



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

Agenda

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 20, 2014

9:00 a.m.

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

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ACTION RECOMMENDED

1. Roll Call
2. Approval of Minutes - October 30, 2014 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 2015 (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 2015.

Please SILENCE electronics
during the meeting

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



CONSENT ITEMS

- | | | |
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| 6. | <u>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 21, 2014</u> | Information |
| 7. | <u>Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency Joint Powers Agreement</u>
Action would approve the proposed amendments to the 2013 Amendment to the Joint Powers Agreement Concerning the Los Angeles - San Diego - San Luis Obispo Corridor Rail Agency (LOSSAN) to ensure that the official agency name is correctly stated as the Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency throughout the document. | Approve |
| 8. | <u>Investment Report - September 2014</u> | Information |
| 9. | <u>Increased Authorization for Legal Services - Oppen & Varco, LLP</u>
Action would authorize the Chief Executive Officer (CEO) to: (1) execute Amendment No. 2, MTS Doc. No. G1429.2-12 with OPPER & VARCO, LLP to pay current and future legal expenses through the remainder of fiscal year 2015; and (2) ratify one prior contract amendment entered into under the CEO's authority. | Approve |
| 10. | <u>Colocation Data Center Facility Services - Contract Award</u>
Action would authorize the Chief Executive Officer (CEO) to: (1) execute MTS Doc. No. G1765.0-15 with American Internet Services, LLC (AIS) for colocation data center facility services for a two-year base period with two one-year options periods (for a total of 4 years); and (2) exercise each option year at the CEO's discretion. | Approve |
| 11. | <u>San Diego Metropolitan Transit System (MTS) Website Replacement Project</u>
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1694.0-14 with Steer, Davies, Gleave for replacement of the MTS website. | Approve |
| 12. | <u>Addition of the Following Positions: One (1) F/T HR Representative II; Two (2) F/T Bus Operator Training Instructors; One (1) P/T Administrative Assistant</u>
Action would authorize the CEO to add: One (1) HR Representative II to the FY15 budget, increasing the total Full Time Equivalent (FTE) position from 3 to 4 at Grade #7 (\$47,531 - \$74,391); Two (2) Bus Operator Training Instructors to the FY15 budget, increasing the total Full Time Equivalent (FTE) position from 6 to 8 at Grade #6 (\$41,512 - \$64,970); and One (1) P/T Administrative Assistant to the FY15 budget at \$15.00 per hour. | Approve |

CLOSED SESSION

24. None.

Oral Report of Final Actions Taken in Closed Session

NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS

- | | | |
|-----|---|---------|
| 30. | <u>Fiscal Year 2014 Comprehensive Annual Financial Report (Erin Dunn and Larry Marinesi; Kenneth Pun and Gary Caporicci of Pun & McGeady)</u>
Action would receive the Fiscal Year (FY) 2014 Comprehensive Annual Financial Report (CAFR). | Receive |
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REPORT ITEMS

- | | | |
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| 45. | <u>Year End Operations Report (Wayne Terry, Bill Spraul and Denis Desmond)</u> | Information |
| 46. | <u>Fiscal Year 2014 Final Budget Comparison (Mike Thompson)</u> | Information |
| 47. | <u>Operations Budget Status Report for September 2014 (Mike Thompson)</u> | Information |
| 48. | <u>Chula Vista Transit Update (Paul Jablonski)</u> | Information |
| 60. | <u>Chairman's Report</u> | Information |
| 61. | <u>Audit Oversight Committee Chairman's Report</u> | Information |
| 62. | <u>Chief Executive Officer's Report</u> | Information |
| 63. | <u>Board Member Communications</u> | |
| 64. | <u>Additional Public Comments Not on the Agenda</u>
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. | <u>Next Meeting Date:</u> December 11, 2014 | |
| 66. | <u>Adjournment</u> | |

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

DRAFT MINUTES

October 30, 2014

1. Roll Call

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

2. Approval of Minutes

Mr. Ewin moved to approve the minutes of the September 18, 2014, MTS Board of Directors meeting. Mr. McClellan seconded the motion, and the vote was 10 to 0 in favor, with Messrs. Alvarez, Minto, Cunningham, Roberts and Gastil absent.

3. Public Comments

Matt Yagyagan – Mr. Yagyagan, with Alliance San Diego, commented on the MTS advertising policy. He stated that Alliance San Diego submitted a few nonpartisan voting advertisements to MTS, but the advertisements were rejected for different reasons. Mr. Yagyagan said that Alliance San Diego is disappointed with MTS for not allowing the advertisements to be posted. He urged MTS to change its advertising policy to allow nonpartisan voting advertisements and for MTS to partner with Alliance San Diego in all future elections.

Andrea Guerrero – Ms. Guerrero, with Alliance San Diego, displayed the rejected advertisement to the Board members. She stated that Alliance San Diego urges MTS to revisit its advertisement policy and its current restrictions. Ms. Guerrero said that voter awareness needs to be raised and MTS should allow these nonpartisan voting advertisements to be posted on its buses and trolleys. She stated that Alliance San Diego would like to partner with MTS in future elections.

Board Member Comments

Mr. Gloria commented that this subject was briefly discussed at the Executive Committee meeting on October 23, 2014, and that it was his understanding that this matter will be discussed at a future Board meeting. Ms. Landers stated that she is expecting to bring this item to the Board meeting in either December or January.

CONSENT ITEMS

6. Adoption of the 2015 San Diego Metropolitan Transit System (MTS) Executive Committee and Board of Directors Meeting Schedule

Action would adopt the 2015 Executive Committee and Board of Directors meeting schedule.

7. Number Not Used

8. Adoption of Amended 2014 Conflict of Interest Code
Action would: (1) adopt Resolution No. 14-12 amending the MTS Conflict of Interest Code pursuant to the Political Reform Act (PRA) of 1974; (2) adopt the amended 2014 MTS Conflict of Interest Code; and (3) forward the amended 2014 MTS Conflict of Interest Code to the County of San Diego (the designated code-reviewing body).
9. Investment Report - August 2014
10. Centralized Train Control (CTC): SDSU Fire Life Panel System Upgrade and Technical Support - Addendum 17 Project Scope of Work Amendment 24.1
Action would approve an amendment to Addendum 17 Project Scope of Work (MTS Document No. G0930.17-04.24.1) for the flagging and Construction Management services for the SDSU Fire Life Panel System Upgrade project.
11. Procurement and Installation of Replacement Coupler and Draft Gear for SD-100 Light Rail Vehicles (LRV) - Contract Award
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L1192.0-14 with Dellner, Inc. for the procurement and installation of 104 buffer couplers, plus four spare coupler and draft gears for SD-100 LRVs.
12. Green Line Closed-Circuit Television (CCTV) System Upgrades - Contract Award
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. PWL155.0-14 with Kratos Public Safety & Security Solutions, Inc. (Kratos) for the procurement and installation of MTS Green Line CCTV systems upgrades.
13. Siemens Industry, Inc. - 11th Amendment to Contract No. L0914.0-10 - Procurement of Ultrashort Low-Floor Vehicles
Action would authorize the Chief Executive Officer to execute the 11th Amendment to MTS Doc. No. L0914.0-10 documenting contract close out agreements and authorizing a one-time partial release of retention.
14. Revisions to Board Policy No. 51 Regarding Claims Against the San Diego Metropolitan Transit System, a California Public Agency, or its Subsidiaries, San Diego Transit Corporation or San Diego Trolley, Inc.
Action would approve and adopt the updated Board Policy No. 51.
15. Clarifier Waste Transportation and Recycling Services - Contract Award
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. PWG157.0-14 with Asbury Environmental Services for the provision of clarifier waste removal, transportation and recycling services.
16. San Ysidro Radio Tower Lease with the City of San Diego
Action would authorize the CEO to execute MTS Doc. No. G1757.0-15 with the City of San Diego for a lease of space at their Moody Canyon radio site in San Ysidro.

Action on Recommended Consent Items

Ms. Emerald moved to approve Consent Agenda Item Nos. 6 – 16. Ms. Bragg seconded the motion, and the vote was 13 – 0 in favor, with Mr. Minto and Mr. Cunningham absent.

CLOSED SESSION

24. Closed Session Items

The Board convened to Closed Session at 9:10 a.m.

- a. CLOSED SESSION – CONFERENCE WITH REAL PROPERTY NEGOTIATORS PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54956.8;
Property: 8650 Tech Way, San Diego, California (Assessor Parcel Nos. 369-220-85)
Agency Negotiators: Paul Jablonski, Chief Executive Officer; Karen Landers, General Counsel; and Tim Allison, Manager of Real Estate Assets
Negotiating Parties: Excel Hotel Group
Under Negotiation: Price and Terms of Payment

The Board reconvened to Open Session at 9:14 a.m.

Oral Report of Final Actions Taken in Closed Session

Karen Landers, General Counsel, reported the following:

- a. The Board received a report and gave instructions to real property negotiators.

NOTICED PUBLIC HEARINGS

- 25. None.

DISCUSSION ITEMS:

- 30. Amendments to Ordinance No. 4, Establishing a Metropolitan Transit System Fare-Pricing Schedule (Karen Landers)

Karen Landers, General Counsel, provided a presentation regarding the proposed amendments to Ordinance No. 4. She stated that this agenda item was brought to the September 18, 2014 Board meeting as the first reading of the amendments to Ordinance No. 4. Ms. Landers said that the amendments are minor and include similar changes to the Comprehensive Fare Ordinance, which was approved by SANDAG on July 25, 2014. The amendments include recognizing the UPass Agreement with UCSD, adding the Rapid brand name to the Fare Ordinance as well as other minor, non-substantive changes. Ms. Landers briefly described the background and details of the UPass Agreement with UCSD and its students. She also commented that the other minor change includes changing the term “curb-to-curb” to “origin-to-destination” in the definition of ADA Complementary Paratransit Services.

Ms. Sotelo-Solis inquired what the new definition was for the Rapid services. Ms. Landers stated that MTS recently implemented Bus Rapid Transit (BRT) service and branded that service as “Rapid”. Mr. Jablonski also commented that the MTS I-15 Premium Express service has been in place for a long time and that service is now branded as “Rapid”. He also noted there will be other Rapid services opening in the other areas of San Diego under the Rapid brand name.

Action Taken

Mr. McClellan moved to (1) Read the title of Ordinance No. 4, An Ordinance Establishing a Metropolitan Transit System Fare-Pricing Schedule; (2) Waive further readings of the ordinance; (3) Adopt the proposed ordinance amendments; and (4) Direct publication of an ordinance summary. Ms. Emerald seconded the motion, and the vote was 14 to 0 in favor, with Mr. Cunningham absent.

31. Amended and Restated MTS-BNSF-NCTD San Diego Subdivision Shared-Use Agreement (Karen Landers)

Ms. Landers provided a presentation on the proposed amendments to the MTS, Burlington Northern Santa Fe (BNSF), North County Transit District (NCTD) Shared-Use Agreement. She reviewed the background of the shared use agreement; reasons for the amended shared use agreement, including the confusing indemnification and liability provisions. Ms. Landers discussed the restated and amended items of the shared use agreement, including MTS-NCTD project coordination and protocol; updates related to all parties with derailments; third-party liability; insurance; good faith negotiations and the removal of arbitration provisions. Lastly, she reviewed the other items relating only to NCTD and BNSF.

Mr. Alvarez inquired whether the shared liability relates only to trains being involved and not with other vehicles. Ms. Landers replied that is correct that it only relates to MTS, BNSF and NCTD trains.

Mr. Jablonski provided brief information on the Santa Fe Depot station. He commented that the station has been increasingly used by other agencies' trains and operations. Mr. Jablonski stated that in the future, the Santa Fe Depot station will need more track capacity. Currently, the station has six tracks, two of which are for MTS and the other four tracks are for heavy rail operations. Mr. Jablonski stated that heavy rail is projected to have large increases in the near future which would result in possibly needing more track capacity. He stated that he will keep the Board informed of any new information that arises.

Action Taken

Mr. Alvarez moved to (1) Approve the Amended and Restated Shared-Use Agreement between MTS, Burlington Northern Santa Fe (BNSF), and North County Transit District (NCTD); and (2) Authorize the Chief Executive Officer and/or the General Counsel to make minor, non-material changes to the document prior to execution by all parties. Ms. Emerald seconded the motion, and the vote was 15 to 0 in favor.

REPORT ITEMS

46. San Diego Transit Corporation (SDTC) Pension Investment Status (Larry Marinesi and Jeremy Miller, Representative from RVK) (Taken Out of Order)

Larry Marinesi, Chief Financial Officer, introduced Jeremy Miller, with RVK. Mr. Miller reviewed the SDTC Pension Investment Status as of Fiscal Year ended June 30, 2014. Mr. Miller stated

that the ending market value for the fiscal year was \$165,209,671.00, a 13.21% return. He commented that this benchmark well outperformed the actuarial rate, which was 7.5%. He discussed the schedule of investable assets; asset allocation versus target allocation; and asset allocation by Manager. Mr. Miller also reviewed the asset allocation and comparative performance as of June 30, 2014.

Board Member Comments

Mr. Cunningham complimented RVK on a job well done. He inquired if the \$19 million gain was net of fees or gross of fees. Mr. Miller replied that amount is gross of fees. Mr. Cunningham asked what the overall investment fees were for the past fiscal year. Mr. Miller stated he did not have the exact number readily available. Mr. Marinesi replied that the average fees are approximately 60 basis points. Mr. Miller also commented that the fees are slightly lower than the industry average.

Mr. Alvarez inquired how often the portfolio is changed. Mr. Miller stated that they meet on a quarterly basis or more and they change the portfolio on an as needed basis. He noted they are continuously looking at the portfolio for any changes or updates.

47. Semi-Annual Security Report (January 1, 2014 through June 30, 2014) (Bill Burke) (Taken Out of Order)

Bill Burke, Director of Transit System Security, provided a presentation on the semi-annual security report for January 1, 2014 through June 30, 2014. He reviewed the Part I incidents on Rail including incidents against persons, property and non-patron related theft incidents. He reviewed the comparison of these incidents from 2013 to 2014. Mr. Burke discussed the Part II arrests on Rail and compared these results from 2013 to 2014. He reviewed the Part I incidents and Part II arrests on SDTC buses. He also discussed the 'If You See Something, Say Something' campaign and commented that it has been very successful. Mr. Burke stated that MTS received a \$100,000 training grant and was able to apply that to the Rock and Roll Marathon. He noted there were many regional agencies that participated in the event. Mr. Burke discussed the Special Enforcement Unit (SEU) results on zero tolerance fare inspections. He noted that the fare evasion rate for January through June 2014 was 3.3%. Mr. Burke discussed a recent felony vandalism arrest of a man who had vandalized MTS trolleys on multiple occasions. He also announced that MTS received a law enforcement grant of \$1,000,000, which will go towards funding overtime costs for local law enforcement agencies to conduct enforcement operations within and along the MTS trolley system. Lastly, Mr. Burke discussed the officer body cameras and stated that the cameras are now in use and have reduced the number of complaints received. The cameras allow for much quicker investigation of allegations of officer misconduct.

Board Member Comments

Ms. Emerald inquired if the cameras make a difference. Mr. Burke stated the cameras are making a large difference and the complaints against the Code Compliance Inspectors have lowered. Ms. Emerald asked if there will be a media event related to the received grant and the law enforcement officers that will be working with MTS and on the trolleys. Mr. Burke stated that they do anticipate holding a media event.

Ms. Sotelo-Solis stated that she sits on the SANDAG Public Safety Committee. She asked how other cities will participate in the grant. Mr. Burke replied that each city will be given a dedicated portion of time to participate in this program. He said that each city will have one officer that will participate. Ms. Sotelo-Solis asked if the DUI incident in the report was an employee. Mr. Burke stated the DUI incident was not an employee, but someone from the public who drove into the MTS right of way.

Mr. Ramirez inquired about the arrest records and the statistics on the chances someone will be caught if they commit a crime. Mr. Burke stated that there has been an ongoing process where riders are not aware of when officers will be on the trolleys and there is a consistently high presence of officers on the system. Mr. Ramirez asked if there are higher penalties for crimes if they are committed on a public transit system. Mr. Burke replied that the crimes are weighted similarly to other crimes and they do not necessarily have a higher penalty. Mr. Jablonski stated there are no special penalties for public transit crimes. He commented that MTS requested the U.S. Attorney to consider categorizing the copper wire thefts as terrorist acts, but the request was denied.

Ms. Bragg commented that people should focus on the story that San Diego's public transit system is very safe.

Ms. Sotelo-Solis asked how long MTS keeps recorded videos. Ms. Landers stated that the length of time is limited by the technology. MTS has thousands of hours of video every day and has retention of approximately 7 to 21 days. She stated that MTS cannot guarantee the video after that timeline and encourages people to request videos within the stated timeframe. Ms. Landers also commented that once the video item that has been requested is clipped, it is held indefinitely.

45. Pacific Imperial Railroad (PIR) Desert Line Agreement – Status Update (Karen Landers)

Ms. Landers provided a report on the Pacific Imperial Railroad (PIR) Desert Line Agreement. She reviewed the PIR milestones achieved, including the submission of the Business Plan, Desert Line Reconstruction Plan, and \$1,500,000 in lease payments received, with the next payment due on January 1, 2015. She discussed the status of PIR and Baja California Railroad (BJRR) negotiations to unify the line in Mexico and the US and to obtain Mexico rights. Ms. Landers discussed the status updates and various negotiations during the timeframe of January 2014 through October 2014. She also reviewed the next steps for November to December 2014, including MTS working with Mexico legal counsel to determine the most effective course of action to achieve bi-national freight operations. Ms. Landers also noted that PIR is developing an alternative freight operating plan to meet the milestones in the contract with MTS.

