found at these locations. Officers also carry larger and more potent pepper spray in the hopes of avoiding the use of firearms.

In May, staff met with representatives from the San Diego Homeless Outreach Team (H.O.T.) in order to address removal of violators during enforcement details in the homeless encampments on MTS property. They provided referral information for counseling on available social services and provided staff with a resource guide of Downtown Social Services. These guides can help direct homeless people to the appropriate social services to assist them in getting off the street. The San Diego County Probation Program assists in finding housing for homeless persons that are currently on probation. Since approximately 50 percent of individuals found in homeless encampments on MTS property are on probation, this program may be beneficial in getting these persons into housing and off the streets and MTS property.

When teams work the early morning hours (approximately 2:00 a.m.), they also concentrate on homeless activities at the downtown trolley stations and bus stops. At times, the Point Loma and Hillcrest areas are also included. This is mainly due to complaints of homeless persons either taking over a bus stop or creating problems in a bus stop.

#### Downtown Partnership

The Downtown Partnership is a public and private partnership dedicated to addressing issues of social disorder and criminal activity within downtown San Diego. Downtown Partnership meetings are held twice a month. Topics discussed at the Downtown Partnership meetings include special event preparation for events held in downtown, the homeless count, hot spots for criminal activity, problem individuals and updates from several different agencies involved in the Downtown Partnership.

Staff attended three meetings of the Downtown Partnership Community Forum this period. MTS Staff were asked questions and given feedback by the residents of the East Village. Issues brought up involving MTS were primarily regarding the City College, Park & Market and 5<sup>th</sup> Avenue Trolley Stations as well as downtown bus stops. Crimes such as illegal lodging, drug sales, illegal cigarette sales, loitering and thefts were the most commonly discussed. One of the primary issues brought up during this reporting period was the residents' request for more security coverage at the City College Trolley Station. Since MTS provides between 10 and 20 hours in security staffing per day at the City College Station, MTS will try to hold more special details around City College and Park & Market for more visibility and to deter crime.

#### Border Transportation Council (BTC)

The Border Transportation Council (BTC) focuses on issues regarding the United States and Mexican border transportation services. The Border Transportation Council meetings are held the second Tuesday of every month. The following agencies and community groups attend these meetings on a regular basis: MTS, the California Department of Transportation (CALTRANS), DHS, San Diego Police, SANDAG, California Highway Patrol, San Ysidro Chamber of Commerce, California Public Utilities Commission, U.S. Customs and Border Protection and several privately owned transportation companies.

The Border Transportation Council discusses several different issues that impact the border and transportation such as wait time for transportation vehicles to cross the International Border, United States Department of Transportation inspections, construction at the San Ysidro Border, parking lots for private transportation owners and illegal activities at the border.

In previous years the primary issues that were brought up at the BTC meetings involved the illegal activities in the MTS-owned bus parking facility behind the McDonalds Restaurant on Rail Court. Since Brice House has been managing the parking lot and MTS has assigned an officer dedicated to that location, there have been substantial improvements in compliance with regulations. This new arrangement, along with a number of special enforcement details, has helped to lower illegal activities on Rail Court and at the San Ysidro Station, which has minimized MTS-related complaints at the BTC meetings.

These enforcement details have also helped to improve traffic safety in the area. This year MTS was praised at the BTC meetings for our efforts on keeping the area safe and free of illegal activity.

#### Canine Teams and Counter Terrorism Activities

Three explosive-detection canine teams have been funded through a Cooperative Agreement with the Transportation Security Administration (TSA) since the beginning of 2006. Primary duties include ongoing training, patrol of trains, buses and facilities, fare enforcement, and response to check suspicious packages.

In March, a new member of the K9 team, Molli, was brought on board, replacing K9 Bino who retired and was adopted by his handler after seven years working at MTS. Molli was assigned to the Rock and Roll Marathon where she screened trucks filled with runners' bags both pre - and post-event. She screened nearly 600 bags as well as the areas near the start and finish line.

A number of canine searches on MTS property were conducted during this period. Searches included items such as duffle bags and boxes left unattended. One search included a local University campus library, where the MTS K9 units assisted the police agency who responded to the bomb threat. Harbor Police also assisted in this search due to the size of the areas needing screening. The search was completed in approximately two hours. Sports venues have also requested searches of locker rooms and other areas.

MTS Staff continued to seek training opportunities in counter-terrorism. In January, staff attended the Anti-Defamation League's (ADL) Counter Terrorism Conference in San Diego. Over 500 law enforcement professionals were in attendance including police, sheriffs, district attorneys and many speakers. Staff also attended the annual International Association of Bomb Technicians and Investigators (IABTI) conference, this year in Dallas, Texas. This conference offered an educational and networking experience which included presentations on case histories and recent bombing events, tactics, and emerging weapons. In April, staff attended the Federal Emergency Management Agencies (FEMA) week-long training in Alabama that addressed Response to Suicide Bomb Attacks, Response Action for Chemical, Biological, Radiological, Nuclear and Explosives (CBRNE) incidents, hands on training and protective measures.