Board Member Comments

Mr. Ramirez commented that he believes MTS does not have a plan for what the rail system looks like and that the bi-national operation is very complex with different interests and stakeholders involved. He believes one of the principal problems that has not been outlined is what the public interest objectives are for the system. Mr. Ramirez stated that bi-national planning efforts need to be put in place and if there is no plan, the system will not move forward. He commented that MTS should care that the line is profitable and that it brings back benefits to

the public. He requested that the MTS Board approve a comprehensive, bi-national study to be conducted to find out the needs for the Desert Line.

Mr. Alvarez commented that he had previously suggested for MTS to set aside money to spend on conducting a study for the Desert Line. He discussed a study SANDAG is conducting in the Olay area that would be a similar type of study that could be conducted on the Desert Line. Mr. Alvarez stated that he has spoken with the Consul General of Mexico and learned that there have been no conversations between the Department of Ministry and Foreign Affairs in Mexico and our State Department regarding crossing goods back and forth over the border.

Public Comments

Roberto Tamayo – Mr. Tamayo stated that he is the CEO for Baja California Railroad. He said they are working on the railroad in Mexico, which is 70.1 kilometers in length. They have invested 200 million pesos in the railroad. Mr. Tamayo stated the product from the maquiladoras in Tijuana is very large and needs to be moved. He said they will be ready in March 2015. Mr. Tamayo commented that PIR is not the company they would like to do business with because a lot of their plan needs to be revised. He said that Baja California Railroad will be the first bi-national railroad that will be opened and their region needs the maquiladoras served.

Board Members Comments – continued

Mr. Alvarez stated again that he would like to set aside funds for a study on the Desert Line. He commented that he understands the Business Plan is not a public document, but asked if the Reconstruction Plan was a public document. Ms. Landers replied that it is not a public document. Mr. Alvarez said that he does not know where in the progress the Desert Line is at and would like to see a study conducted.

Ms. Sotelo-Solis stated that she feels the Board should have access to the plan with the Desert Line. She stated she would like to formally request a report be given on the future of this system.

Mr. McClellan stated that MTS has an agreement with PIR and it is up to PIR to reach the milestones and if they do not complete the milestones, the contract will be null and void. He said it is an additive plus that MTS is helping to negotiate with PIR, when it is not required.

Mr. Gastil stated that he has heard two viewpoints, including that MTS does not have a clear vision in place of the public interest and the other viewpoint is that PIR is moving along and MTS is monitoring their progress. Mr. Gastil said that there is a contract with PIR and agrees that it is important MTS continues monitoring their progress. He also commented that he believes a lot of people do not know what is actually going on with the Desert Line, but have their assumptions. Mr. Gastil recommended that it may be beneficial to discuss plans going forward and the big picture for the Desert Line.

Mr. Roberts stated that it seems there is an overall agreement that they would like this line to be open and running. He said there is a big difference between a study and a negotiation. Mr. Roberts commented that everyone has a different outlook on the focus of the public benefits. He stated that he would like to see the public benefit go fully towards MTS. Mr. Roberts said there is money on both sides of the border to invest in the Desert Line. Mr. Roberts stated that the

first and foremost priority is benefiting the good of public transit. He said that this line has significant value and wants public transit to see the maximum benefit. Mr. Roberts commented that SANDAG may need to study the potential value that is at stake with the Desert Line and the benefit MTS can receive. He noted that MTS has a legally binding contract with PIR and cannot jeopardize that contract. Mr. Roberts also commented that Mr. Jablonski has been diligently working countless hours on this matter. Lastly, he reiterated that MTS owns this valuable line and wants to see its benefit go towards MTS and public transportation.

Mr. Ramirez commented that he disagrees with Mr. McClellan that the primary focus point is the contract with PIR. Mr. Ramirez believes the primary point should be the public interest. He commented that he also disagrees with Mr. Roberts that the benefit of the railroad should be with MTS and public transit. Mr. Ramirez believes the potential benefits should be bi-national with the interests in jobs and the environment. He commented that he has a business in Tecate and belongs to business and civic groups in Tecate. He said there is a concern among the people wondering what would happen to the city with all of the truck traffic and a large cargo line going through the city. Mr. Ramirez stated that a comprehensive bi-national plan needs to be in place. He said he would like to move to initiate a comprehensive bi-national study for the Desert line.

Chairman Mathis stated that the motion is out of order, because the agenda item is an informational item. He also stated that as members of the Board, there is a fiduciary responsibility to protect the interests and mission of MTS. The Desert Line is an asset that belongs to MTS and the Board has the duty to protect the interests and assets of MTS. Chairman Mathis commented to Mr. Ramirez that he is mistaken if he thinks all MTS cares about is the money. He stated that MTS cares about the mission and that there will be many additional benefits that will flow from the negotiations and implementation of the Desert Line.

Mr. Jablonski stated there has been discussion about conducting a study, but circumstances did not allow us to conduct a study in the past. He commented that if PIR is not successful under the current lease, MTS would conduct a comprehensive analysis before moving forward with other options. Mr. Jablonski also commented that the potential in revenue from the Desert Line is much more than \$1 million per year, but rather 15% of gross, which could result in \$25-\$35 million per year. This could have the potential to be the second largest funding source to MTS other than the Federal government.

Mr. Minto stated that he will bring the study as a recommendation to the SANDAG Borders Committee.

Mr. Alvarez stated that he is not trying to take MTS away from the Desert Line. He said that if PIR lapses in the contract, he would like to continue the discussion for other options immediately. Mr. Alvarez said that he does not know whether or not there is a lot of money to be made on the Desert Line. He commented that he wants to make sure the line works and believes that conducting a study will be beneficial.

Mr. Roberts stated that there may need to be a financial assessment to see the value of the Desert Line. He said that he is looking for much more than \$1,000,000 per year from this line. Mr. Roberts stated he has observed that MTS is doing all that is possible to move forward.

Mr. Jablonski stated that MTS staff can work on a potential scope and bring it back for review.

Ms. Sotelo-Solis said the study will be very beneficial to make sure MTS gets the most out of the Desert Line.

Chairman Mathis stated that staff can put together a scope and bring it back to the Board for review.

Mr. Cunningham stated that he wanted to clarify that the Board does not have a notion that PIR will fail, but has full confidence that PIR will succeed. There were indications of agreement made by the Board members.

Mr. Ramirez inquired what the time frame will be for this item to be agendized. Mr. Jablonski stated that it will be agendized in either November or December.

48. Operations Budget Status Report for August 2014 (Luke Kromer)

The report was waived.

63. Board Member Communications (Taken Out of Order)

Mr. Roberts commented that he attended the APTA Annual Conference and had the privilege to see Mr. Jablonski awarded APTA's Outstanding Public Transportation Manager.

60. Chairman's Report

Chairman Mathis stated that he was also at the APTA Annual Conference and that Mr. Jablonski's award was extremely well deserved.

61. Audit Oversight Committee Chairman's Report

Mr. Ewin commented that the Audit Oversight Committee met last Thursday, October 23, 2014. He stated that the audit is almost complete for the production of the CAFR and there are no significant items to report on.

62. Chief Executive Officer's Report

Mr. Jablonski stated that he attended the APTA Annual Conference in Houston as well as the TOPS Committee in Washington D.C., which was paid for by the Transit Cooperative Research Program. He thanked all of the Board members for their continued support and they share in his award as well.

63. Board Member Communications – continued

Mr. Gastil commented that he has been appointed to the FACT Board, Facilitating Access to Coordinated Transportation. He said it is an honor to serve on that Board and periodically he will bring reports and updates.

Mr. Alvarez commented on Consent Agenda Item No. 16, the San Ysidro Radio Tower Lease. He noted that the property is owned by the City where there is potential for a new library. He also commented on the MidCoast Trolley, stating that the Morena trolley station has been

rejected by the community. Mr. Alvarez asked if SANDAG is responsible for the station sites. Mr. Jablonski replied that SANDAG is responsible, however MTS is very involved. Mr. Alvarez asked what the costs would be for that particular station. Mr. Jablonski replied that SANDAG would likely have that information. Mr. Roberts stated that the assignment of the MidCoast stations has been in place for years. He also commented that we are almost at the point of receiving a Federal full funding grant agreement for the MidCoast project and do not want to jeopardize that funding.

64. Additional Public Comments on Items Not on the Agenda

Valerie Hightower – Ms. Hightower thanked MTS for the stop signs located at 26th Street and Market Street and for the extra bus benches. She requested two additional bus benches at Imperial Avenue and 36th Street. Mr. Hightower asked if the Route 4 bus could run three times per hour Monday through Saturday and two times per hour on Sundays. She also asked if the Senior/Disabled monthly passes could be issued at any time of the month rather than just at the beginning of the month. Mr. Jablonski stated that people can purchase their monthly passes during any time of the month and the pass will be valid for 30 days. Ms. Hightower also said that Route 11, 13, 955 and 3 have a lot of passengers who drink and smoke while waiting for the bus. Lastly, she requested the Route 16 bus to be brought back in service.

65. Next Meeting Date

The next regularly scheduled Board meeting is November 20, 2014.

66. Adjournment

Chairman Mathis adjourned the meeting at 11:47 a.m.

Chairperson
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

Clerk of the Board
San Diego Metropolitan Transit System

General Counsel
San Diego Metropolitan Transit System

Attachment: Roll Call Sheet

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS
ROLL CALL

MEETING OF (DATE): October 30, 2014

CALL TO ORDER (TIME): 9:04 a.m.

RECESS: _____

RECONVENE: _____

CLOSED SESSION: 9:10 a.m.

RECONVENE: 9:14 a.m.

PUBLIC HEARING: _____

RECONVENE: _____

ORDINANCES ADOPTED: 1 (Ord. 4 amendment)

ADJOURN: 11:47 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ALVAREZ	<input checked="" type="checkbox"/> (Zapf) <input type="checkbox"/>	9:08 a.m.	11:47 a.m.
BRAGG	<input checked="" type="checkbox"/> (Bilbray) <input type="checkbox"/>	9:04 a.m.	11:23 a.m.
COLE	<input checked="" type="checkbox"/> (Zapf) <input type="checkbox"/>	9:04 a.m.	11:47 a.m.
CUNNINGHAM	<input checked="" type="checkbox"/> (Mullin) <input type="checkbox"/>	9:19 a.m.	11:42 a.m.
EMERALD	<input checked="" type="checkbox"/> (Zapf) <input type="checkbox"/>	9:04 a.m.	11:22 a.m.
EWIN	<input checked="" type="checkbox"/> (Arapostathis) <input type="checkbox"/>	9:04 a.m.	11:47 a.m.
GASTIL	<input checked="" type="checkbox"/> (Jones) <input type="checkbox"/>	9:08 a.m.	11:47 a.m.
GLORIA	<input checked="" type="checkbox"/> (Zapf) <input type="checkbox"/>	9:04 a.m.	11:18 a.m.
MATHIS	<input checked="" type="checkbox"/>	9:04 a.m.	11:47 a.m.
MCCLELLAN	<input checked="" type="checkbox"/> (Ambrose) <input type="checkbox"/>	9:04 a.m.	11:47 a.m.
MINTO	<input checked="" type="checkbox"/> (McNelis) <input type="checkbox"/>	9:18 a.m.	11:47 a.m.
OVROM	<input checked="" type="checkbox"/> (Denny) <input type="checkbox"/>	9:04 a.m.	11:47 a.m.
RIOS	<input type="checkbox"/> (Sotelo-Solis) <input checked="" type="checkbox"/>	9:04 a.m.	11:34 a.m.
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	9:08 a.m.	11:47 a.m.
SALAS	<input type="checkbox"/> (Ramirez) <input checked="" type="checkbox"/>	9:04 a.m.	11:47 a.m.

SIGNED BY THE CLERK OF THE BOARD:



CONFIRMED BY THE GENERAL COUNSEL:





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

Agenda Item No. 4

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 20, 2014

SUBJECT:

APPOINTMENT OF AD HOC NOMINATING COMMITTEE FOR RECOMMENDING
APPOINTMENTS TO MTS COMMITTEES FOR 2015 (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 2015.

Budget Impact

None.

DISCUSSION:

Each year, the Board makes appointments to various committees, 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-San Luis Obispo 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 2014.

MTS Board Policy No. 22 (Attachment A) 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, Rios, Ewin and Zapf.

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



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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.

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

Attachment: A. Board Policy 22
B. Table of MTS Committees for 2014



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

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.

2014 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
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) Sherri Lightner – City of San Diego Representative (Alternate: Marti Emerald) Al Ovrom– South Bay Representative (Alternate: Lorie Bragg) Jim Cunningham – East County Representative (Alternate: Bob McClellan)
Budget Development Committee	Harry Mathis – Committee Representative Bob McClellan– Committee Representative Ron Roberts – Committee Representative Myrtle Cole – Committee Representative John Minto– Committee Representative
Executive Committee	Harry Mathis – Chair Ron Roberts – County Representative- Vice Chair (Alternate: Greg Cox) Sherri Lightner – 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 George Gastil – Committee Representative
Los Angeles - San Diego Rail Corridor Agency (LOSSAN)	Ernie Ewin – Committee Representative Mona Rios – Alternate
SANDAG Board	Harry Mathis – Advisory Representative Al Ovrom – Alternate
SANDAG Regional Planning Committee	Mona Rios - Committee Representative Al Ovrom– Alternate
SANDAG Transportation Committee	Harry Mathis – Committee Representative Al Ovrom – Alternate (Chosen by the Executive Committee January 9)
Taxicab Advisory Committee	Myrtle Cole – Chair Bob McClellan – Alternate
Ad Hoc Committee for Taxicab Contract Negotiations	Ron Roberts George Gastil John Minto Jim Cunningham Lorie Bragg



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

Agenda Item No. 6

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 20, 2014

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 21, 2014

INFORMATIONAL ONLY

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 2014 (Attachment A).

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

Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. SD&AE Meeting Agenda and Materials



AGENDA

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

October 21, 2014

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,
SUITE 1000
SAN DIEGO, CA
92101-7490
(619) 231-1466

BOARD OF DIRECTORS
PAUL JABLONSKI, CHAIRPERSON
MATT DOMEN
BLAKE JONES

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.

	<u>ACTION RECOMMENDED</u>
1. <u>Approval of the Minutes of July 15, 2014</u> Action would approve the SD&AE Railway Company Minutes of July 15, 2014.	Approve
2. <u>Statement of Railway Finances (Erin Dunn)</u> Action would receive a report for information.	Receive
3. <u>Report on San Diego and Imperial Valley (SD&IV) Railroad Operations (Matt Domen)</u> Action would receive a report for information.	Receive
4. <u>Report on Pacific Southwest Railway Museum (Diana Hyatt)</u> Action would receive a report for information.	Receive
5. <u>Report on the Desert Line (Chas McHaffie)</u> Action would receive a report for information.	Receive
6. <u>Real Property Matters (Tim Allison)</u>	
a) <u>Summary of SD&AE Documents Issued Since July 15, 2014</u> Action would receive a report for information.	Receive
b) <u>CONFERENCE WITH REAL PROPERTY NEGOTIATORS PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54956.8</u> PROPERTY: APNs 555-090-13 and unnumbered parcel 555-01, SAN DIEGO, CA AGENCY NEGOTIATORS: KAREN LANDERS, MTS GENERAL COUNSEL; TIM ALLISON, MTS MANAGER OF REAL ESTATE ASSETS NEGOTIATING PARTIES: San Diego Gas and Electric <u>UNDER NEGOTIATION: PRICE AND TERMS OF PAYMENT</u>	

7. Approval of the 2015 SD&AE Board of Directors Meeting Schedule Approve
Action would approve the 2015 SD&AE Board of Directors meeting schedule.
8. Board Member Communications
9. Public Comments
10. Next Meeting Date: January 27, 2015 (pending approval of Agenda Item No. 7).
11. Adjournment



San Diego and Arizona Eastern Railway Company

October 21, 2014

Sign-in Sheet (VOLUNTARY)

Name	Company
1. DON STOECKLEIN	Pacific Imperial Railroad
2. MATT DORIAN	SDRV
3. Blake C. Jones	SDRV
4. Don Jones	TRAINS MAGAZINE
5. Lizzeth Sabido	Admicarga
6. Diana Hyatt	Pacific Southwest Rwy
7. CHAZ McAFFEE	CZRY
8. MICHAEL EDWARDS	PSR M-
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MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
SAN DIEGO & ARIZONA EASTERN RAILWAY COMPANY

July 15, 2014

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 15, 2014, at 9:00 a.m.

The following persons, constituting the Board of Directors, were present: Matt Domen, Paul C. Jablonski, and Blake Jones. Also in attendance were:

MTS staff:	Erin Dunn, Tim Allison, Karen Landers, Wayne Terry, Mark Olson
Pacific Southwest Railroad Museum:	Diana Hyatt
Pacific Imperial Railroad (PIR):	Chas. McHaffie, Donald Stoecklein
El Lindero:	Victor Celis
Trains Magazine:	Don Jones
Baja Rail:	George Gonzalez

1. Approval of Minutes

Mr. Domen moved to approve the Minutes of the April 15, 2014, SD&AE Railway Board of Directors meeting with one correction to add Diana Hyatt as in attendance representing the Pacific Southwest Railroad Museum. Mr. Jones seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Erin Dunn presented the statement of railway finances for fiscal year ending June 30, 2014 (see the attachment to the agenda item). She stated that the audit will be ongoing for the next several months, so the numbers are subject to change.

Mr. Jablonski asked about the drainage problems on the Main Line Drainage Improvement Project (Orange Line at Hill Street) and if staff has contacted Enterprise about issues with reconstruction on the wall. Ms. Landers responded that there are concerns about Enterprise's construction not accommodating Cooper freight-loading capacity. She added that it may not provide any benefit to us—we may still have to go in and do our project. Tim Allison added that the carport has been removed. He stated that SANDAG engineers are working on what is still needed structurally, and Ms. Landers has given direction to outside attorneys to deal with this issue. Mr. Jablonski instructed staff to keep the Board apprised of this situation.

Action Taken

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

July 15, 2014

3. Report on SD&IV Operations

Mr. Domen presented the Periodic Report of the SD&AE Railway Company for activities for the 2nd quarter of calendar year 2014 (see the attachment to the agenda item).

Mr. Jablonski asked if there are any issues with the work being done at San Ysidro. Mr. Domen responded that there are no issues and the project is moving very smoothly with no effect on operations. He added that he is very impressed with the contractor and the job being done. Mr. Jablonski requested that MTS be kept informed of all progress.

Action Taken

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

4. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt submitted a report for the Museum at the meeting (attached). Ms. Hyatt noted one correction within the Museum's report on page 1 in the second sentence. It should read "Total income from SD&AE property for second quarter ..." (not "first" quarter).

During the second quarter of 2014, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 50 passenger trains carrying 2,794 passengers with no FRA reportable accidents or injuries. Total income from SD&AE property for first quarter, 2014 was \$44,533.00. Our check for \$891 will follow under separate cover. By comparison, PSRM carried 1,901 passengers during the second quarter of 2013 and total income from SD&AE property was \$18,781.96.

In reference to the last paragraph on page 2 (shown below) of the Museum's report, Ms. Landers requested that Ms. Hyatt forward a copy in writing of the interim 24-hour dispatching procedures that were agreed upon between the Museum and Pacific Imperial Railroad (PIR).

At the meeting of this board in April of this year I referenced that PSRM's operating agreement with SD&AE expired in December, 2012 and currently self-renews on a monthly basis. From that meeting Karen Landers encouraged PIR and I to meet and discuss our plans for mutual cooperation pertinent to the use of the railroad. PSRM's Director of Operations Mike Edwards, Don Stocklein and I met in May. At that meeting it was determined that PSRM was ready and capable of establishing 24 hour dispatching that would serve the museum in the interim and that was fully capable of serving the needs of PIR in the future if they so desired. From the agreements reached at that meeting, PSRM began issuing its own track warrants through its dispatching department. PSRM has also installed proper signage at both Highway 94 grade crossings with a toll free number that forwards directly to the dispatcher on call. The previously posted phone number had been maintained and answered by CZRY Police Department personnel.

Action Taken

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

July 15, 2014

5. Report on Desert Line

Chas McHaffie reviewed PIR's report (attached to the agenda item). Donald Stoecklein added that PIR continues to have a good working relationship with Mexico—specifically the Lindero property owners. Mr. Stoecklein noted that Victor Celis was present at the meeting. He stated that PIR's intention is to move forward with a transaction with Lindero to do whatever is necessary to operate train cars on those two miles of the Desert Line. Mr. Stoecklein also noted that George Gonzalez, representative with Baja Rail, was present and that they have had numerous conversations. He stated that PIR will now focus on the repairing the bridges with the goal of moving trains on the Desert Line to the extent that PIR can interact with Mexico and if they can't, they will find alternatives.

Mr. McHaffie stated that PIR submitted a Desert Line Reconstruction Plan Supplement, and Ms. Landers responded that MTS is reviewing that Plan. Mr. McHaffie added that PIR tendered a \$500,000 payment to MTS last week. He reviewed the remainder of the report.

Mr. Stoecklein referenced the last item in PIR's report ("c. Rent/Lease Payment" on page 5-6 of the agenda item). Mr. Stoecklein stated that people were curious as to why PIR delayed its quarterly payment to MTS, and that it was due to the letter to MTS from Congressman Duncan Hunter's office suggesting that MTS may not have had legal right to create the lease. Based on that, Mr. Stoecklein stated that PIR was concerned about writing a check for \$500,000 without analyzing that allegation to determine whether to make that payment. He reported that is why PIR delayed making the payment. Based on a letter in response to the missed payment from Ms. Landers to PIR and PIR's own analysis, PIR concluded that it would make the payment. Ms. Landers added that PIR's contract is currently in good standing.

Mr. Jablonski reiterated that MTS will be reviewing the Desert Line Reconstruction Plan Supplement and hopefully approving it so that work can begin. Mr. Stoecklein added that PIR will be meeting with J. L. Patterson because PIR has spent \$601,000 with J. L. Patterson so far and was to receive some additional materials as it relates to J. L. Patterson's report. He added that there is an outstanding balance of \$42,000 that PIR will withhold until it gets the balance of the J. L. Patterson report.

Action Taken

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

6. Real Property Matters> Summary of SD&AE Documents Issued Since April 15, 2014

Since the April 15, 2014, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-14-590: Right of Entry Permit to Helix Water District to perform various inspection and maintenance activities on SD&AE right-of-way.
- S200-14-596: Right of Entry Permit to Flatiron/H&H (a joint venture) to construct the South Line Freight Improvement Project.

July 15, 2014

- S200-14-597: Right of Entry Permit to the City of La Mesa for its Flag Day Parade.
- S200-14-598: Right of Entry Permit to Navy Region Southwest Morale, Welfare and Recreation Department for its 28th Annual Bay Bridge Run/Walk event.
- S200-14-599: Right of Entry Permit to BriceHouse, Inc. to construct a temporary shuttle drop-off location at the south end of the San Ysidro Yard.

Action Taken

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

7. Board Member Communications

There were no Board member communications.

8. Public Comments

There were not public comments.

9. Next Meeting Date

The next meeting of the SD&AE Board of Directors is on Tuesday, October 21, 2014.

10. Adjournment

The meeting was adjourned at 9:20 a.m.


President


Legal Counsel

Attachment: Report on Pacific Southwest Railway Museum Operations (submitted at the meeting)



Pacific Southwest Railway Museum

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

July 10, 2014

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

Re: Second Quarter 2014

Dear SD&AE Board:

During the second quarter of 2014, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 50 passenger trains carrying 2,794 passengers with no FRA reportable accidents or injuries. Total income from SD&AE property for first quarter, 2014 was \$44,533.00. Our check for \$891 will follow under separate cover. By comparison, PSRM carried 1,901 passengers during the second quarter of 2013 and total income from SD&AE property was \$18,781.96.

Passenger ridership by comparison to the same quarter in previous years:

- 2,882 passengers during the second quarter of 2012
- 2,434 passengers during the second quarter of 2011
- 1,977 passengers during the second quarter of 2010
- 1,606 passengers during the second quarter of 2009
- 2,541 passengers during the second quarter of 2008

Passenger ridership figures have significantly improved over last year's and are on par with those of 2012. This is attributed partially to one special event during this quarter, the museum's annual Bunny Trains which attracts a large number of families with young children. The spring weather this year was also very agreeable and attracted a number of visitors. The other special event held during this time period was the Chef's Fire Up the Iron Horse event however, since this event does not include a train ride in the base ticket price it was only a minor contributor to train ridership.

PSRM continues to maintain both signalized railroad crossings within our right of way limits performing the monthly and quarterly inspections. PSRM also performs twice weekly track

Agenda

Item No. 2

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

October 21, 2014

SUBJECT: STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors receive a financial report for the quarter ending September 30, 2014.

Budget Impact

None.

DISCUSSION:

Attached are the financial results for the first quarter of fiscal year (FY) 2015, which includes the periods ended September 30, 2014 and 2013.

The current year-to-date revenues are \$232,000 favorable to budget primarily due to the Desert Line Lease revenue not included in the budget. This is partially reduced by Right of Entry Permit revenue under budget by \$19,000 due to writing off \$14,000 in uncollectable invoices to the Port of San Diego. Income has decreased by \$20,000 compared to the same period last year, primarily due to the uncollectable Port of San Diego invoices.

Expenses are \$12,000 unfavorable to budget primarily due to an unfavorable variance in Personnel Costs and Outside Services. Expenses have increased by \$10,000 compared to last year, primarily due to an increase in Outside Services.

The Net Income for the first quarter of FY 2015 was \$222,000 compared to net income of \$251,000 for the same period in FY 2014.

Attachment: SD&AE Operating Statement 1st Quarter FY 2015

SD&AE Operating Statement FY2015-14

	FY 2015			FY 2014	
	Q1 Actual	Q1 Budget	Variance	Q1	Variance
Revenue					
Right of Entry Permits	\$ (11,600)	\$ 7,500	\$ (19,100)	\$ 13,250	\$ (24,850)
Lease Income	18,881	17,499	1,382	13,081	5,800
Desert Line Lease Revenue	250,000	-	250,000	250,000	-
SD&IV 1% Freight Fee	9,000	8,751	249	9,704	(704)
Total Revenue	266,281	33,750	232,531	286,035	(19,754)
Expense					
Personnel Costs	32,925	23,371	(9,554)	30,685	2,240
Outside Services	8,050	5,042	(3,008)	515	7,535
Risk Management	3,480	4,251	771	3,336	144
Misc. Operating Expenses	284	126	(158)	284	-
Total Expense	44,739	32,790	(11,949)	34,820	9,919
Net Income/(Loss)	\$ 221,542	\$ 960	\$ 220,582	\$ 251,215	\$ (9,835)

Reserve Balance 2014	\$ 1,576,036
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Allocated Interest Earnings - Estimated	1,250
Operating Profit/(Loss)	221,542

Reserve Balance 2015 - Estimated	\$ 1,798,828
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Agenda Item No. 3

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

October 21, 2014

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 2014



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

Oct 6, 2014

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 2014 are listed as follows:

1. Labor

At the end of Sept 30, 2014 the San Diego & Imperial Railroad had 9 employees:

- 1 General Manager
- 1 Trainmaster
- 1 Manager - Marketing & Sales
- 1 Office Manager
- 1 Mechanical Manager
- 1 Maintenance of Way Employee
- 3 Train Service Employees

2. Marketing

Volume in the 3rd Quarter declined 25% as compared to 2013. Bridge traffic had a 28% decrease, primarily driven by a decrease in LPG going into Mexico. Traffic terminating or originating on the SDIY was down 11% versus last year.

3. Reportable Injuries/Environmental

Days through year to date, September 30, 2014, there were no FRA Reportable injuries or Environmental incidents on the SDIV Railroad.

Days FRA Reportable Injury Free: 6388 .

4. Summary of Freight

	2014	2013	2012
Total rail carloads that moved by SDIY Rail Service in the quarter.	912	1219	1305
Total railroad carloads Terminating/Originating Mexico in the quarter.	705	985	1077
Total railroad carloads Terminating/Originating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	207	234	228
Total customers directly served by SDIY in the quarter	10	10	9
Regional Truck trips that SDIY Railroad Service replaced in the quarter	2736	3657	3915

Respectfully,

Matt Domen

General Manager

Agenda Item No. 4

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

October 21, 2014

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: Not Provided



Pacific Southwest Railway Museum

La Mesa Depot 4695 Nebo Drive La Mesa, CA 91941 619-465-7776

October 10, 2014

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

Re: Third Quarter 2014

Dear SD&AE Board:

During the third quarter of 2014, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 32 passenger trains carrying 1,031 passengers with no FRA reportable accidents or injuries. Total income from SD&AE property for third quarter, 2014 was \$11,421.00. Our check for \$228 will follow under separate cover. By comparison, PSRM carried 1,254 passengers during the third quarter of 2013 and total income from SD&AE property was \$26,538.

Passenger ridership for third quarter by comparison:

1,031 passengers during the third quarter of 2014
1,254 passengers during the third quarter of 2013
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

Passenger ridership figures have declined over last year's and additionally, discretionary spending has decreased dramatically with our visitors. There were no special events during this quarter and we operated two trains on Saturday evening only during the months of July and August. The museum is looking forward to a prosperous fourth quarter with two of its most popular events occurring during this time period: The Pumpkin Express Trains and the North Pole Trains.

PSRM continues to maintain both signalized railroad crossings within our right of way limits. I am pleased to report that the electric meters for both crossings at Highway 94 have been transferred into the museum's name. PSRM performs twice-weekly track inspections between

MP 59.9 and 66.77. Likewise, our volunteer track crew regularly performs track maintenance tasks.

Sincerely,

A handwritten signature in cursive script, appearing to read "Diana Hyatt", followed by a long horizontal flourish.

Diana Hyatt
President

Agenda Item No. 5

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

October 21, 2014

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

October 8, 2014

The periodic report to the SD&AE Railway Company is produced quarterly by the Pacific Imperial Railroad, Inc. 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, Inc.

Third Quarter 2014

CONTENTS

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

I. CHANGES IN MANAGEMENT

- a. Mr. Jory, acting as President and Mr. Stoecklein acting as CEO are continuing their positions in the company.

II. GOVERNMENTAL RELATIONS

- a. PIR still maintains that the Mexican side of the rail is a crucial piece to this operation. As such, PIR has been working with attorneys with Baja Rail to effectuate a relationship with Mexico.

III. DESERT LINE

a. Reconstruction Plan

- i. **Inspections-** PIR submitted its Desert Line Reconstruction Plan Supplement (DLRPS) during the previous quarter and MTS Approved the DLRPS on August 28, 2014.
- ii. **Approval-** Karen Landers of MTS submitted a letter to PIR Approving the Desert Line Reconstruction Plan and Initiation of Initial Repair Milestones.

b. Commencement of Reconstruction-

- i. As a result of the recent approval on August 8, 2014 of the Reconstruction Plan, PIR is now in discussions with contractors to commence reconstruction of the bridges.

IV. REPORTABLE INJURIES/ ACCIDENTS/ ENVIRONMENTAL INCIDENTS

- i. There have not been any reportable accidents
- ii. There have not been any reportable injuries.
- iii. There have not been any reportable environmental incidents.

V. MARKETING

- a. PIR is continuing its efforts to obtain the freight logistics needs of the approximately 658 companies in the Maquiladoras region that are potential rail customers for PIR.

VI. FREIGHT ACTIVITY

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

VII. 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,

no Performance Milestone Requirements fell within Third Quarter 2014.

- b. **Initial Repairs:** Initial Repairs shall be completed within 12 months after approval, by SD&AE of the Desert Line Reconstruction Plan ("DLRP"). The DLRP was approved on August 28, 2014 commencing a 12 month window in which to complete the Initial Repairs. PIR is in the process of obtaining bids to determine costs of repairs to commence test train operations.
- c. **Rent/Lease Payment:** PIR shall pay SD&AE semi- annually, a lump sum payment of \$500,000.
 - 1. The July 1, 2014 \$500,000 payment was made to SD&AE.

Agenda

Item No. 6a

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

October 21, 2014

SUBJECT:

SUMMARY OF SD&AE DOCUMENTS ISSUED SINCE JULY 15, 2014

RECOMMENDATION:

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

Budget Impact

None.

DISCUSSION:

Since the July 15, 2014, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-13-593.2: Right of Entry Permit Amendment to Ramona Paving & Construction Corp. to construct street improvements at Cesar Chavez Parkway in San Diego.
- S200-14-591: License to Cox Communications for an underground fiber optic crossing on the Coronado Branch north of the Salt Works in Chula Vista.
- S200-14-595: Right of Entry Permit to the State of California Parks and Recreation for invasive species monitoring and eradication near Jacumba on the Desert Line.
- S200-14-598: Right of Entry Permit to Navy Region Southwest Morale, Welfare and Recreation Department for its 28th Annual Bay Bridge Run / Walk event.
- S200-15-600: Right of Entry Permit to the San Diego County Bicycle Coalition for the 7th annual Bike the Bay Bike ride along various locations on the Blue Line and the Coronado Branch.

- S200-15-601: Right of Entry Permit to SDG&E for various electrical service upgrades along the Blue Line for the South Line Freight Improvement Project.
- S200-15-602: Right of Entry Permit to The Fishel Company to construct underground fiber for the San Ysidro Yard Improvement Project impacts to US Sprint.
- S200-15-603: Right of Entry Permit to The Fishel Company to construct underground fiber for the San Ysidro Yard Improvement Project impacts to Level 3.
- S200-15-604: Right of Entry Permit to SDG&E for various electrical service upgrades for the San Ysidro Yard Improvement Project.
- S200-15-605: Right of Entry Permit to Copp Contracting, Inc. to perform street paving at J Street and Palomar Street in Chula Vista.
- S200-15-606: Right of Entry Permit to Anza-Borrego Desert Natural History Association for several hikes on the Desert Line in the vicinity of the Carrizo Gorge.