Joint training, both on and off property, continues with agencies such as The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), Amtrak Police, United States Marshalls, TSA, Harbor Police and local and non-local police and sheriff agencies.

During this reporting period, the following activity was generated by the teams:

Patrons contacted	89,107	Training scenarios conducted	200
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### Rock 'n' Roll Marathon

On June 2, 2013, the annual San Diego Rock 'n' Roll Marathon was held, drawing an estimated 90,000 participants and onlookers. Because of the bombing during the Boston Marathon in April this year perceived heightened risk demanded increased security while transporting an estimated 25 percent of the attendees.

In order to enhance public safety at this high profile event, the Rock 'n' Roll Marathon was designated as a Drill in order to perfect our procedures and skills alongside other agencies. MTS was the lead public transportation agency during this event. We partnered with North County Transit District, San Diego Police Department, San Diego Fire Department, Harbor Police Department, San Diego Sheriff's Office, Amtrak, and other state and federal partners. In doing so, a comprehensive security plan was created to ensure safe and enjoyable public transportation services into, among, and out of the event venues. This plan included heavy usage of the MTS K9 explosives detection dogs. Our K9 units swept Petco Park, the MTS parking structure and the 12<sup>th</sup> & Imperial Transfer Station in addition to many areas in the immediate vicinity of the event. MTS K9 units also participated in sweeping vehicles belonging to vendors accessing the secured area.

### Eagle Team

The Eagle Team was created in December, 2012 as a result of numerous complaints from late night riders on the Orange and Blue Line trolleys. After funding was approved by the Budget Committee (annual cost of \$435,000), the unit was deployed to forestall crimes such as thefts, robberies, fights, drinking and fare evasion on late night trains. Eight TSS officers and two CCIs are assigned to the Eagle Team detail. Each team consists of four TSS officers and one CCI on the Orange Line and four TSS officers and one CCI on the Blue Line. After 9:00 p.m., an armed TSS officer is assigned to each Blue Line train and each Orange Line train until the assigned train goes out of service.

The TSS officers assigned to the trains enforce all quality of life issues and fare evasion. The Code Compliance Inspector assigned to the line will make their own arrests as well as respond to all TSS arrests and issue the appropriate citation. Occasionally, the Eagle Team conducts plain clothes details to deal with specific complaints or operational issues. The Eagle Team operations have been highly successful in deterring crime, improving ride quality, and deterring vandalism on the late night Orange and Blue Line trains.

### Special Enforcement Units (SEUs)

SEU operations are conducted at random transit centers at irregular intervals as an enhancement to regular code enforcement fare checks. The purpose is to check all patrons for proper fare media who are either already on board or boarding and deboarding trains. In the first six months of 2013, 24 SEUs were conducted and following are the statistics from those details:

- Patrons Inspected 97,676
- Citations Issued 2,405
- Written Warnings 39
- Fare Evasion 2.5%

During the months of May and June, there was a concentrated effort to remind patrons to tap while in a fare paid zone and before boarding a train. Fare Enforcement Warning handouts, explaining the requirement to tap, were distributed during SEUs and regular patrol. Compass Cards that have been properly validated, or tapped, save inspectors valuable time while conducting fare enforcement duties. In these two months 4,157 verbal warnings were given and the patrons were informed on how to activate and tap Compass Cards.

#### Juvenile Diversion Program

In April of 2012, in collaboration with the Juvenile Court system, MTS launched a Juvenile Diversion Program to address citations issued to juveniles. The program was introduced as an effort to relieve parents from taking time off of work - and their children out of school - to attend court, as well as to eliminate some of the burden on the court system. Many parents appealed to the court asking if they could simply pay a fine rather than attend court.

Staff worked with the Juvenile Court to develop a diversion program for select juvenile violations. When offered participation in the program, juveniles have the option to make a payment directly to MTS or attend court for adjudication.

In late April 2012, MTS began offering the diversion program to juveniles for minor ordinance violations, such as fare evasion, feet on seats, littering, etc.

While some juveniles took advantage of the offer, staff worked with the Court system to improve the number of participants, which would help alleviate more of the burden from the Court system. The only violations that do not qualify for the program at this time are those involving drugs, alcohol, vandalism or Vehicle Code violations.

During this period alone, nearly \$7,000 in payments were received; a substantial improvement over last period when payments received totaled approximately \$2,000. To date, MTS has collected over \$11,000 in payments.

#### Buses and Bus Stops

During the reporting period, MTS Code Compliance Inspectors and Transit System Security Officers conducted numerous sweeps and checks of buses and bus facilities.

Three plainclothes/undercover details were conducted in response to cell phone "snatch and grabs" from on board the buses. Those victims, sitting with their backs to the rear doors, were more susceptible to the thefts. Video stills captured the faces of the suspects which were disseminated to field officers as BOL's (be on the lookout for these suspects). MTS continues to assist the local police agencies with pertinent video evidence for a variety of alleged crimes, from thefts to an attempted homicide.