Agenda Item No. 7

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

October 21, 2014

SUBJECT:

APPROVAL OF THE 2015 SD&AE BOARD OF DIRECTORS MEETING SCHEDULE

RECOMMENDATION:

That the SD&AE Board of Directors approve the 2015 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 2015:

Tuesday, January 27, 2015	9:00 a.m.	(Fourth Quarter 2014 Reports)
Tuesday, April 14, 2015	9:00 a.m.	(First Quarter 2015 Reports)
Tuesday, July 14, 2015	9:00 a.m.	(Second Quarter 2015 Reports)
Tuesday, October 13, 2015	9:00 a.m.	(Third Quarter 2015 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 16, 2015
Friday, April 3, 2015
Thursday, July 2, 2015
Friday, October 2, 2015

Materials Mailed

Wednesday, January 21, 2015
Wednesday, April 8, 2015
Wednesday, July 8, 2015
Wednesday, October 7, 2015



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Agenda Item No. 7

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 20, 2014

SUBJECT:

LOS ANGELES – SAN DIEGO – SAN LUIS OBISPO RAIL CORRIDOR AGENCY
JOINT POWERS AGREEMENT

RECOMMENDATION:

That the Board of Directors approve the proposed amendment to the 2013 Amendment to the Joint Powers Agreement Concerning the Los Angeles – San Diego – San Luis Obispo Corridor Rail Agency (LOSSAN) to ensure that the official agency name is correctly stated as the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency throughout the document.

Budget Impact

None

DISCUSSION:

The Board of Directors is asked to approve a minor amendment to the 2013 Amendment to the Joint Powers Agreement Concerning the Los Angeles – San Diego – San Luis Obispo Corridor Rail Agency to ensure that the official agency name is correctly stated as the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency (LOSSAN).

On April 18, 2013, the MTS Board of Directors (Board) approved the 2013 Amendment to the Joint Powers Agreement (JPA) Concerning the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Corridor Rail Agency (Agency). At that time, the LOSSAN JPA was amended to include significant changes that reflected the provisions in Senate Bill (SB) 1225 (Chapter 802, Statutes of 2012), which permits the LOSSAN Agency to assume administrative responsibility for the state-supported Pacific Surfliner intercity passenger rail service.



Recently, LOSSAN Agency legal counsel discovered a discrepancy between the official, historical name of the LOSSAN Agency and the name stated on the most recent LOSSAN JPA document that had been approved by all member agencies. The transposition of the words "rail" and "corridor" in the 2013 amendment to the LOSSAN JPA effectively changed the legal name of the LOSSAN Agency from "LOSSAN Rail Corridor Agency" to "LOSSAN Corridor Rail Agency."

It appears that the name change was an inadvertent mistake; however, the ambiguity in naming has created a number of issues that must be resolved, including statutory reporting issues with the state due to the conflicting agency names. In order to be statutorily compliant with reporting requirements and to avoid future ambiguity, the LOSSAN Board voted unanimously at its August 14, 2014 meeting, to direct staff to work with all member agencies to prepare and execute an amendment to the LOSSAN JPA to ensure that the official agency name is correctly stated as the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency throughout the document.

Once approval is received from each member agency to amend the LOSSAN JPA, the LOSSAN Board will be asked to make similar amendments to the LOSSAN Agency bylaws.

The Board of Directors is asked to approve a minor amendment to the 2013 Amendment to the Joint Powers Agreement Concerning the Los Angeles – San Diego – San Luis Obispo Corridor Rail Agency to correct an administrative error regarding the official agency name.



Paul G. Jablonski
Chief Executive Officer

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

Attachment: A. 2014 Amendment to the Joint Powers Agreement Concerning LOSSAN

**2014 AMENDMENT TO THE
JOINT POWERS AGREEMENT
CONCERNING THE LOS ANGELES-SAN DIEGO-SAN LUIS OBISPO
CORRIDOR RAIL AGENCY**

INTRODUCTION

This Amendment to the 2013 Joint Powers Agreement Concerning the Los Angeles – San Diego– San Luis Obispo Corridor Rail Agency (Agreement) is made and entered into in the State of California by and among the following entities that are parties to the Agreement:

Los Angeles County Metropolitan Transportation Authority;

Orange County Transportation Authority;

Riverside County Transportation Commission;

North County Transit District;

San Diego Metropolitan Transit System;

California Department of Transportation;

Southern California Association of Governments;

San Diego Association of Governments;

Ventura County Transportation Commission;

Santa Barbara County Association of Governments;

San Luis Obispo Council of Governments;

National Railroad Passenger Corporation;

California High-Speed Rail Authority;

RECITALS

WHEREAS, on or about February 1989, some, but not all of the entities listed above first entered into a certain joint exercise of powers agreement to establish the Los Angeles – San Diego Rail Corridor Agency (Agency); and

WHEREAS, on or about October 2001, the member agencies approved an amendment to the joint exercise of powers agreement to make various changes, including, but not limited to, changing the name of the Agency to the "Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency"; and

WHEREAS, on or about June 2013, the joint exercise of powers agreement was once again amended to its current form in response to the provisions of SB 1225; and

WHEREAS, it was later discovered that an inadvertent transposition of the words "rail" and "corridor" were included in the name of the Agency throughout the Agreement, including the title such that the name of the Agency was inadvertently changed from "Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency" to the "Los Angeles – San Diego – San Luis Obispo Corridor Rail Agency"; and

WHEREAS, the member agencies wish to correct this inadvertent transposition so that the joint exercise of powers agreement correctly reflects the historical name of the Agency as the "Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency."

NOW THEREFORE, in consideration of the recitals, the parties to this Agreement agree to the following:

1. All references contained in the 2013 Amendment to the Joint Powers Agreement Concerning the Los Angeles – San Diego – San Luis Obispo Corridor Rail Agency which state "Corridor Rail Agency" shall hereinafter be amended and interpreted to read as "Rail Corridor Agency".
2. All other terms, provisions and conditions of the Agreement remain in full force and effect.
3. This Amendment may be executed in counterparts, each of which shall constitute an original and all of which together shall constitute on and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment by authorized officials on the dates indicated below.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Chair

Date

I HEREBY CERTIFY that the attached is a true and correct copy of the original document approved by the Board of Directors:

Clerk of the Board

Date

ORANGE COUNTY TRANSPORTATION AUTHORITY

Chair

Date

I HEREBY ATTEST that the attached is a true and correct copy of the original document approved by the Board of Directors:

Clerk of the Board

Date

RIVERSIDE COUNTY TRANSPORTATION COMMISSION

Chair

Date

I HEREBY ATTEST that the attached is a true and correct copy of the original document approved by the Board of Directors:

Clerk of the Board

Date

NORTH COUNTY TRANSIT DISTRICT

Chair

Date

I HEREBY ATTEST that the attached is a true and correct copy of the original document approved by the Board of Directors:

Clerk of the Board

Date

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Chair

Date

I HEREBY ATTEST that the attached is a true and correct copy of the original document approved by the Board of Directors:

Clerk of the Board

Date

SAN DIEGO ASSOCIATION OF GOVERNMENTS

Chair

Date

I HEREBY ATTEST that the attached is a true and correct copy of the original document approved by the Board of Directors:

Clerk of the Board

Date

VENTURA COUNTY TRANSPORTATION COMMISSION

Chair

Date

I HEREBY ATTEST that the attached is a true and correct copy of the original document approved by the Board of Directors:

Clerk of the Board

Date

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Chair

Date

I HEREBY ATTEST that the attached is a true and correct copy of the original document approved by the Board of Directors:

Clerk of the Board

Date

SAN LUIS OBISPO COUNCIL OF GOVERNMENTS

Chair

Date

I HEREBY ATTEST that the attached is a true and correct copy of the original document approved by the Board of Directors:

Clerk of the Board

Date

AMTRAK

Date

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

Chief Executive Officer

Date

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Chair

Date

I HEREBY ATTEST that the attached is a true and correct copy of the original document approved by the Board of Directors:

Clerk of the Board

Date

CALIFORNIA DEPARTMENT OF TRANSPORTATION

Date



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Agenda Item No. 8

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

NOVEMBER 20, 2014

SUBJECT:

INVESTMENT REPORT – SEPTEMBER 2014

INFORMATIONAL ONLY

Budget Impact

None.

DISCUSSION:

Attachment A comprises a report of the San Diego Metropolitan Transit System (MTS) investments as of September 30, 2014. The combined total of all investments has decreased month to month from \$231.2 million to \$230.0 million. This \$1.2 million decrease is attributable to expenditures of \$2.8 million for 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. These restricted funds will be liquidated to satisfy the outstanding debt obligation in full by the end of the calendar year 2015.

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

Attachment: A. Investment Report for September 2014

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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.



**San Diego Metropolitan Transit System
Investment Report
September 30, 2014**

	Restricted	Unrestricted	Total	Average rate of return
Cash and Cash Equivalents				
JP Morgan Chase - concentration account	86,440	67,738,230	67,824,670	0.00%
Total Cash and Cash Equivalents	86,440	67,738,230	67,824,670	
Cash - Restricted for Capital Support				
US Bank - retention trust account	8,758,582	-	8,758,582	N/A *
San Diego County Investment Pool Proposition 1B TSGP grant funds	3,899,230	-	3,899,230	
Total Cash - Restricted for Capital Support	12,657,812	-	12,657,812	
Investments - Working Capital				
Local Agency Investment Fund (LAIF)	19,745,588	13,490,795	33,236,383	0.246%
Total Investments - Working Capital	19,745,588	13,490,795	33,236,383	
Investments - Restricted for Debt Service				
US Bank - Treasury Strips - market value (Par value \$39,474,000)	39,435,612	-	39,435,612	
Rabobank - Payment Undertaking Agreement	76,816,295	-	76,816,295	7.69%
Total Investments Restricted for Debt Service	116,251,907	-	116,251,907	
Total cash and investments	\$ 148,741,747	\$ 81,229,025	\$ 229,970,772	

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 SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 20, 2014

SUBJECT:

INCREASED AUTHORIZATION FOR LEGAL SERVICES – OPPER & VARCO, LLP

RECOMMENDATION:

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

- 1) execute Amendment No. 2, MTS Doc. No. G1429.2-12 (in substantially the same format as Attachment A) with OPPER & VARCO, LLP to pay current and future legal expenses through the remainder of fiscal year 2015; and
- 2) ratify one prior contract amendment entered into under the CEO's authority (Attachment B).

Budget Impact

Approval of this contract amendment would increase the full contract value with OPPER & VARCO, LLP by \$50,000 from \$100,000 to \$150,000. Sufficient funding for the recommended \$50,000 contract increase is included in the current operating budget.

DISCUSSION:

Pursuant to Board Policy No. 52 (Procurement of Goods and Services), the CEO may enter into contracts with service providers for up to \$100,000. The Board must approve all agreements in excess of \$100,000.

On December 8, 2011, the Board established a panel of qualified law firms to assist the San Diego Metropolitan Transit System (MTS), San Diego Trolley, Inc. (SDTI) and San Diego Transit Corporation (SDTC) with various legal matters on an as-needed basis. Thereafter, MTS began contracting with eighteen of the approved firms for designated amounts. The firms provide different specialties of law, such as tort liability, workers'



compensation, employment practices, real estate, environmental, etc. Thirteen of these firms received contract increases at the July 17, 2014 Board meeting to pay current and anticipated legal expenses through June 30, 2015. An increase was not requested for Opper & Varco, LLP at that time, as the anticipated legal services provided by this firm did not substantiate the need for an increase over the existing balance.

Due to new and anticipated matters that have arisen in recent months, it has been determined that adding \$50,000 to the current contract would be prudent to ensure there is enough funding to pay this contractor through the end of the current fiscal year. OPPER & VARCO, LLP represents MTS on real estate, right-of-entry and environmental related litigation.


Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Draft MTS Doc. No. G1429.2-12
B. MTS Doc. No. G1429.1-12

November xx, 2014

MTS Doc. No. G1429.2-12
LEG 490 (PC 50121)

Opper & Varco, LLP
Ms. Linda C. Beresford
Attorney
225 Broadway, Suite 1900
San Diego, CA 92101-3542

Dear Ms. Beresford:

Subject: AMENDMENT NO. 2 TO MTS DOC. NO. G1429.0-12; LEGAL SERVICES –
ENVIRONMENTAL & REAL ESTATE

This shall serve as Amendment No. 2 to our agreement for the legal services as further described below.

STATEMENT OF WORK

Pursuant to the scope of work of MTS RFP No. G1389.0-11, Opper & Varco, LLP agrees to continue to provide legal services as directed by the General Counsel regarding environmental and real estate law in accordance with the terms and conditions as stated on MTS Doc No. G1429.0-12.

SCHEDULE

There is no change to the term of this agreement.

PAYMENT

This contract amendment shall authorize additional costs not to exceed \$50,000 for legal services. The total value of this contract including this amendment shall be in the amount of \$150,000. This amount shall not be exceeded without written approval from MTS.

Please sign and return the copy marked "Original" to the Contracts Specialist at MTS. All other terms and conditions shall remain the same and in effect. Retain the other copy for your records.

Sincerely,

Agreed:

Paul C. Jablonski
Chief Executive Officer

Linda C. Beresford, Attorney
Opper & Varco, LLP

Date: _____

G1429.2-12.OPPER&VARCO.11.2014

Cc: S. Lockwood, K. Landers, C. Aquino, Procurement File



Att. B, AI 9, 11/20/14

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ORIGINAL

December 18, 2012

MTS Doc. No. G1429.1-12
LEG 490 (PC 50121)

Opper & Varco, LLP
Ms. Linda C. Beresford
Attorney
225 Broadway, Suite 1900
San Diego, CA 92101-3542

Dear Ms. Beresford:

Subject: AMENDMENT NO. 1 TO MTS DOC. NO. G1429.0-12; LEGAL SERVICES –
ENVIRONMENTAL & REAL ESTATE

This shall serve as Amendment No. 1 to our agreement for the legal services as further described below.

STATEMENT OF WORK

Pursuant to the scope of work of MTS RFP No. G1389.0-11, Opper & Varco, LLP agrees to continue to provide legal services as directed by the General Counsel regarding environmental and real estate law in accordance with the terms and conditions as stated on MTS Doc No. G1429.0-12.

SCHEDULE

There is no change to the term of this agreement.

PAYMENT

This contract amendment shall authorize additional costs not to exceed \$50,000 for legal services. The total value of this contract including this amendment shall be in the amount of \$100,000. This amount shall not be exceeded without written approval from MTS.

Please sign and return the copy marked "Original" to the Contracts Specialist at MTS. All other terms and conditions shall remain the same and in effect. Retain the other copy for your records.

Sincerely,

Paul C. Jablonski
Chief Executive Officer

LMARQUIS-CL
CL-G1429.1-12.OPPER&VARCO.CAQUINO.121812

Agreed:

Linda C. Beresford, Attorney
Opper & Varco, LLP

Date: Jan. 7, 2013

Cc: S. Lockwood, K. Landers, C. Aquino, Procurement File

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





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Agenda Item No. 10

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 20, 2014

SUBJECT:

COLOCATION DATA CENTER FACILITY SERVICES – CONTRACT AWARD

RECOMMENDATION:

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

- 1) execute MTS Doc. No. G1765.0-15 (in substantially the same format as Attachment A) with American Internet Services, LLC (AIS) for colocation data center facility services for a two-year base period with two one-year option periods (for a total of 4 years); and
- 2) exercise each option year at the CEO's discretion.

Budget Impact

The total cost of this agreement would not exceed \$198,438.00 for the base period and \$190,560.00 for the two option years for a grand total of \$388,998.00. The project will be funded through the Compass Card operating budget account 532-53910.

DISCUSSION:

In July 2014, MTS took over responsibilities of managing the regional Compass Card fare collection program from the San Diego Association of Governments (SANDAG) which included all relevant technology maintenance and support. The Compass Card back office servers, network and storage are physically located in the AIS Lightwave Data Center colocation facility (Facility) in Kearny Mesa, and these systems have been at that location for over five years.



Colocation facilities provide space, power, cooling and physical security for the server, storage, and networking equipment for companies who desire this service and connect them to a variety of telecommunications and network service providers.

Several years ago, SANDAG entered into an agreement with AIS to build server racks for the Compass Card program and included additional SANDAG technical equipment for their other projects. As part of the continued transition of Compass Card program management from SANDAG to MTS, it is necessary for MTS to separate Compass Card equipment from SANDAG's equipment. This includes moving Compass Card equipment into a separate and secure area within the facility. This newly formed area will provide physical security to the Compass Card program systems and provides physical access to MTS staff while eliminating physical access to SANDAG staff.

The Compass Card program systems are critical and necessary for the day-to-day fare collection requirements for the region. The AIS location has in place all necessary data center infrastructure and network circuits to support the program, and continuing the partnership with AIS at the existing facility assures MTS the least risk to downtime and associated costs with migrating the equipment. Based upon these reasons, this agreement requires a sole source procurement.

	One Time Setup	Monthly Recurring	Annual Recurring Cost	Total Annual Cost
Base Year 1	\$ 7,878	\$ 7,940	\$ 95,280	\$ 103,158
Base Year 2	\$ -	\$ 7,940	\$ 95,280	\$ 95,280
Option Year 1	\$ -	\$ 7,940	\$ 95,280	\$ 95,280
Option Year 2	\$ -	\$ 7,940	\$ 95,280	\$ 95,280
Total Cost Of Agreement				\$ 388,998



Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Draft Standard Services Agreement; Contract G1765.0-15

STANDARD SERVICES AGREEMENT

G1765.0-15

CONTRACT NUMBER

FILE 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, hereinafter referred to as "Contractor":

Name: American Internet Services, LLCAddress: 9305 Lightwave AvenueForm of Business: Limited Liability Company
(Corporation, partnership, sole proprietor, etc.)San Diego, CA 92123Telephone: 858-537-0709Authorized person to sign contracts: Dominic Miraglia
NameVP of Sales
Title

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

Data Warehouse Services as specified in the AIS Master Services Agreement (attached as Exhibit A), Pricing and Service Level Agreement (attached as Exhibit B) and the MTS Standard Conditions, Services, (attached as Exhibit C).

The base term of the contract shall be from December 1, 2014 through November 30, 2016. Option periods, if exercised at the sole discretion of MTS, shall be from December 1, 2016 through November 30, 2017 for Option Year 1 and from December 1, 2017 through November 30, 2018 for Option Year 2 respectively. Such optional service periods may be exercised individually, all at once, or not at all, at MTS's sole determination.

The total contract amount shall not exceed \$198,438.00 for the base period; \$95,280.00 for Option Year 1; and \$95,280.00 for Option Year 2 if exercised by MTS for a grand total of \$388,998.00 unless otherwise stipulated in writing by 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
\$198,438.00	532-53910	2015-2016

By: _____
Chief Financial Officer
(____ total pages, each bearing contract number)



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Agenda Item No. 11

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 20, 2014

SUBJECT:

SAN DIEGO METROPOLITAN TRANSIT SYSTEM (MTS) WEBSITE REPLACEMENT
PROJECT

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1694.0-14 (in substantially the same format as Attachment A) with Steer, Davies, Gleave for replacement of the MTS website.

Budget Impact

The total estimated cost of this agreement would not exceed \$130,398.06. The funding of this expense will be funded through the fiscal year (FY) 2015 Capital Improvement Project 11370.

DISCUSSION:

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

On April 7, 2014, MTS issued a Request for Proposals (RFP) for the MTS website replacement project. The services include creation of a contemporary and dynamic ADA compliant website that is responsive to all platforms. The new website will fully integrate with external applications, both in-house and third party, including trip planning and schedule applications, alert and advisory information feeds, improve usability and accessibility of information for our customers as well as business and technology partners, improve timeliness and efficacy of communication to the public about important issues related to Bus and Trolley services and operations, and enable customers to easily purchase tickets, passes (both physical and electronic) and other merchandise.



On June 6, 2014, MTS received a total of six (6) proposals from the following:

1. AmericanEagle.com, Los Angeles, CA 90067
2. Civic Resource Group, Los Angeles, CA 90017
3. GlobeSherpa, Inc., Portland, OR 97209
4. Mobile Programming, LLC., Carlsbad, CA 92008
5. Soft Clouds, San Diego, CA 92127
6. Steer, Davies, Gleave, Denver, CO 80202

A selection committee consisting of representatives from the MTS Finance, Marketing, IT and Transportation departments met and rated the proposals. The ratings were based on the following criteria:

1. Qualifications of the Firm or Individual 40%
 2. Staffing, Organization and Management Plan 30%
 3. Work Plan 20%
 4. Cost and Price 10%
- Total 100%

All proposals were deemed responsive and responsible. After the evaluation, Civic Resource Group and Steer, Davies, Gleave were considered to be within the competitive range and advanced to the next step of the evaluation process which included interviews and negotiations.

Based on the evaluation panel's analysis of the technical proposal, discussions, interviews, and evaluation of price (Attachment B), MTS staff has determined that Steer, Davies, Gleave's proposal is fair and reasonable and represents the best overall value for MTS.

The following table represents the final scores and rankings for all proposers:

PROPOSER NAME	TOTAL AVG. TECH. SCORE	AVG. COST SCORE	TOTAL SCORE (Tech + Cost) Total Possible Points: 100	RANKING
AmericanEagle.com	64.6	6	70.6	3
Civic Resource Group	76	5.4	81.4	2
GlobeSherpa	47.2	4	48	4
Mobile Programming	32.6	3.6	36.2	5
Soft Clouds	19.2	3	22.2	6
Steer, Davies, Gleave	80.4	9.4	89.8	1


Paul C. Jablonski
Chief Executive Officer

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

Attachments: A. Draft Standard Services Agreement; Contract G1694.0-14
B. Cost Summary

STANDARD SERVICES AGREEMENT

G1694.0-14
CONTRACT NUMBER

DRAFT

FILE 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: Steer, Davies, GleaveAddress: 1900 Wazee St., Suite 250Form of Business: Corporation
(Corporation, partnership, sole proprietor, etc.)Denver, CO 80202Telephone: 213-337-6791

Authorized person to sign contracts: Chris Proud Project Director
Name Title

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

Provide MTS Website Replacement as set forth in the MTS Scope of Work (attached as Exhibit A), Steer, Davies, Gleave's Proposal (attached as Exhibit B), in accordance with the Standard Services Agreement, including Standard Conditions Services (attached as Exhibit C).

The total contract cost shall not exceed \$130,398.06.

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
\$130,398.06	CIP11370	2015

By: _____
Chief Financial Officer Date

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

COST SUMMARY

MTS WEBSITE REPLACEMENT RFP
MTS DOC. NO. G1694.0-14

COMPANY NAME	TOTAL COST
AmericanEagle.com	\$ 198,000.00
Civic Resource Group	\$ 139,235.00
GlobeSherpa	\$ 396,025.00
Mobile Programming	\$ 97,720.00
Soft Clouds	\$ 190,703.20
Steer, Davies, Gleave*	\$ 130,398.06

***Steer, Davies, Gleave's offer was found to be the most advantageous and of greatest value to MTS.**



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San Diego, CA 92101-7490
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Agenda Item No. 12

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 20, 2014

SUBJECT:

ADDITION OF THE FOLLOWING POSITIONS:

- One (1) F/T HR Representative II
- Two (2) F/T Bus Operator Training Instructors
- One (1) P/T Administrative Assistant

RECOMMENDATION:

That the Board of Directors authorize the CEO to add:

- 1) One (1) HR Representative II to the FY15 budget, increasing the total Full Time Equivalent (FTE) position from 3 to 4 at Grade #7 (\$47,531 - \$74,391);
- 2) Two (2) Bus Operator Training Instructors to the FY15 budget, increasing the total Full Time Equivalent (FTE) position from 6 to 8 at Grade #6 (\$41,512 - \$64,970); and
- 3) One (1) P/T Administrative Assistant to the FY15 budget at \$15.00 per hour.

Budget Impact

Approximately \$159,603.00 in salary and benefits total.

- \$77,000.00 in salary and benefits charged to Human Resources.
- \$82,603 in salary and benefits charged to MTS Bus Operations. This total offsets a savings of \$107,397 from the proposed elimination of five (5) P/T Bus Operating Training Instructors positions.

DISCUSSION:

MTS Human Resources and MTS Bus Operations have been working hard to hire and train a sufficient number of Bus Operators to respond the recent increase in demand for full-time, properly trained Bus Operators, but have not been able to do so with the current level of hiring



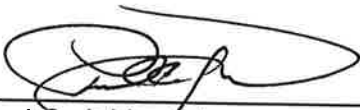
and training resources. MTS Bus Operations has continued to meet daily service levels, but are doing so by using excessive overtime and mandatory call-backs. Therefore, MTS must significantly increase the number of full-time Bus Operators in order to effectively service our existing routes and improve the working conditions of our current Bus Operators. The current increased demand for Bus Operators stems from three (3) primary factors:

1. The addition and expansion of the Bus Rapid Transit lines have strained MTS's current resources, with respect to both staffing and operational efficiency.
2. There has been a significant increase in attrition rate. Individuals who deferred retirement during the recession are retiring at record rates. Consequently, new employees forced to work overtime are resigning due to burnout and fatigue.
3. MTS Bus Operations is experiencing higher absenteeism levels and Family and Medical Leave applications for intermittent leave are at record levels, which is a further strain on our current staffing levels.

Currently, MTS Human Resources does not have the necessary staffing to adequately respond to this increased demand for Bus Operators and produce the high numbers of quality candidates necessary to maintain effective MTS Bus operations. Therefore, an HR Representative II hired for the sole purpose of recruiting Bus Operators is vital.

Furthermore, two full-time Bus Operator Training Instructors will be needed to maintain the increased training demands for new hires, as well as ongoing refresher training for current Bus Operators. The part-time Bus Operator Training Instructors positions, currently filled by retired Bus Operators, will be phased out once they work 960 hours in a year, which is the maximum allowable limit permitted by the Public Employee's Retirement Law ("PERL").

Finally, one part-time Administrative Assistant is necessary to support the functions of the Bus Operator Training Instructors, manage the administrative and clerical tasks, and allow the Bus Operator Training Instructors to focus on field work. Currently, the position is handled through a temp agency, which is less cost-effective than a direct hire.



Paul C. Jablonski
Chief Executive Officer

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



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

Agenda Item No. 30

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

NOVEMBER 20, 2014

SUBJECT:

FISCAL YEAR 2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT (ERIN DUNN AND LARRY MARINESI; KENNETH PUN AND GARY CAPORICCI OF PUN & MCGEADY)

RECOMMENDATION:

That the Board of Directors receive the Fiscal Year (FY) 2014 Comprehensive Annual Financial Report (CAFR).

Budget Impact

None.

DISCUSSION:

San Diego Metropolitan Transit System (MTS) staff and external auditors, Pun & McGeady, will present the FY 2014 CAFR.

A draft of the FY 2014 CAFR was presented to the Audit Oversight Committee on October 23, 2014 as well as a review of the FY 2014 Independent Audit by Gary Caporicci from Pun & McGeady. The Committee unanimously received the report. During the presentation, Mr. Caporicci noted that they are issuing an "Unmodified Opinion" and that our financial statements are presented fairly in all material respects.



Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. FY14 Comprehensive Annual Financial Report (Board Only Due to Volume)



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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.



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013



SAN DIEGO METROPOLITAN TRANSIT SYSTEM
SAN DIEGO, CALIFORNIA

San Diego Metropolitan Transit System

San Diego, California

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

For the years ended June 30, 2014 and 2013

PREPARED BY SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINANCE DEPARTMENT

San Diego Metropolitan Transit System

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San Diego Metropolitan Transit System

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INTRODUCTORY SECTION

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

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, 2014 and 2013 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, 2014 and 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; 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's financial statements for the fiscal years ended June 30, 2014 and 2013 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.



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 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's 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.
- Implementing capital projects on schedule and within budget.
- 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. SDTI operates on a total of 54.3 miles of track. SDTC operates 26 routes with an active fleet of 310 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's 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 72 fixed-route bus lines and paratransit services with an active fleet of 449 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 licensing and regulating taxicabs, jitneys, and other private for-hire passenger transportation services by contract with 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 economic momentum is projected to slow in the upcoming year due to higher taxes implemented and fallout from the policy changes associated with the Affordable Care Act. However, we do still expect to see improvements in manufacturing, technology, travel and tourism, and housing construction. San Diego's gross domestic product (GDP), the total value of the region's economy, has been forecasted to reach \$184.3 billion in 2013 and \$191.5 billion in 2014, increasing from the \$177.4 billion earned in 2012. Unemployment has declined in San Diego County and compares favorably to the unemployment rate in California and the national average. Sales tax receipts and sales tax related revenues have grown for the fourth consecutive year.

The principal local source of operating subsidy for MTS's 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's 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. MTS has recovered from the financial implications of the recession and is beginning to grow its service base. Sales tax receipts throughout California, which impacts subsidy revenue available to MTS from both TDA and *TransNet* funds, increased again for the fourth consecutive year and sales tax receipts have finally recovered back to the fiscal year 2007 high on a cash basis. MTS continues to monitor its costs and initiate additional revenue programs, and has implemented the first of four bus rapid transit (Rapid) routes, which feature high-frequency, seven-day-a-week, extended hour, bi-directional service to connect suburban commuters with major employment and entertainment centers. The first Rapid route, connecting the I-15 corridor and downtown, started in June 2014 and two additional Rapid routes will launch during

fiscal year 2015. MTS also implemented substantial changes on its existing services in order to feed the Rapid service and maximize their use.

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% by the end of fiscal year 2016.

Major Initiatives

MTS continues to focus on keeping the system's capital infrastructure in a state of good repair. After 30 years of operation, an extensive system-wide rehabilitation and upgrade of the MTS's Trolley operation is nearing completion, which will enable low floor service on the entire trolley system. Two of the MTS's bus maintenance facilities are in the middle of construction to rehabilitate and modernize their facilities. Also, MTS continues to fund the capital reserve for the replacement of 52 SD100 light rail vehicles that are 19 years old.

The Mid-Coast extension of the trolley system is another regional project; the project team is currently putting together an application to enter engineering, which will allow the team to pursue a full-funding grant agreement from the FTA. When complete, this extension will span 11 miles between Old Town and north University City. Major construction on the Mid-Coast extension is scheduled to begin in calendar year 2016, with some potential utility realignments in 2015. It 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, 2013. This was the eighth consecutive year and the eighteenth 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 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



Larry Marinesi
Chief Financial Officer

October 31, 2014

San Diego Metropolitan Transit System

Listing of Board of Directors and Management

BOARD OF DIRECTORS

Members	Board Position (Elected Position)
Harry Mathis	Chairman, since 1/06; Board Member since 1/95
Ron Roberts	Vice Chairman, since 1/11; Board Member since 11/89 (Supervisor, County Board of Supervisors)
David Alvarez	Board Member, since 1/13 (Councilmember, City of San Diego)
Lorie Bragg	Board Member, since 1/13 (Mayor Pro Tem, Imperial Beach)
Myrtle Cole	Board Member, since 9/13 (Councilmember, City of San Diego)
Jim Cunningham	Board Member, since 1/09 (Councilmember, City of Poway)
Marti Emerald	Board Member, since 12/09 (Councilmember, City of San Diego)
Ernest Ewin	Chair Pro Tem, since 1/14, Board Member, since 3/05 (Councilmember, City of La Mesa)
George Gastil	Board Member, since 11/12 (Councilmember, City of Lemon Grove)
Todd Gloria	Board Member, since 1/09 (Council President, 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 2/14 (Councilmember, City of Chula Vista)

BOARD COMMITTEE MEMBERSHIP

Executive Committee	Accessible Services Advisory Committee	Airport Authority Advisory Committee	Ad Hoc Public Security Committee
Harry Mathis, Chair	Lorie Bragg, Chair	Harry Mathis	David Alvarez
Jim Cunningham			Jim Cunningham
Todd Gloria			Harry Mathis
Al Ovrom, Jr.			John Minto
Ron Roberts			Mona Rios
Audit Oversight Committee	Budget Development Committee	Joint Committee on Regional Transit	Los Angeles-San Diego Rail Corridor Agency
Ernie Ewin, Chair	Myrtle Cole	Jim Cunningham	Ernie Ewin
Jim Cunningham	Harry Mathis	George Gastil	
Todd Gloria	Bob McClellan	Harry Mathis	
Harry Mathis	John Minto		
Al Ovrom, Jr.	Ron Roberts		
Ron Roberts			
SANDAG Board	SANDAG Regional Planning Committee	SANDAG Transportation Committee	Taxicab Committee
Harry Mathis	Mona Rios	Harry Mathis	Myrtle Cole

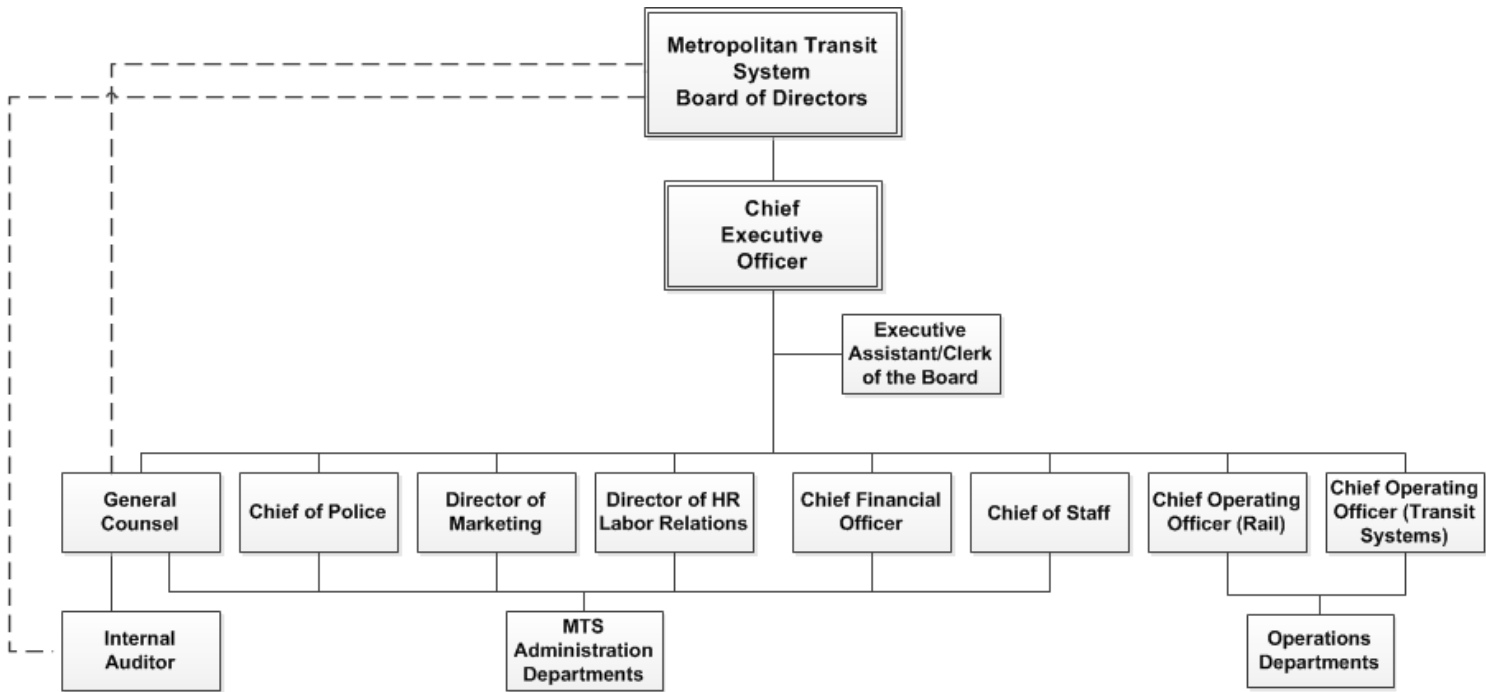
San Diego Metropolitan Transit System**Listing of Board of Directors and Management (Continued)**

MTS MANAGEMENT

Staff	Position
Paul Jablonski	Chief Executive Officer
Sharon Cooney	Chief of Staff
Karen Landers	General Counsel
Larry Marinesi	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

San Diego Metropolitan Transit System

Executive Level Organizational Chart



San Diego Metropolitan Transit System

Certificate of Achievement for Excellence in Financial Reporting – GFOA



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, 2013

Executive Director/CEO

FINANCIAL SECTION

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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, 2014 and 2013, 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.