#### San Diego Trolley

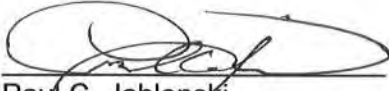
San Diego Trolley experienced 923 Part II arrests and 96 reports of Part I incidents during the first half of 2013. In the first 6 months of 2012, there were 1,186 Part II arrests and 66 reports of Part I Incidents.

Bus Operations - San Diego Transit Corporation

San Diego Transit Corporation experienced 113 Part II arrests and 11 reports of Part I incidents in the first 6 months of 2013. In the first half of 2012, there were 94 Part II arrests and 21 reports of Part I incidents.

Bus Operations - Contract Transportation Services

MTS's Contract Services experienced 37 Part II arrests and 7 reports of Part I incidents for this period in 2013. In the same period in 2012, there were 53 Part II arrests and 6 reports of Part I incidents.



Paul C. Jablonski  
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, [Sharon.Cooney@sdmts.com](mailto:Sharon.Cooney@sdmts.com)

- Attachments:
- A. Board FTA 405 Reports (January - June 2013 SDTI)
  - B. Board FTA 405 Reports (January - June 2012 SDTI)
  - C. Board FTA 405 Reports (January - June 2013 SDTC)
  - D. Board FTA 405 Reports (January - June 2012 SDTC)

<input type="checkbox"/> Form not applicable NTD ID <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="checkbox"/> Form 005 Included			BOARD 405 REPORT			Required from transit agencies serving UZAs of 200,000 or more population.  Mode <input type="text"/> <input type="text"/> Type of Service <input type="text"/> <input type="text"/>		
Based on the Uniform Crime Reporting Handbook								
Security Items			In Vehicle		In Station		Other Transit Prop.	
Location SDTI								
Part I Offenses (Reports)								
Violent Crime			Inc Inv		Arrests			
Homicide	0		0					
					Patrons	0	0	0
					Employees	0	0	0
					Others	0	0	0
Forcible rape	0		0					
					Patrons	0	0	0
					Employees	0	0	0
					Others	0	0	0
Robbery	14		4					
					Patrons	7	6	0
					Employees	0	0	0
					Others	0	1	2
Aggravated assault	4		4					
					Patrons	0	1	0
					Employees	0	0	0
					Others	0	2	2
Property Crime			Inc Inv		Arrests			
Burglary	1		0		0		1	0
Larceny/theft	65		6					
					Patrons	11	10	19
					Employees	0	0	1
					Others	0	13	12
Motor vehicle theft	12		0					
					Patrons	0	0	12
					Employees	0	0	0
					Others	0	0	0
Arson	0		0		0		0	0
Part II Offenses (Arrests)			Inc Inv		Arrests			
Other assaults	45		28		6		19	3
Vandalism	110		49		9		23	17
Sex offenses	4		2		1		1	0
Drug abuse violations	138		135		15		113	7
Driving under the influence	3		3		0		1	2
Drunkennness	105		37		9		22	6
Disorderly conduct	478		457		153		275	29
Trespassing	217		169		0		0	169
Fare evasion	9,777		9,254		5,182		4,072	0
Curfew & loitering laws	54		43		0		36	7
Total Transit Property Damage					\$ 79,025.84			
Internal Use Only								
Report Run Date			Report Run Time			Reporting Period		
10/28/2013			09:37:58AM			01/01/2013 To 06/30/2013		

<input type="checkbox"/> Form not applicable NTD ID <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="checkbox"/> Form 005 Included			BOARD 405 REPORT			Required from transit agencies serving UZAs of 200,000 or more population.		
						Mode <input type="checkbox"/>		
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Based on the Uniform Crime Reporting Handbook								
Security Items			In Vehicle		In Station		Other Transit Prop.	
Location SDTI								
Part I Offenses (Reports)								
Violent Crime			Inc Inv		Arrests			
Homicide	0		0					
					Patrons	0	0	0
					Employees	0	0	0
					Others	0	0	0
Forcible rape	2		3					
					Patrons	0	1	1
					Employees	0	0	0
					Others	0	0	0
Robbery	8		2					
					Patrons	6	2	0
					Employees	0	0	0
					Others	0	0	0
Aggravated assault	6		5					
					Patrons	1	2	0
					Employees	0	0	0
					Others	0	3	0
Property Crime			Inc Inv		Arrests			
Burglary	1		0					
Larceny/theft	39		6					
					Patrons	12	2	17
					Employees	0	0	0
					Others	0	3	5
Motor vehicle theft	10		0					
					Patrons	0	0	7
					Employees	0	0	0
					Others	0	0	3
Arson	0		0					
					Patrons	0	0	0
Part II Offenses (Arrests)			Inc Inv		Arrests			
Other assaults	58		32					
Vandalism	116		60					
Sex offenses	6		1					
Drug abuse violations	107		104					
Driving under the influence	4		4					
Drunkenness	137		101					
Disorderly conduct	611		579					
Trespassing	262		204					
Fare evasion	13,883		13,279					
Curfew & loitering laws	127		101					
Total Transit Property Damage					\$ 8,407.14			
Internal Use Only								
Report Run Date			Report Run Time			Reporting Period		
11/06/2013			09:49:12AM			01/01/2012 To 06/30/2012		