To the Board of Directors
of the San Diego Metropolitan Transit System
San Diego, California
Page 2

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, 2014 and 2013, 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.

Emphasis of Matters

As discussed in Note 1 to the basic financial statements, MTS implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this standards required retrospective application of previously reported net position and the reclassification of certain accounts at July 1, 2012 as described in Note 15 to the basic financial statements. Our opinion is not modified with respect to this matter.

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's 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.

To the Board of Directors
of the San Diego Metropolitan Transit System
San Diego, California
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, on our consideration of MTS's 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's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive, flowing style.

San Diego, California
October 31, 2014

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San Diego Metropolitan Transit System Management's Discussion and Analysis June 30, 2014 and 2013

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's financial activities for the fiscal years ended June 30, 2014 and 2013. 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 \$1,583 million as of June 30, 2014, \$1,493 million as of June 30, 2013 and \$1,409 million as of June 30, 2012. Of this amount, \$181 million was unrestricted as of June 30, 2014, \$190 million was unrestricted as of June 30, 2013, and \$158 million was unrestricted as of June 30, 2012. Total net position increased by \$90 million in the current year and increased by \$84 million in the prior year. The current year increase is attributable to an increase operating revenues, TDA, STA, and *TransNet* funds, partially offset by increases in operating expenses and a decrease in contributed capital.
- For the year ended June 30, 2014, the combined farebox recovery ratio (the measure of the ability to recover operating costs through fare revenue) for San Diego Trolley, Inc., San Diego Transit Corporation, and MTS Contracted Services was 41.11% compared to 39.92% for the year ended June 30, 2013 and 41.05% for the year ended June 30, 2012. The current year increase is due primarily to a decrease in personnel costs related to the amortization of the net pension asset and an increase in passenger revenue.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to MTS's financial statements. MTS's financial statements are comprised of 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's finances, in a manner similar to a private-sector business. In fiscal year 2014, MTS presents comparative statements for FY2014 and FY2013.

The *statement of net position* presents information on all of MTS's 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's 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, 2014 and 2013

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's progress in funding its obligation to provide pension and other post-employment 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 \$1,583 million at the close of the most recent fiscal year and \$1,493 million at the end of FY2013.

The largest portion of MTS's 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 \$13 million, of which the largest project under construction is the procurement of 65 light rail vehicles, \$5 million. Prior year construction-in-progress totaled \$23 million, of which the largest project under construction was the procurement of 65 light rail vehicles, \$16 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 FY2014, MTS transferred completed projects worth \$90 million to SDTC, SDTI and Other Contracted Services. In FY2013, MTS transferred completed projects worth \$146 million to SDTC, SDTI, and Other Contracted Services.

The balance in the unrestricted component of net position decreased by \$9 million during the current year and increased \$32 million in the prior year.

	June 30, 2014	June 30, 2013	Change	June 30, 2012	Change
Current and other assets	\$ 308,583,122	\$ 316,159,038	\$ (7,575,916)	\$ 377,081,734	\$ (60,922,696)
Capital assets, net	1,512,774,675	1,416,260,555	96,514,120	1,295,206,414	121,054,141
Total assets	1,821,357,797	1,732,419,593	88,938,204	1,672,288,148	60,131,445
Long-term liabilities outstanding	152,721,866	175,787,021	(23,065,155)	193,049,033	(17,262,012)
Other liabilities	85,076,529	62,945,676	22,130,853	69,755,429	(6,809,753)
Total liabilities	237,798,395	238,732,697	(934,302)	262,804,462	(24,071,765)
Deferred inflows of resources	497,449	589,286	(91,837)	681,123	(91,837)
Net position:					
Net investment in capital assets	1,395,206,075	1,296,216,965	98,989,110	1,172,815,524	123,401,441
Restricted	6,741,898	7,255,404	(513,506)	78,378,268	(71,122,864)
Unrestricted	181,113,980	189,625,241	(8,511,261)	157,608,771	32,016,470
Total net position	\$ 1,583,061,953	\$ 1,493,097,610	\$ 89,964,343	\$ 1,408,802,563	\$ 84,295,047

Increases in operating revenue are attributable to an increase in riders utilizing one-way fares, revenues from the Desert Line lease, and \$2.00 fees being charged for Compass Cards. Variances between FY2014 and FY2013 nonoperating revenues are attributable to significant increases in TDA, STA, and *TransNet* funding for capital projects. The current year increase in operating expenses is attributable to an increase in depreciation expense associated with the acquisition of new capital assets, as well as increases in outside services and energy costs, partially offset by a decrease in personnel costs primarily due to the amortization cost associated with the net pension asset.

San Diego Metropolitan Transit System
Management's Discussion and Analysis (Continued)
June 30, 2014 and 2013

	June 30, 2014	June 30, 2013	Change	June 30, 2012	Change
Revenues:					
Operating revenues:					
Charges for services	\$ 94,024,708	\$ 90,652,522	\$ 3,372,186	\$ 88,280,779	\$ 2,371,743
Other operating revenue	10,400,773	5,906,691	4,494,082	5,228,636	678,055
Nonoperating revenues:					
Federal revenue	60,851,717	57,733,099	3,118,618	71,822,863	(14,089,764)
Transportation Development Act	82,565,009	71,893,404	10,671,605	71,538,917	354,487
State Transit Assistance	17,870,768	9,878,189	7,992,579	18,981,989	(9,103,800)
State revenue - other	4,211,454	5,213,539	(1,002,085)	84,878,549	(79,665,010)
<i>TransNet</i> funds	42,694,815	32,275,380	10,419,435	75,793,217	(43,517,837)
Other nonoperating revenue	9,138,116	14,022,580	(4,884,464)	9,644,573	4,378,007
Total revenues	<u>321,757,360</u>	<u>287,575,404</u>	<u>34,181,956</u>	<u>426,169,523</u>	<u>(138,594,119)</u>
Expenses:					
Operating expenses	343,566,429	327,929,073	15,637,356	306,931,351	20,997,722
Nonoperating expenses	<u>6,994,987</u>	<u>7,533,318</u>	<u>(538,331)</u>	<u>8,018,977</u>	<u>(485,659)</u>
Total expenses	<u>350,561,416</u>	<u>335,462,391</u>	<u>15,099,025</u>	<u>314,950,328</u>	<u>20,512,063</u>
Increase (decrease) in net position before capital contributions	(28,804,056)	(47,886,987)	19,082,931	111,219,195	(159,106,182)
Capital contributions	<u>118,768,399</u>	<u>132,182,034</u>	<u>(13,413,635)</u>	<u>44,118,023</u>	<u>88,064,011</u>
Increase (decrease) in net position	89,964,343	84,295,047	5,669,296	155,337,218	(71,042,171)
Net position - beginning of year	<u>1,493,097,610</u>	<u>1,408,802,563</u>	<u>84,295,047</u>	<u>1,253,465,345</u>	<u>155,337,218</u>
Net position - end of year	<u><u>\$ 1,583,061,953</u></u>	<u><u>\$ 1,493,097,610</u></u>	<u><u>\$ 89,964,343</u></u>	<u><u>\$ 1,408,802,563</u></u>	<u><u>\$ 84,295,047</u></u>

Capital Asset and Debt Administration

Capital assets. MTS's investment in capital assets net of depreciation as of June 30, 2014 and 2013 amounted to \$1,513 million and \$1,416 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 FY2014. As of June 30, 2014 MTS had placed 64 new trolley cars in service, 10 in the current year, 27 in FY2013 and 27 in FY2012.
- MTS continues to modernize the bus fleet. In FY2014, 79 buses were placed into service for a total cost of \$51 million.
- MTS purchased 3.59 acres of land in Barrio Logan for \$17 million to expand the trolley yard
- Completed capital projects totaling \$119 million were transferred from SANDAG to MTS and its component units during FY2014.

**San Diego Metropolitan Transit System
Management's Discussion and Analysis (Continued)
June 30, 2014 and 2013**

CAPITAL ASSETS
(Net of depreciation)

	2014	2013	2012
Land	\$ 256,922,883	\$ 240,453,415	\$ 240,471,287
Buildings	742,531,433	727,660,383	648,037,600
Vehicles	449,499,941	378,389,642	272,442,209
Equipment & other	50,675,910	47,215,318	46,728,919
Construction-in-progress	13,144,508	22,541,797	87,526,399
Total	<u>\$ 1,512,774,675</u>	<u>\$ 1,416,260,555</u>	<u>\$ 1,295,206,414</u>

Additional information on MTS's 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 \$3.6 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 \$137.4 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's long-term debt can be found in Note 9 to the financial statements.

Bond Ratings

Standard & Poor's Ratings Services provided an underlying rating for the Pension Obligation Bonds at "AA-" in 2014. Additional information on MTS's long-term debt can be found in Note 9 to the financial statements.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

San Diego Metropolitan Transit System
Statements of Net Position
June 30, 2014 and 2013

ASSETS	2014	2013
Current assets:		
Cash and cash equivalents	\$ 54,586,864	\$ 67,342,108
Investments restricted for debt service and capital projects	21,361,390	1,807,484
Accounts and other receivables	8,031,828	7,487,415
Due from other governments	69,724,565	64,554,910
Inventory	19,029,540	17,673,252
Prepaid expenses and other current assets	2,360,013	1,268,080
Total current assets	175,094,200	160,133,249
Noncurrent assets:		
Cash and certificates of deposit restricted for capital support	12,712,627	12,143,571
Investments restricted for debt service and capital projects	94,865,657	116,056,580
Capital assets, net of accumulated depreciation	1,512,774,675	1,416,260,555
Net pension asset	25,910,638	27,825,638
Total noncurrent assets	1,646,263,597	1,572,286,344
Total assets	1,821,357,797	1,732,419,593

San Diego Metropolitan Transit System
Statements of Net Position (Continued)
June 30, 2014 and 2013

	2014	2013
LIABILITIES		
Current liabilities:		
Accounts payable	14,234,136	12,931,617
Due to other governments	22,773,555	20,184,156
Unearned revenue	3,687,955	4,223,070
Accrued expenses	8,410,845	10,123,462
Retentions payable	552,447	334,827
Due within one year:		
Compensated absences payable	7,526,670	7,455,502
Accrued damage, injury, and employee claims	3,917,111	3,394,889
Long-term debt	2,612,420	2,490,669
Long-term debt payable from restricted assets	21,361,390	1,807,484
Total current liabilities	85,076,529	62,945,676
Noncurrent liabilities:		
Retentions payable from restricted assets	8,740,742	7,487,745
Long-term debt payable from restricted assets	92,095,612	113,457,002
Due in more than one year:		
Compensated absences payable	4,084,953	4,713,238
Accrued damage, injury, and employee claims	7,774,145	8,854,074
Net other postemployment benefits obligation	15,059,685	13,695,813
Long-term debt	24,966,729	27,579,149
Total noncurrent liabilities	152,721,866	175,787,021
Total liabilities	237,798,395	238,732,697
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	497,449	589,286
Total deferred inflows of resources	497,449	589,286
NET POSITION		
Net investment in capital assets	1,395,206,075	1,296,216,965
Restricted for:		
Capital projects	3,971,854	4,655,826
Debt service	2,770,044	2,599,578
Unrestricted	181,113,980	189,625,241
Total net position	\$ 1,583,061,953	\$ 1,493,097,610

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San Diego Metropolitan Transit System
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2014 and 2013

	2014	2013
Operating revenues:		
Passenger revenue	\$ 93,994,559	\$ 90,651,622
Advertising	869,797	972,190
Charter	30,149	900
Miscellaneous	9,530,976	4,934,501
Total operating revenues	104,425,481	96,559,213
Operating expenses:		
Personnel costs	117,092,259	123,720,353
Outside services	73,858,746	67,413,522
Transit operations funding	4,242,856	3,570,758
Materials and supplies	9,276,195	8,468,837
Energy costs	26,043,694	22,572,397
Risk management	3,610,207	2,902,322
Miscellaneous	6,244,272	6,492,642
Depreciation	103,198,200	92,788,242
Total operating expenses	343,566,429	327,929,073
Operating income (loss)	(239,140,948)	(231,369,860)
Public support and nonoperating revenues (expenses):		
Federal revenue	60,851,717	57,733,099
Transportation Development Act (TDA) funds	82,565,009	71,893,404
State Transit Assistance (STA) funds	17,870,768	9,878,189
State revenue - other	4,211,454	5,213,539
<i>TransNet</i> funds	42,694,815	32,275,380
Other local subsidies	3,323,619	6,951,227
Investment earnings	6,087,302	6,266,933
Interest expense	(6,981,977)	(7,520,331)
Gain (loss) on disposal of assets	(272,805)	804,420
Other expenses	(13,010)	(12,987)
Total public support and nonoperating revenues (expenses)	210,336,892	183,482,873
Income (loss) before contributed capital	(28,804,056)	(47,886,987)
Contributed capital, net	118,768,399	132,182,034
Changes in net position	89,964,343	84,295,047
Net Position:		
Beginning of year, as restated (Note 15)	1,493,097,610	1,408,802,563
End of year	<u>\$ 1,583,061,953</u>	<u>\$ 1,493,097,610</u>

San Diego Metropolitan Transit System
Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Receipts from customers and users	\$ 105,377,683	\$ 94,759,953
Payments to suppliers	(117,564,640)	(122,201,949)
Payments to employees	(117,476,323)	(115,897,734)
Payments for damage and injury	(3,635,978)	(2,560,951)
Net cash provided (used) by operating activities	(133,299,258)	(145,900,681)
Cash flows from noncapital financing activities:		
Public support funds received	206,101,814	203,981,276
Net cash provided (used) by noncapital financing activities	206,101,814	203,981,276
Cash flows from capital and related financing activities:		
Debt service costs	(3,938,254)	(16,867,535)
Property acquisition	(81,756,393)	(82,816,993)
Proceeds from disposal of assets	581,165	1,409,694
Net cash provided (used) by capital financing activities	(85,113,482)	(98,274,834)
Cash flows from investing activities:		
Interest received on investments	124,738	193,156
Net cash provided (used) by investing activities	124,738	193,156
Net increase (decrease) in cash and cash equivalents	(12,186,188)	(40,001,083)
Cash and cash equivalents, beginning of year	79,485,679	119,486,762
Cash and cash equivalents, end of year	\$ 67,299,491	\$ 79,485,679
Cash and cash equivalents:		
Cash and cash equivalents	\$ 54,586,864	\$ 67,342,108
Cash and certificates of deposit restricted for capital support	12,712,627	12,143,571
Total cash and cash equivalents	\$ 67,299,491	\$ 79,485,679

San Diego Metropolitan Transit System
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2014 and 2013

	2014	2013
Reconciliation of operating (loss) to net cash provided (used) by operating activities		
Operating (loss)	\$ (239,140,948)	\$ (231,369,860)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	103,198,200	92,788,242
Amortization of net pension asset	1,915,000	14,630,000
(Increase) decrease in:		
Accounts and other receivables	1,487,317	(3,807,895)
Inventory	(1,356,288)	(543,520)
Prepaid expenses and other current assets	(1,209,259)	1,119,941
Increase (decrease) in:		
Accounts payable	2,689,990	(23,282,245)
Accrued expenses	(1,712,617)	(980,275)
Unearned revenue	(535,115)	2,008,635
Net other postemployment benefits obligation	1,363,872	1,577,144
Compensated absences payable	(557,117)	(55,885)
Accrued damage, injury and employee claims	557,707	2,015,037
Total adjustments	<u>105,841,690</u>	<u>85,469,179</u>
Net cash provided (used) by operating activities	<u><u>\$ (133,299,258)</u></u>	<u><u>\$ (145,900,681)</u></u>
Noncash investing, capital, and financing activities:		
Contributions of capital assets from SANDAG	\$ 118,768,399	\$ 131,736,037
Contributions/adjustments of capital assets from outside parties	<u>-</u>	<u>445,997</u>
Total contributions of capital assets	<u><u>\$ 118,768,399</u></u>	<u><u>\$ 132,182,034</u></u>
 Increase in fair value of investments	 <u><u>\$ 249,501</u></u>	 <u><u>\$ 258,247</u></u>

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NOTES TO BASIC FINANCIAL STATEMENTS

San Diego Metropolitan Transit System
Notes to Basic Financial Statements
For the Years Ended June 30, 2014 and 2013

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San Diego Metropolitan Transit System
Notes to Basic Financial Statements
For the Years Ended June 30, 2014 and 2013

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's 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 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's 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's 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's 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, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses are included in MTS's 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, 2014 and 2013**

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, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses are included in MTS's 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. Since SD&AE provides almost exclusive benefit to MTS, its assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses are included in MTS's financial statements as a blended component unit. 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.