<input type="checkbox"/> Form not applicable NTD ID <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="checkbox"/> Form 005 Included			<b>BOARD 405 REPORT</b>			Required from transit agencies serving UZAs of 200,000 or more population. Mode <input type="text"/> <input type="text"/> Type of Service <input type="text"/> <input type="text"/>		
Based on the Uniform Crime Reporting Handbook								
Security Items			In Vehicle		In Station		Other Transit Prop.	
Location SDTC								
Part I Offenses (Reports)								
Violent Crime			Inc Inv	Arrests				
Homicide	0		0					
				Patrons	0	0	0	0
				Employees	0	0	0	0
				Others	0	0	0	0
Forcible rape	0		0					
				Patrons	0	0	0	0
				Employees	0	0	0	0
				Others	0	0	0	0
Robbery	1		0					
				Patrons	0	1	0	0
				Employees	0	0	0	0
				Others	0	0	0	0
Aggravated assault	4		4					
				Patrons	3	0	0	0
				Employees	0	0	0	0
				Others	0	0	0	1
Property Crime			Inc Inv	Arrests				
Burglary	0		0		0	0	0	0
Larceny/theft	6		0					
				Patrons	1	1	1	1
				Employees	1	0	2	2
				Others	0	0	0	0
Motor vehicle theft	0		0					
				Patrons	0	0	0	0
				Employees	0	0	0	0
				Others	0	0	0	0
Arson	0		0		0	0	0	0
Part II Offenses (Arrests)			Inc Inv	Arrests				
Other assaults	9		5		3	2	0	0
Vandalism	12		1		1	0	0	0
Sex offenses	2		0		0	0	0	0
Drug abuse violations	9		9		2	3	4	4
Driving under the influence	1		1		0	1	0	0
Drunkenness	15		3		1	1	1	1
Disorderly conduct	50		14		2	11	1	1
Trespassing	3		3		0	0	3	3
Fare evasion	3		1		1	0	0	0
Curfew & loitering laws	86		77		0	3	74	74
Total Transit Property Damage					\$ 3,558.23			
<h2 style="margin: 0;">Internal Use Only</h2>								
Report Run Date			Report Run Time			Reporting Period		
10/28/2013			09:37:58AM			01/01/2013 To 06/30/2013		

<input type="checkbox"/> Form not applicable NTD ID <span style="border: 1px solid black; padding: 0 5px;">  </span>			BOARD 405 REPORT			Required from transit agencies serving UZAs of 200,000 or more population.		
<input type="checkbox"/> Form 005 Included						Mode <span style="border: 1px solid black; padding: 0 5px;">  </span>		
Based on the Uniform Crime Reporting Handbook								
Security Items			In Vehicle		In Station		Other Transit Prop.	
Location SDTC								
Part I Offenses (Reports)								
Violent Crime			Inc Inv		Arrests			
Homicide	0		0					
					Patrons	0	0	0
					Employees	0	0	0
					Others	0	0	0
Forcible rape	0		0					
					Patrons	0	0	0
					Employees	0	0	0
					Others	0	0	0
Robbery	5		1					
					Patrons	1	3	0
					Employees	0	0	0
					Others	0	1	0
Aggravated assault	4		5					
					Patrons	1	1	0
					Employees	1	0	0
					Others	2	2	0
Property Crime			Inc Inv		Arrests			
Burglary	0		0					
Larceny/theft	11		1					
					Patrons	6	0	5
					Employees	1	0	0
					Others	0	0	1
Motor vehicle theft	1		1					
					Patrons	0	0	0
					Employees	0	0	0
					Others	0	1	0
Arson	0		0					
						0	0	0
Part II Offenses (Arrests)			Inc Inv		Arrests			
Other assaults	18		2					
Vandalism	39		5					
Sex offenses	5		0					
Drug abuse violations	3		3					
Driving under the Influence	1		1					
Drunkenness	36		16					
Disorderly conduct	212		44					
Trespassing	1		1					
Fare evasion	63		44					
Curfew & loitering laws	27		22					
Total Transit Property Damage					\$ 4,339.92			
Internal Use Only								
Report Run Date			Report Run Time			Reporting Period		
11/06/2013			09:49:12AM			01/01/2012 To 06/30/2012		

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## Agenda Item No. 47

### MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 14, 2013

#### SUBJECT:

OPERATIONS BUDGET STATUS REPORT FOR SEPTEMBER 2013 (MIKE THOMPSON)

#### RECOMMENDATION:

That the Board of Directors receive the MTS operations budget status report for September 2013.

Budget Impact

None at this time.

#### DISCUSSION:

This report summarizes MTS's operating results for September 2013 compared to the fiscal year 2014 budget. Attachment A-1 combines the operations, administration, and other activities results for September 2013. Attachment A-2 details the September 2013 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 September 2013 results for MTS's other activities (Taxicab/San Diego and Arizona Eastern Railway Company).

#### MTS NET-OPERATING SUBSIDY RESULTS

As indicated within Attachment A-1, for the year-to-date period ending September 2013, the MTS net-operating income favorable variance totaled \$1,171,000 (3.4%). Operations produced a \$108,000 (0.3%) favorable variance and the administrative/other activities areas were favorable by \$1,063,000.

#### MTS COMBINED RESULTS

##### Revenues



Year-to-date combined revenues through September 2013 were \$27,444,000 compared to the year-to-date budget of \$26,184,000 representing a \$1,260,000 (4.8%) favorable variance.

#### Expenses

Year-to-date combined expenses through September 2013 were \$60,710,000 compared to the budget of \$60,621,000, resulting in an \$89,000 (-0.1%) unfavorable variance.

Personnel Costs. Year-to-date personnel-related costs totaled \$29,776,000 compared to a budgetary figure of \$29,805,000, producing a favorable variance of \$29,000 (0.1%).

Outside Services and Purchased Transportation. Total outside services for the first three months of the fiscal year totaled \$19,301,000 compared to a budget of \$20,190,000, resulting in a favorable variance of \$889,000 (4.4%). This is primarily due to a favorable experience with repairs/maintenance costs within Operations and a favorable variance for other outside services within Administration.

Materials and Supplies. Total year-to-date materials and supplies expenses were \$2,531,000 compared to a budgetary figure of \$2,223,000, resulting in an unfavorable expense variance of \$308,000 (-13.9%). This unfavorable variance is primarily due to revenue parts costs within Rail Operations.

Energy. Total year-to-date energy costs were \$6,638,000 compared to the budget of \$6,561,000 resulting in an unfavorable variance of \$77,000 (-1.2%).

Risk Management. Total year-to-date expenses for risk management were \$1,668,000, compared to the budget of \$1,075,000, resulting in an unfavorable variance totaling \$593,000 (-55.2%). This unfavorable variance is due to the timing of an expected \$825,000 liability settlement.

General and Administrative. The year-to-date general and administrative costs, including vehicle and facilities leases, were \$27,000 (-3.5%) unfavorable to budget, totaling \$795,000 through September 2013, compared to a budget of \$767,000.

#### YEAR-TO-DATE SUMMARY

The September 2013 year-to-date net-operating income totaled a favorable variance of \$1,171,000 (3.4%). These factors include favorable variances in passenger revenue, other operating revenue, outside services, and personnel costs, partially offset by unfavorable variances in materials costs, risk management costs, energy and general and administrative expenses.