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 accordance with 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, 2014 and 2013**

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 40 percent and 38 percent of MTS's \$236.5 million and \$236.9 million operating budget for FY2014 and FY2013, 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. This rebate program ended in 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, 2014 and 2013**

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 within 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's 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, 2014 and 2013

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 asset-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. 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, 2014 and 2013

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 trolley 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's 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, if any, 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 expensed when incurred.

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, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

O. Net Position

Net Position is classified as follows:

Net investments in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of net position.

P. Accounting Changes

GASB has issued Statement No. 65, *Items previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This Statement became effective for periods beginning after December 15, 2012 and result in certain restatements as disclosed in Note 15 to the basic financial statements and reclassification of certain accounts as presented in the Statement of Net Position.

GASB has issued Statement No. 66, "Technical Corrections - 2012; an amendment of GASB Statements No. 10 and No. 62." The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement became effective for periods beginning after December 15, 2012 and did not have a significant impact on MTS's financial statements for the year ended June 30, 2014.

Note 2 – Cash, Cash Equivalents, and Investments

Cash and investments are reported in the accompanying statements of net position as follows:

	2014	2013
Cash and cash equivalents	\$ 54,586,864	\$ 67,342,108
Cash and certificates of deposit restricted for capital support	12,712,627	12,143,571
Investments restricted for debt service and capital projects - current	21,361,390	1,807,484
Investments restricted for debt service and capital projects - noncurrent	94,865,657	116,056,580
Total cash and investments	\$ 183,526,538	\$ 197,349,743

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

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

Cash, cash equivalents, and investments consisted as follows on June 30, 2014 and 2013:

<u>Investment type</u>	<u>Fair Value</u>	
	<u>2014</u>	<u>2013</u>
Cash and cash equivalents:		
Demand Deposits	\$ 21,360,671	\$ 25,229,120
Retention Trust Account	8,740,742	7,487,745
San Diego County Investment Pool	3,971,885	4,655,826
State of California - Local Agency Investment Fund	33,226,193	42,112,988
Total cash and cash equivalents	67,299,491	79,485,679
Investments:		
U.S. Treasuries	39,410,751	39,171,173
Bank Investment Contract	76,816,296	78,692,891
Total investments	116,227,047	117,864,064
Total cash, cash equivalents, and investments	\$ 183,526,538	\$ 197,349,743

Demand Deposits

At year end the carrying amount of demand deposits was \$21,360,671 and the bank balance was \$22,022,808 compared to \$25,229,120 and \$26,774,449 in the previous year, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in MTS's name as discussed in Disclosures Relating to Custodial Credit Risk.

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's 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, 2014 and 2013**

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 8.36% and 8.8% of the Investment Pool as of June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, the fair value of our position in the pool is 99.38% and 98.99%, respectively, of the value of the pool shares.

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, 2014, MTS had \$3,971,885 invested in the San Diego County Investment Pool, compared to \$4,655,826 at June 30, 2013.

Local Agency Investment Funds

MTS's 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 Investment Advisory Board, which consists of five members, in accordance with State statute. The fair value of our position in the pool is the same as the value of the pool shares.

As of June 30, 2014, MTS had \$33,226,193 invested in LAIF, which had invested 1.86% of the pool investment funds in Structured Notes and Asset-Backed Securities compared to \$42,112,988 and 1.96% at June 30, 2013.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

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

Disclosures Relating to Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, MTS's 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.

Disclosures Relating to Credit Risk

MTS's 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.

Disclosures Relating to 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.

Disclosures Relating to 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's 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's name.

The market value of pledged securities must equal at least 110% of the MTS's 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's 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, 2014 and 2013, are shown below:

Maturity	2014	2013
Current to one year	\$ 70,552,450	\$ 79,485,679
One to five years	36,157,792	39,171,173
Five to ten years	-	-
Ten to twenty years	76,816,296	78,692,891
Total	\$ 183,526,538	\$ 197,349,743

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 3 – Accounts Receivable**A. Accounts and Other Receivables**

At June 30, 2014 and 2013, the net realizable accounts and other receivables consisted of the following:

	2014	2013
Interest receivable	\$ 2,844,812	\$ 2,910,105
Passenger revenue - General Public	2,728,084	2,188,076
Pension plan receivable	1,367,723	1,255,716
Miscellaneous trade receivables	623,549	687,683
Advertising receivable	467,660	445,835
Total accounts and other receivables	\$ 8,031,828	\$ 7,487,415

B. Due from Other Governments

At June 30, 2014 and 2013, amounts due from other governments consisted of the following:

	2014	2013
FTA Grant Funds	\$ 52,004,792	\$ 47,082,147
STA Funds	5,257,318	5,791,324
SANDAG - <i>TransNet</i>	5,177,208	404,299
SANDAG - project/route reimbursements	3,374,173	3,468,099
Passenger revenue	1,640,347	3,538,468
County of San Diego	1,540,498	1,112,738
North County Transit District - shared costs	456,199	49,692
Department of Homeland Security	105,723	649,937
City of San Diego	77,057	2,050
State of California	76,511	58,965
City of Coronado	13,340	-
U.S. Treasury Department	1,399	1,651,284
City of Chula Vista	-	745,907
Total due from other governments	\$ 69,724,565	\$ 64,554,910

Note 4 – Inventory

At June 30, 2014 and 2013, inventory consists of the following repair and maintenance parts and administrative supplies:

	2014	2013
San Diego Transit Corp.	\$ 2,133,808	\$ 2,249,585
San Diego Trolley, Inc.	16,895,732	15,423,667
Total inventory	\$ 19,029,540	\$ 17,673,252

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 5 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not depreciated				
Land and right-of-way	\$ 240,453,415	\$ 16,799,468	\$ (330,000)	\$ 256,922,883
Construction-in-progress	22,541,797	85,332,661	(94,729,950)	13,144,508
Total capital assets, not depreciated	262,995,212	102,132,129	(95,059,950)	270,067,391
Capital assets, depreciated:				
Buildings and structures	1,413,307,286	72,942,750	(518,738)	1,485,731,298
Buses and vehicles	661,778,618	107,246,075	(13,837,286)	755,187,407
Equipment and other	97,109,406	12,976,342	(1,572,327)	108,513,421
Capital lease property	12,091,981	-	-	12,091,981
Total capital assets, depreciated	2,184,287,291	193,165,167	(15,928,351)	2,361,524,107
Less accumulated depreciation for:				
Buildings and structures	(688,480,961)	(57,306,010)	130,922	(745,656,049)
Buses and vehicles	(283,388,976)	(36,143,744)	13,845,254	(305,687,466)
Equipment and other	(49,894,088)	(9,370,572)	1,427,149	(57,837,511)
Capital lease property	(9,257,923)	(377,874)	-	(9,635,797)
Total accumulated depreciation	(1,031,021,948)	(103,198,200)	15,403,325	(1,118,816,823)
Total capital assets, depreciated, net	1,153,265,343	89,966,967	(525,026)	1,242,707,284
Total capital assets	<u>\$ 1,416,260,555</u>	<u>\$ 192,099,096</u>	<u>\$ (95,584,976)</u>	<u>\$ 1,512,774,675</u>

A summary of changes in capital assets for the year ended June 30, 2013 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	327,997,686	85,516,636	(150,519,110)	262,995,212
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	1,915,493,079	278,848,901	(10,054,689)	2,184,287,291
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	(948,284,351)	(92,788,242)	10,050,645	(1,031,021,948)
Total capital assets, depreciated, net	967,208,728	186,060,659	(4,044)	1,153,265,343
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>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 5 – Capital Assets (Continued)

MTS converted \$95 million in capital assets from CIP to assets in service compared to \$151 million in FY2013. Capital asset additions totaling \$119 million were contributed by SANDAG, including \$64 million to SDTC, and \$55 million to SDTI. In FY2013, the contributions from SANDAG totaled \$132 million.

Depreciation expense for capital assets for the years ended June 30, 2014 and 2013 was comprised of the following:

	2014	2013
General operations	\$ 1,587,986	\$ 1,361,426
Other contracted services	11,686,999	12,305,236
San Diego Transit Corporation	15,628,029	14,121,961
San Diego Trolley, Inc.	74,295,186	64,999,619
Total	<u>\$ 103,198,200</u>	<u>\$ 92,788,242</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, 2014, the Net Pension Asset amounted to \$25,910,638, compared to \$27,825,638 for FY2013.

Note 7 – Due to Other Governments

At June 30, 2014 and 2013, amounts due to other governments consisted of the following:

	2014	2013
SANDAG - Subsidy revenue for construction projects in process	\$ 19,745,587	\$ 18,172,628
SANDAG - CIP Reimbursement	745,215	1,182,154
State of California	607,648	45,638
SANDAG - Compass Card Program	559,958	-
North County Transit District	381,749	295,945
City of San Diego - Shared Revenue	294,979	122,338
City of Chula Vista - TDA Funds	145,000	-
City of Lemon Grove - TDA Funds	121,170	134,122
City of El Cajon - TDA Funds	90,883	90,883
City of La Mesa - TDA Funds	38,146	51,500
City of Coronado - TDA Funds	19,718	20,600
City of Poway - TDA Funds	16,074	67,977
County of San Diego	7,428	371
Total due to other governments	<u>\$ 22,773,555</u>	<u>\$ 20,184,156</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 8 – Unearned Revenue

At June 30, 2014 and 2013, unearned revenue consisted of the following:

	2014	2013
Fare media payments received in advance	\$ 2,574,031	\$ 2,787,666
Lease payments received in advance	590,962	898,185
Deposit from City of Mendoza for sale of light rail vehicles	428,341	428,341
Land management deposits	94,621	10,308
County funds - 4S Ranch development	-	98,570
Total unearned revenue	\$ 3,687,955	\$ 4,223,070

Note 9 – Long-Term Debt**A. Summary**

A summary of changes in long-term obligations for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amounts due within one year	Amounts due in more than one year
MTS:						
Capital lease obligations	\$ 4,189,818	\$ -	\$ (575,669)	\$ 3,614,149	\$ 607,420	\$ 3,006,729
Deferred gain on refunding	589,286	-	(91,837)	497,449	-	497,449
1995 LRV Lease/Leaseback	115,264,486	-	(1,807,484)	113,457,002	21,361,390	92,095,612
Compensated absences payable	966,605	855,542	(898,248)	923,899	898,248	25,651
Accrued damage, injury, and employee claims	508,950	(3,133)	(103,000)	402,817	402,817	-
Net other postemployment benefits	3,520,474	499,500	(81,049)	3,938,925	-	3,938,925
Total MTS	125,039,619	1,351,909	(3,557,287)	122,834,241	23,269,875	99,564,366
San Diego Transit Corporation:						
Pension obligation bonds	25,880,000	-	(1,915,000)	23,965,000	2,005,000	21,960,000
Compensated absences payable	8,422,474	3,643,267	(4,079,866)	7,985,875	4,079,866	3,906,009
Accrued damage, injury, and employee claims	9,337,730	3,602,187	(4,100,000)	8,839,917	2,401,612	6,438,305
Net other postemployment benefits	4,006,958	1,380,200	(928,831)	4,458,327	-	4,458,327
Total San Diego Transit Corporation	47,647,162	8,625,654	(11,023,697)	45,249,119	8,486,478	36,762,641
San Diego Trolley, Inc.:						
Compensated absences payable	2,779,661	3,134,211	(3,212,023)	2,701,849	2,548,556	153,293
Accrued damage, injury, and employee claims	2,402,283	818,239	(772,000)	2,448,522	1,112,682	1,335,840
Net other postemployment benefits	6,168,381	644,400	(150,348)	6,662,433	-	6,662,433
Total San Diego Trolley, Inc	11,350,325	4,596,850	(4,134,371)	11,812,804	3,661,238	8,151,566
Total	\$ 184,037,106	\$ 14,574,413	\$ (18,715,355)	\$ 179,896,164	\$ 35,417,591	\$ 144,478,573

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 9 – Long-Term Debt (Continued)**A. Summary (Continued)**

A summary of changes in long-term obligations for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due within one year	Amounts due in more than one year
MTS:						
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
1995 LRV Lease/Leaseback	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
Total MTS	126,717,409	1,572,148	(3,249,938)	125,039,619	3,648,574	121,391,045
San Diego Transit Corporation:						
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
Total San Diego Transit Corporation	62,780,609	6,952,879	(22,086,326)	47,647,162	8,064,207	39,582,955
San Diego Trolley, Inc.:						
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
Total San Diego Trolley, Inc	12,010,166	3,624,799	(4,284,640)	11,350,325	3,435,763	7,914,562
Total	\$ 201,508,184	\$ 12,149,826	\$ (29,620,904)	\$ 184,037,106	\$ 15,148,544	\$ 168,888,562

Long-term debt is reported in the accompanying statements of net position as follows:

	2014		2013	
	Due within One Year	Noncurrent Liabilities	Due within One Year	Noncurrent Liabilities
Liabilities:				
Compensated absences payable	\$ 7,526,670	\$ 4,084,953	\$ 7,455,502	\$ 4,713,238
Accrued damage, injury, and employee claims	3,917,111	7,774,145	3,394,889	8,854,074
Long-term debt	2,612,420	24,966,729	2,490,669	27,579,149
Long-term debt payable from restricted assets	21,361,390	92,095,612	1,807,484	113,457,002
Net other postemployment benefits	-	15,059,685	-	13,695,813
Deferred inflows of resources				
Deferred gain on debt refunding	-	497,449	-	589,286
	\$ 35,417,591	\$ 144,478,573	\$ 15,148,544	\$ 168,888,562

Because of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, deferred gain on debt refunding has been reclassified as Deferred Inflows of Resources.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 9 – 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 resulted in a \$1.3 million reduction in future principal and interest payments under the terms of the lease agreement. A \$788,266 net economic capital 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:

	2014	2013
Building – MTS Tower	\$ 12,091,981	\$ 12,091,981
Less accumulated depreciation	(9,635,797)	(9,257,923)
Total	<u>\$ 2,456,184</u>	<u>\$ 2,834,058</u>

The following is a summary of future minimum payments under the capital lease as of June 30, 2014:

Year Ending June 30:	Tower Lease Payments
2015	\$ 750,550
2016	731,665
2017	739,617
2018	743,537
2019	744,055
2020	372,148
Total minimum lease payments	4,081,572
Less amount representing interest	(467,423)
Present value of minimum lease payments	<u>\$ 3,614,149</u>

At June 30, 2014 and 2013, the future minimum payments were \$3,614,149 and \$4,189,818, respectively.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 9 – Long-Term Debt (Continued)

C. 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.

At June 30, 2014 and 2013, the remaining future obligation total \$113,457,002 and \$115,264,486, respectively.

Year ending June 30:	Principal	Interest	Total
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	4,989,231	4,502,751	9,491,982
2020-2024	43,105,910	14,211,017	57,316,927
2025-2026	12,938,945	604,846	13,543,791
Total	<u>\$ 113,457,002</u>	<u>\$ 40,682,291</u>	<u>\$ 154,139,293</u>

For the above lease transaction, MTS is obligated to insure and maintain the equipment. The lease agreement also provide for MTS's 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.

D. 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 were variable rate bonds that were to mature on December 23, 2015. Interest was adjusted on a weekly basis indexed to LIBOR and was 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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 9 – Long-Term Debt (Continued)

D. Pension Obligation Bonds (Continued)

At June 30, 2014 and 2013, the outstanding balance of the Pension Obligation Bonds is \$23,965,000 and \$25,880,000, respectively.

Year ending June 30:	Principal	Interest	Total
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	2,430,000	723,671	3,153,671
2020-2024	12,910,000	1,604,225	14,514,225
Total	<u>\$ 23,965,000</u>	<u>\$ 6,315,445</u>	<u>\$ 30,280,445</u>

Note 10 – 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. MTS, SDTC and SDTI have policies for crime coverage through commercial insurance.

Claims expenditures and liabilities in connection with these self-insurance programs are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported based upon past experience, modified for current trends and information. Claim payments up to \$2,000,000 per incident were recorded as general and administrative expenses in the statements of revenues, expenses, and changes in net 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:				
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
2013-2014	12,248,963	4,417,293	(4,975,000)	11,691,256

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 10 – Risk Management (Continued)

Following is a summary of accrued damage, injury and employee claims for fiscal years 2014 and 2013:

Accrued damage, injury and employee claims	2014	2013
Current portion	\$ 3,917,111	\$ 3,394,889
Non-current portion	7,774,145	8,854,074
Total	<u>\$ 11,691,256</u>	<u>\$ 12,248,963</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 \$11,691,256 at June 30, 2014 and \$12,248,963 at June 30, 2013.

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

Note 11 - Contingencies

Pending legal actions. MTS, SDTC and SDTI have been named in certain legal actions pending at June 30, 2014. 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 FY2004.