Paul C. Jablonski  
Chief Executive Officer

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

Attachment: A. Comparison to Budget

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**MTS**  
**CONSOLIDATED**  
**COMPARISON TO BUDGET - FISCAL YEAR 2014**  
**SEPTEMBER 30, 2013**  
**(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 24,985	\$ 24,325	\$ 660	2.7%
Other Revenue	2,459	1,859	600	32.3%
<b>Total Operating Revenue</b>	<b>\$ 27,444</b>	<b>\$ 26,184</b>	<b>\$ 1,260</b>	<b>4.8%</b>
Personnel costs	\$ 29,776	\$ 29,805	\$ 29	0.1%
Outside services	19,301	20,190	889	4.4%
Transit operations funding	-	-	-	-
Materials and supplies	2,531	2,223	(308)	-13.9%
Energy	6,638	6,561	(77)	-1.2%
Risk management	1,668	1,075	(593)	-55.2%
General & administrative	565	532	(33)	-6.2%
Vehicle/facility leases	230	235	6	2.4%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	(0)	-	0	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 60,710</b>	<b>\$ 60,621</b>	<b>\$ (89)</b>	<b>-0.1%</b>
<b>Operating income (loss)</b>	<b>\$ (33,266)</b>	<b>\$ (34,438)</b>	<b>\$ 1,171</b>	<b>3.4%</b>
<b>Total public support and nonoperating revenues</b>	<b>(41)</b>	<b>(30)</b>	<b>(11)</b>	<b>36.7%</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (33,307)</b>	<b>\$ (34,467)</b>	<b>\$ 1,160</b>	<b>-3.4%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATIONS**  
**CONSOLIDATED OPERATIONS**  
**COMPARISON TO BUDGET - FISCAL YEAR 2014**  
**SEPTEMBER 30, 2013**  
**(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 24,985	\$ 24,325	\$ 660	2.7%
Other Revenue	150	146	3	2.2%
<b>Total Operating Revenue</b>	<b>\$ 25,134</b>	<b>\$ 24,471</b>	<b>\$ 663</b>	<b>2.7%</b>
Personnel costs	\$ 25,116	\$ 25,186	\$ 70	0.3%
Outside services	16,379	16,752	373	2.2%
Transit operations funding	-	-	-	-
Materials and supplies	2,529	2,215	(314)	-14.2%
Energy	6,447	6,387	(60)	-0.9%
Risk management	1,580	959	(620)	-64.7%
General & administrative	76	69	(7)	-9.8%
Vehicle/ facility leases	165	169	3	1.9%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	7,417	7,417	0	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 59,710</b>	<b>\$ 59,154</b>	<b>\$ (555)</b>	<b>-0.9%</b>
<b>Operating income (loss)</b>	<b>\$ (34,575)</b>	<b>\$ (34,683)</b>	<b>\$ 108</b>	<b>0.3%</b>
<b>Total public support and nonoperating revenues</b>	<b>696</b>	<b>707</b>	<b>(11)</b>	<b>-1.5%</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (33,879)</b>	<b>\$ (33,976)</b>	<b>\$ 97</b>	<b>-0.3%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATIONS**  
**TRANSIT SERVICES (SAN DIEGO TRANSIT CORPORATION)**  
**COMPARISON TO BUDGET - FISCAL YEAR 2014**  
**SEPTEMBER 30, 2013**  
**(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 7,045	\$ 7,284	\$ (238)	-3.3%
Other Revenue	1	2	(1)	-55.8%
<b>Total Operating Revenue</b>	<b>\$ 7,046</b>	<b>\$ 7,286</b>	<b>\$ (240)</b>	<b>-3.3%</b>
Personnel costs	\$ 16,594	\$ 16,713	\$ 118	0.7%
Outside services	286	465	179	38.5%
Transit operations funding	-	-	-	-
Materials and supplies	1,180	1,195	15	1.3%
Energy	1,453	1,419	(34)	-2.4%
Risk management	1,215	484	(731)	-150.9%
General & administrative	17	38	21	54.9%
Vehicle/facility leases	73	75	2	2.5%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	2,830	2,830	-	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 23,648</b>	<b>\$ 23,219</b>	<b>\$ (430)</b>	<b>-1.9%</b>
<b>Operating income (loss)</b>	<b>\$ (16,602)</b>	<b>\$ (15,933)</b>	<b>\$ (669)</b>	<b>-4.2%</b>
<b>Total public support and nonoperating revenues</b>	<b>(321)</b>	<b>(310)</b>	<b>(11)</b>	<b>3.5%</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (16,923)</b>	<b>\$ (16,242)</b>	<b>\$ (680)</b>	<b>4.2%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATIONS**  
**RAIL OPERATIONS (SAN DIEGO TROLLEY, INCORPORATED)**  
**COMPARISON TO BUDGET - FISCAL YEAR 2014**  
**SEPTEMBER 30, 2013**  
**(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 10,708	\$ 9,625	\$ 1,083	11.3%
Other Revenue	148	144	5	3.2%
<b>Total Operating Revenue</b>	<b>\$ 10,857</b>	<b>\$ 9,769</b>	<b>\$ 1,088</b>	<b>11.1%</b>
Personnel costs	\$ 8,136	\$ 8,051	\$ (84)	-1.0%
Outside services	859	869	10	1.2%
Transit operations funding	-	-	-	-
Materials and supplies	1,349	1,017	(332)	-32.6%
Energy	2,793	2,669	(124)	-4.7%
Risk management	361	471	110	23.4%
General & administrative	57	26	(32)	-122.3%
Vehicle/ facility leases	90	89	(1)	-1.0%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	4,084	4,084	-	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 17,728</b>	<b>\$ 17,276</b>	<b>\$ (452)</b>	<b>-2.6%</b>
<b>Operating income (loss)</b>	<b>\$ (6,872)</b>	<b>\$ (7,507)</b>	<b>\$ 636</b>	<b>8.5%</b>
<b>Total public support and nonoperating revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (6,872)</b>	<b>\$ (7,507)</b>	<b>\$ 636</b>	<b>-8.5%</b>



**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATIONS**  
**MULTIMODAL OPERATIONS (FIXED ROUTE)**  
**COMPARISON TO BUDGET - FISCAL YEAR 2014**  
**SEPTEMBER 30, 2013**  
**(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 6,086	\$ 6,203	\$ (117)	-1.9%
Other Revenue	-	-	-	-
<b>Total Operating Revenue</b>	<b>\$ 6,086</b>	<b>\$ 6,203</b>	<b>\$ (117)</b>	<b>-1.9%</b>
Personnel costs	\$ 124	\$ 113	\$ (11)	-9.7%
Outside services	10,579	10,764	185	1.7%
Transit operations funding	-	-	-	-
Materials and supplies	-	1	1	-
Energy	1,523	1,620	97	6.0%
Risk management	-	-	-	-
General & administrative	2	1	(0)	-42.1%
Vehicle/facility leases	3	5	2	45.7%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	357	357	0	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 12,587</b>	<b>\$ 12,860</b>	<b>\$ 273</b>	<b>2.1%</b>
<b>Operating income (loss)</b>	<b>\$ (6,501)</b>	<b>\$ (6,658)</b>	<b>\$ 156</b>	<b>2.3%</b>
<b>Total public support and nonoperating revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (6,501)</b>	<b>\$ (6,658)</b>	<b>\$ 156</b>	<b>-2.3%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OPERATIONS**  
**MULTIMODAL OPERATIONS (PARATRANSIT)**  
**COMPARISON TO BUDGET - FISCAL YEAR 2014**  
**SEPTEMBER 30, 2013**  
**(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 522	\$ 518	\$ 4	0.7%
Other Revenue	-	-	-	-
<b>Total Operating Revenue</b>	<b>\$ 522</b>	<b>\$ 518</b>	<b>\$ 4</b>	<b>0.7%</b>
Personnel costs	\$ 31	\$ 37	\$ 5	14.5%
Outside services	3,034	3,021	(14)	-0.5%
Transit operations funding	-	-	-	-
Materials and supplies	-	-	-	-
Energy	627	615	(12)	-1.9%
Risk management	4	4	-	0.0%
General & administrative	-	3	3	-
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	104	104	0	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 3,801</b>	<b>\$ 3,783</b>	<b>\$ (17)</b>	<b>-0.5%</b>
<b>Operating income (loss)</b>	<b>\$ (3,279)</b>	<b>\$ (3,265)</b>	<b>\$ (14)</b>	<b>-0.4%</b>
<b>Total public support and nonoperating revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (3,279)</b>	<b>\$ (3,265)</b>	<b>\$ (14)</b>	<b>0.4%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
OPERATIONS  
CONSOLIDATED CHULA VISTA TRANSIT OPERATIONS  
COMPARISON TO BUDGET - FISCAL YEAR 2014  
SEPTEMBER 30, 2013  
(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 624	\$ 695	\$ (72)	-10.3%
Other Revenue	-	-	-	-
<b>Total Operating Revenue</b>	<b>\$ 624</b>	<b>\$ 695</b>	<b>\$ (72)</b>	<b>-10.3%</b>
Personnel costs	\$ 43	\$ 84	\$ 41	49.2%
Outside services	1,420	1,433	13	0.9%
Transit operations funding	-	-	-	-
Materials and supplies	0	2	2	97.8%
Energy	50	63	13	20.2%
Risk management	-	-	-	-
General & administrative	-	2	2	-
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	41	41	(0)	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,555</b>	<b>\$ 1,626</b>	<b>\$ 71</b>	<b>4.3%</b>
<b>Operating income (loss)</b>	<b>\$ (932)</b>	<b>\$ (930)</b>	<b>\$ (1)</b>	<b>-0.1%</b>
<b>Total public support and nonoperating revenues</b>	<b>957</b>	<b>957</b>	<b>-</b>	<b>0.0%</b>
<b>Income (loss) before capital contributions</b>	<b>\$ 25</b>	<b>\$ 26</b>	<b>\$ (1)</b>	<b>-4.6%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
OPERATIONS  
CORONADO FERRY  
COMPARISON TO BUDGET - FISCAL YEAR 2014  
SEPTEMBER 30, 2013  
(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	-	-	-	-
<b>Total Operating Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
Personnel costs	\$ -	\$ -	\$ -	-
Outside services	46	46	-	0.0%
Transit operations funding	-	-	-	-
Materials and supplies	-	-	-	-
Energy	-	-	-	-
Risk management	-	-	-	-
General & administrative	-	-	-	-
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	-	-	-	-
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 46</b>	<b>\$ 46</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Operating income (loss)</b>	<b>\$ (46)</b>	<b>\$ (46)</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Total public support and nonoperating revenues</b>	<b>60</b>	<b>60</b>	<b>-</b>	<b>0.0%</b>
<b>Income (loss) before capital contributions</b>	<b>\$ 14</b>	<b>\$ 14</b>	<b>\$ -</b>	<b>0.0%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**ADMINISTRATION**  
**CONSOLIDATED**  
**COMPARISON TO BUDGET - FISCAL YEAR 2014**  
**SEPTEMBER 30, 2013**  
**(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	2,214	1,615	599	37.1%
<b>Total Operating Revenue</b>	<b>\$ 2,214</b>	<b>\$ 1,615</b>	<b>\$ 599</b>	<b>37.1%</b>
Personnel costs	\$ 4,482	\$ 4,444	\$ (38)	-0.9%
Outside services	2,912	3,391	479	14.1%
Transit operations funding	-	-	-	-
Materials and supplies	2	6	4	68.3%
Energy	189	172	(17)	-9.9%
Risk management	85	109	23	21.6%
General & administrative	465	436	(29)	-6.7%
Vehicle/facility leases	64	67	2	3.7%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	(7,447)	(7,447)	-	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 752</b>	<b>\$ 1,176</b>	<b>\$ 424</b>	<b>36.1%</b>
<b>Operating income (loss)</b>	<b>\$ 1,462</b>	<b>\$ 439</b>	<b>\$ 1,024</b>	<b>-233.4%</b>
<b>Total public support and nonoperating revenues</b>	<b>(737)</b>	<b>(737)</b>	<b>0</b>	<b>0.0%</b>
<b>Income (loss) before capital contributions</b>	<b>\$ 726</b>	<b>\$ (298)</b>	<b>\$ 1,024</b>	<b>-343.4%</b>

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**  
**OTHER ACTIVITIES**  
**CONSOLIDATED**  
**COMPARISON TO BUDGET - FISCAL YEAR 2014**  
**SEPTEMBER 30, 2013**  
**(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	95	98	(3)	-2.7%
<b>Total Operating Revenue</b>	<b>\$ 95</b>	<b>\$ 98</b>	<b>\$ (3)</b>	<b>-2.7%</b>
Personnel costs	\$ 178	\$ 175	\$ (3)	-1.9%
Outside services	9	47	38	79.9%
Transit operations funding	-	-	-	-
Materials and supplies	0	2	1	78.7%
Energy	3	3	(0)	-12.3%
Risk management	3	7	3	51.1%
General & administrative	24	27	3	11.0%
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	30	30	-	0.0%
Depreciation	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 248</b>	<b>\$ 290</b>	<b>\$ 42</b>	<b>14.5%</b>
<b>Operating income (loss)</b>	<b>\$ (154)</b>	<b>\$ (193)</b>	<b>\$ 39</b>	<b>20.4%</b>
<b>Total public support and nonoperating revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (154)</b>	<b>\$ (193)</b>	<b>\$ 39</b>	<b>-20.4%</b>



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## Agenda Item No. 62

### Chief Executive Officer's Report

November 14, 2013

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, 2013 through November 7, 2013.



**EXPENSE CONTRACTS**

Doc #	Organization	Subject	Amount	Day
B0563.5-11	TRAPEZE SOFTWARE GROUP	ANNUAL MAINTENANCE RENEWAL	\$59,200.00	10/22/2013
L0856.1-09	CANON BUSINESS SOLUTIONS	ADD FUNDS	\$27,000.00	10/29/2013
G1651.0-14	RANCHO VISTA SKILLED NURSING	KIT DAWSON	\$16,000.00	11/6/2013

**REVENUE CONTRACTS**

Doc #	Organization	Subject	Amount	Day
G1661.0-14	NEXTEL OPERATIONS	800 MHZ FREQUENCY RECONFIG AGMT	(\$182,897.28)	10/21/2013
M6703.1-13	EXPEDITE TOWING	LEASE AMENDMENT MONTH TO MONTH	(\$1,533.00)	10/28/2013
M6707.0-14	TRI GROUP CONSTRUCTION	ROE	(\$2,200.00)	10/29/2013
B0596.0-13	CLEAR CHANNEL OUTDOOR	BUS SHELTER ADVERTISING	(\$4,750,000.00)	10/30/2013
G1647.0-14	SD UNIFIED SCHOOL DISTRICT	YOUTH MONTHLY PASS PILOT	(\$288,000.00)	10/30/2013
L0971.2-13	SANDAG	LEASE AMENDMENT JOLLY TROLLEY	(\$2,164.24)	11/1/2013
G1664.0-14	DEPT OF TRANSPORTATION	DOT CALTRANS STANDARD AGMT	(\$10,000.00)	11/4/2013
L1177.0-14	COPPER ELECTRIC, INC.	DURABLE ROE ELECTRICAL MAINTENANCE	(\$1,000.00)	11/4/2013
L6692.0-13	SKANSKA USA CIVIL WEST	JROE BRIDGE WIDENINGS	(\$1,500.00)	11/5/2013
L1179.0-14	SMITH & UNION, LLC	ROE PHOTO SHOOT AT SDSU	(\$750.00)	11/7/2013

**PURCHASE ORDERS**

DATE	Organization	Subject	AMOUNT
10/22/2013	ARAMARK REFRESHMENT SERVICES	COFFEE BREWERS	\$8,800.00
10/25/2013	SUNSTATE EQUIPMENT	TEMP LIGHTING FOR VERNON PARKING LOT	\$5,710.98
10/29/2013	SDA SECURITY SYSTEMS INC.	ALARM MONITORING 1 YR	\$1,199.00
11/4/2013	CDW GOVERNMENT, INC.	HP ETHERNET ADAPTER	\$948.24
11/4/2013	KELLY PAPER	HAMMERMILL PAPER	\$7,206.25
11/4/2013	CITY ELECTRIC WORKS	ELECTRICAL WORK LABOR/MATERIALS	\$6,660.00

**WORK ORDERS**

Doc #	Organization	Subject	Amount	Day
G0930.17-04.16.1	SANDAG	I-15 & MID-CITY VEHICLE PROCUREMENT	(\$3,662,390.95)	10/29/2013
G0930.17-04.28	SANDAG	SOUTH BAY BRT MAINTENANCE FAC	(\$45,000.00)	10/29/2013
G1496.0-13.03	RAILPROS	ROE AND REAL ESTATE GENERAL	\$50,000.00	10/29/2013
PWL135.0-12.09.1	ABC CONSTRUCTION	UPGRADE 2 SERVERS	\$2,639.20	10/29/2013
PWL135.0-12.15.1	ABC CONSTRUCTION, INC.	20 ADDITIONAL FEET	\$4,662.52	11/4/2013
G1246.0-09.10.2	DAVID EVANS	ADDITIONAL DESIGN SERVICES	\$16,985.29	11/6/2013
PWL134.0-12.20.1	HERZOG CONSTRUCTION, INC.	ORANGE LINE TRACK WELDING	\$42,036.52	11/7/2013