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 FY07 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 are not required for not for profit corporations that are deemed to be instrumentalities of a political subdivision such as MTS. Under the direction of tax consultants, MTS directed that the freight operator prepare a final return for calendar year 2007. However, MTS recently learned it was also necessary that SD&AE be formally recognized as an exempt organization by the Internal Revenue Service and Franchise Tax Board. Although it is anticipated that SD&AE will be granted exemption under federal and state laws as an instrumentality of MTS and, therefore, exempt from filing any form of tax return, there is a risk of audit of returns that should have been filed by SD&AE for FY11, FY12, and FY13 pending formal recognition of SD&AE's exempt status. This risk will be eliminated once SD&AE's exempt status is formally recognized which is anticipated before the end of the current calendar year.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 12 - 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.

For the year ended June 30, 2014, total MTS payments were \$81,049 for 13 retirees, total SDTI payments were \$150,348 for 28 retirees, and total SDTC payments were \$468,265 for 45 management retirees plus \$460,666 for 150 union retirees currently receiving postemployment health care benefits.

For the year ended June 30, 2013, total MTS payments were \$49,167 for 9 retirees, total SDTI payments were \$152,683 for 25 retirees, and total SDTC payments were \$433,836 for 45 management retirees plus \$407,070 for 156 union retirees currently receiving postemployment health care 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 years 2014 and 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	3,520,474	6,168,381	4,006,958	13,695,813
Benefit payments paid outside of a trust	(81,049)	(150,348)	(928,831)	(1,160,228)
Estimated contributions to a trust	-	-	-	-
Annual Required Contribution	487,900	624,000	1,367,000	2,478,900
Accrued interest on June 30, 2013 NOO	158,400	277,600	180,300	616,300
Amortization of June 30, 2013 NOO	(146,800)	(257,200)	(167,100)	(571,100)
NOO at June 30, 2014	<u>\$ 3,938,925</u>	<u>\$ 6,662,433</u>	<u>\$ 4,458,327</u>	<u>\$ 15,059,685</u>

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

	Participants as of (Most Current Available)	
	June 30, 2013	June 30, 2012
Current retirees and surviving spouses	229	237
Other participants fully eligible for benefits	352	330
Other participants not yet fully eligible for benefits	1,074	964
Total	<u>1,655</u>	<u>1,531</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 12 - Postemployment Health Care Benefits (Continued)

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 2014, MTS contributions to the plan were \$1,160,228 (or 52.79% of total gross health costs), while retirees contributed \$1,037,710 (or 47.21% of total gross health costs), as compared to 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's 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's ARC and Annual OPEB Cost for the years ended June 30, 2014 and 2013, the amount actually contributed to the plans, and the changes in MTS's Net OPEB Obligation to the Plan:

	All Groups	
	2014	2013
Normal Cost	\$ 956,500	\$ 1,050,300
Amortization of Unfunded AAL	1,522,400	1,543,500
Annual Required Contribution	2,478,900	2,593,800
Interest on beginning of year NOO	616,300	545,300
Amortization of beginning of year NOO	(571,100)	(519,200)
Annual OPEB cost	2,524,100	2,619,900
Contributions or Benefit Payments	(873,128)	(726,656)
Implicit subsidy payments	(287,100)	(316,100)
Increase in net OPEB obligation	1,363,872	1,577,144
Net OPEB obligation - beginning of year	13,695,813	12,118,669
Net OPEB obligation - end of year	<u>\$ 15,059,685</u>	<u>\$ 13,695,813</u>

MTS's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan and the Net OPEB Obligation for fiscal years 2012, 2013 and 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 2,628,300	36.83%	\$ 12,118,669
June 30, 2013	2,619,900	39.80%	13,695,813
June 30, 2014	2,524,100	45.97%	15,059,685

Funded Status and Funding Progress. As of June 30, 2013, the most recent actuarial valuation date, the Plan was not funded. The Actuarial Accrued Liability (AAL) for benefits was \$36,511,800 and the actuarial value of assets was \$0 compared to \$37,018,400 and \$0 as of June 30, 2011. The covered payroll (annual payroll of active employees covered by the plan) as of June 30, 2013 was \$68,044,900 and the ratio of Unfunded AAL to covered payroll was 54% percent compared to \$65,775,100 and 56% as of June 30, 2011.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 12 - Postemployment Health Care Benefits (Continued)

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
6/30/2013	\$ -	\$ 3,855	\$ 3,855	0.00%	\$ 8,698	44.32%

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
6/30/2013	\$ -	\$ 9,545	\$ 9,545	0.00%	\$ 25,277	37.76%

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
6/30/2013	\$ -	\$ 23,111	\$ 23,111	0.00%	\$ 34,070	67.83%

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 2013 study was completed during FY2014. The next study, which will be based on activity through June 2015, will be completed during FY2016.

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, 2013 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuary assumed 4.5% investment rate of return (net of administrative expenses) which is the expected long-term investment returns on the employer's own investments, and a compensation increase of 3%. The annual healthcare cost trend rate varies depending on the plan and type of health care service involved. Beginning in fiscal year 2013/2014, medical/drug trends generally grade down from 7.25% and 7.75% to an ultimate of 4.5% by 2025/2026, 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, 2014 and 2013

Note 13 – Employee Retirement System

A. MTS and SDTI

Plan Description and Provisions

MTS's 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. CalPERS issues a separate Comprehensive Annual Financial Report.

The contribution requirements of the Plan members are established by State statute and the employer contribution rate is established 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
6/30/2012	\$ 84,011	\$ 93,892	\$ 9,881	89.48%	\$ 24,008	41.16%

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, 2014 and 2013

Note 13 – Employee Retirement System (Continued)

A. MTS and SDTI (Continued)

Annual Pension Cost

For fiscal year 2014, MTS's and SDTI's annual required employer contributions were \$2,384,715 and \$4,326,440 respectively. Of these totals, employees contributed \$337,168 and \$1,580,463. The required contribution for fiscal year 2014 was determined as part of the June 30, 2011, actuarial valuation using the Entry Age Normal Cost Method with the contributions determined as a percent of pay.

For fiscal year 2013, MTS's 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 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 smoothing technique that spreads 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's 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, 2012, the most recent valuation date, was 19 years for MTS and 21 years for SDTI.

Trend information for MTS (in 000s)

Fiscal Year Ended June 30:	Annual Required Contribution (ARC)	Actual Contribution	Percentage of ARC Contributed
2012	\$ 2,021	\$ 2,021	100%
2013	2,095	2,095	100%
2014	2,385	2,385	100%

Trend information for SDTI (in 000s)

Fiscal Year Ended June 30:	Annual Required Contribution (ARC)	Actual Contribution	Percentage of ARC Contributed
2012	\$ 3,908	\$ 3,908	100%
2013	4,029	4,029	100%
2014	4,326	4,326	100%

**San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013**

Note 13 – Employee Retirement System (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 study 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 Individual Entry Age Actuarial 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 smoothing technique that spreads 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, 2013, 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, 2014 and 2013

Note 13 – Employee Retirement System (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 AAL	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
7/1/2013	\$ 148,452	\$ 241,331	\$ 92,879	61.51%	\$ 32,707	283.97%

Annual Pension Cost

The annual pension cost of \$13,527,981 and \$11,358,529 for the fiscal years ended June 30, 2014 and 2013, respectively, was equal to SDTC's required and actual contributions. Of this total, employees contributed \$899,791 and \$401,274 for the years ended June 30, 2014 and 2013, respectively. The required contribution was determined as part of the July 1, 2012 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
2012	\$ 10,132	\$ 10,132	100%
2013	11,359	11,359	100%
2014	13,528	13,528	100%

Note 14 – Other Required Individual Fund Disclosures

SDTC had unrestricted net deficits of \$26,537,249 at June 30, 2014 compared to \$15,881,180 at June 30, 2013. 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 15 – Restatement of Net Position

As a result of the implementation of GASB Statement No. 65, net position was restated as follows:

Net position at July 1, 2012, as previously reported	\$ 1,409,034,602
Restatement to recognize deferred bond issuance cost as an expense due to implementation of GASB 65	(360,626)
Restatement to record insurance costs related to bond issuance as prepaid expenses due to implementation of GASB 65	<u>128,587</u>
Net position at July 1, 2012, as restated	<u><u>\$ 1,408,802,563</u></u>

**San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013**

Note 16 – Subsequent Events

Purchase of Head Lease Rights

On September 18, 2014, the MTS Board of Directors authorized staff to execute the purchase of the Head Lease Rights to 52 light rail vehicles as set forth in the Participation Agreement and other leverage lease documents executed by MTS on December 15, 1995. MTS has sufficient funds on hand in Treasury Strips and a fixed rate deposit account at Rabobank to fulfill the \$119 million purchase option in five installments during FY15 and FY16.

GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27). This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures for Pensions Plans. This Statement further identifies the methods and assumptions that should be used to project benefit payments, discount projected benefits payments to their actuarial present value, and attribute that present value to periods of employee service. Management is evaluating the impact of the adoption of this standard on the financial statements and believes that its impact, when adopted, may be substantial to MTS. GASB No. 68 will be implemented effective with the fiscal year 2014-2015 financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

San Diego Metropolitan Transit System
Required Supplementary Information
For the Year Ended June 30, 2014

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. An 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
6/30/2010	\$ 71,032	\$ 79,497	\$ 8,465	89.35%	\$ 23,364	36.23%
6/30/2011	77,582	88,127	10,545	88.03%	24,097	43.76%
6/30/2012	84,011	93,892	9,881	89.48%	24,008	41.16%

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
7/1/2011	\$ 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%
7/1/2013	148,452	241,331	92,879	61.51%	32,707	283.97%

San Diego Metropolitan Transit System
Required Supplementary Information (Continued)
For the Year Ended June 30, 2014

SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT 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
6/30/2009	\$ -	\$ 2,701	\$ 2,701	0.00%	\$ 8,281	32.62%
6/30/2011	-	3,276	3,276	0.00%	8,023	40.83%
6/30/2013	-	3,855	3,855	0.00%	8,698	44.32%

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	\$ -	\$ 7,565	\$ 7,565	0.00%	\$ 26,788	28.24%
6/30/2011	-	9,417	9,417	0.00%	24,617	38.25%
6/30/2013	-	9,545	9,545	0.00%	25,277	37.76%

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
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%
6/30/2013	-	23,111	23,111	0.00%	34,070	67.83%

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 FY2016 based on the year ending June 30, 2015.

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SUPPLEMENTARY INFORMATION

Combining Schedule of Net Position

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

Combining Statement 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

Contracted Services

San Diego Transit Corporation

San Diego Trolley, Inc.

San Diego Metropolitan Transit System
Combining Schedule of Net Position
June 30, 2014

	General Operations	Contracted Services	SDTC	SDTI	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 55,167,148	\$ -	\$ (862,606)	\$ 282,322	\$ 54,586,864
Investments restricted for debt service and capital projects	21,361,390	-	-	-	21,361,390
Accounts and other receivables	6,446,497	26,405	1,468,983	89,943	8,031,828
Due from other governments	67,401,320	120,801	155,739	2,046,705	69,724,565
Internal balances	888,175	5,645,531	(6,151,370)	(382,336)	-
Inventory	-	-	2,133,808	16,895,732	19,029,540
Prepaid expenses and other current assets	470,361	283,072	800,102	806,478	2,360,013
Total current assets	151,734,891	6,075,809	(2,455,344)	19,738,844	175,094,200
Noncurrent assets:					
Cash and certificates of deposit restricted for capital support	12,712,627	-	-	-	12,712,627
Investments restricted for debt service and capital projects	94,865,657	-	-	-	94,865,657
Capital assets (net of accumulated depreciation)	70,110,710	91,402,055	215,970,216	1,135,291,694	1,512,774,675
Net pension asset	-	-	25,910,638	-	25,910,638
Total noncurrent assets	177,688,994	91,402,055	241,880,854	1,135,291,694	1,646,263,597
Total assets	329,423,885	97,477,864	239,425,510	1,155,030,538	1,821,357,797

San Diego Metropolitan Transit System
Combining Schedule of Net Position (Continued)
June 30, 2014

Att. A, AI 30, 11/20/14

	General Operations	Contracted Services	SDTC	SDTI	Total
LIABILITIES					
Current liabilities:					
Accounts payable	6,019,023	5,196,433	1,871,068	1,147,612	14,234,136
Due to other governments	22,237,406	10,607	55,231	470,311	22,773,555
Unearned revenue	3,259,614	-	-	428,341	3,687,955
Accrued expenses	3,256,094	-	2,817,125	2,337,626	8,410,845
Retention payable	552,447	-	-	-	552,447
Due within one year:					
Compensated absences payable	898,248	-	4,079,866	2,548,556	7,526,670
Accrued damage, injury, and employee claims	402,817	-	2,401,612	1,112,682	3,917,111
Long-term debt	607,420	-	2,005,000	-	2,612,420
Long-term debt payable from restricted assets	21,361,390	-	-	-	21,361,390
Total current liabilities	58,594,459	5,207,040	13,229,902	8,045,128	85,076,529
Noncurrent liabilities:					
Retention payable from restricted assets	8,740,742	-	-	-	8,740,742
Long-term debt payable from restricted assets	92,095,612	-	-	-	92,095,612
Due in more than one year:					
Compensated absences payable	25,651	-	3,906,009	153,293	4,084,953
Accrued damage, injury, and employee claims	-	-	6,438,305	1,335,840	7,774,145
Net other postemployment benefits obligation	3,938,925	-	4,458,327	6,662,433	15,059,685
Long-term debt, due in more than one year	3,006,729	-	21,960,000	-	24,966,729
Total noncurrent liabilities	107,807,659	-	36,762,641	8,151,566	152,721,866
Total liabilities	166,402,118	5,207,040	49,992,543	16,196,694	237,798,395
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on debt refunding	497,449	-	-	-	497,449
Total deferred inflows of resources	497,449	-	-	-	497,449
NET POSITION					
Net investment in capital assets	(47,457,890)	91,402,055	215,970,216	1,135,291,694	1,395,206,075
Restricted for:					
Capital projects	3,971,854	-	-	-	3,971,854
Debt service	2,770,044	-	-	-	2,770,044
Unrestricted	203,240,310	868,769	(26,537,249)	3,542,150	181,113,980
Total net position	\$ 162,524,318	\$ 92,270,824	\$ 189,432,967	\$ 1,138,833,844	\$ 1,583,061,953

San Diego Metropolitan Transit System
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2014

	General Operations	Contracted Services	SDTC	SDTI	Eliminations	Total
Operating revenues:						
Passenger revenue	\$ -	\$ 26,025,468	\$ 27,781,183	\$ 40,187,908	\$ -	\$ 93,994,559
Advertising	869,797	-	-	-	-	869,797
Charter	-	-	29,420	729	-	30,149
Miscellaneous	8,270,611	-	4,965	1,255,400	-	9,530,976
Total operating revenues	9,140,408	26,025,468	27,815,568	41,444,037	-	104,425,481
Operating expenses:						
Personnel costs	18,655,522	683,179	65,666,847	32,086,711	-	117,092,259
Outside services	13,567,397	54,697,311	1,767,954	3,826,084	-	73,858,746
Transit operations funding	94,077,918	-	-	-	(89,835,062)	4,242,856
Materials and supplies	18,869	15,095	4,707,738	4,534,493	-	9,276,195
Energy costs	236,255	8,767,317	6,004,285	11,035,837	-	26,043,694
Risk management	275,136	15,300	1,625,295	1,694,476	-	3,610,207
Miscellaneous	(24,820,112)	1,780,633	10,869,184	18,414,567	-	6,244,272
Depreciation	1,587,986	11,686,999	15,628,029	74,295,186	-	103,198,200
Total operating expenses	103,598,971	77,645,834	106,269,332	145,887,354	(89,835,062)	343,566,429
Operating income (loss)	(94,458,563)	(51,620,366)	(78,453,764)	(104,443,317)	89,835,062	(239,140,948)

San Diego Metropolitan Transit System
Combining Schedule of Revenues, Expenses, and Changes in Net Position (Continued)
For the Year Ended June 30, 2014

	General Operations	Contracted Services	SDTC	SDTI	Eliminations	Total
Public support and nonoperating revenues (expenses):						
Federal revenue	60,851,717	10,362,108	19,335,691	22,912,890	(52,610,689)	60,851,717
Transportation Development Act (TDA) funds	82,565,009	25,275,681	14,306,051	1,500,525	(41,082,257)	82,565,009
State Transit Assistance (STA) funds	17,870,768	-	2,182,725	-	(2,182,725)	17,870,768
State revenue - other	4,211,454	1,630,545	-	-	(1,630,545)	4,211,454
<i>TransNet</i> funds	48,194,815	1,298,865	20,619,180	5,000,000	(32,418,045)	42,694,815
Other local subsidies	3,323,619	1,366,168	278,000	-	(1,644,168)	3,323,619
Investment earnings	6,087,302	-	-	-	-	6,087,302
Interest expense	(5,828,318)	-	(1,153,659)	-	-	(6,981,977)
Gain (loss) on disposal of assets	(300,501)	-	(27,873)	55,569	-	(272,805)
Other expenses	-	-	(13,010)	-	-	(13,010)
Total public support and nonoperating revenues (expenses)	216,975,865	39,933,367	55,527,105	29,468,984	(131,568,429)	210,336,892
Income (loss) before transfers and contributed capital	122,517,302	(11,686,999)	(22,926,659)	(74,974,333)	(41,733,367)	(28,804,056)
Transfers	(41,733,367)	-	-	-	41,733,367	-
Contributed capital, net	(86,077,211)	16,074,540	74,042,311	114,728,759	-	118,768,399
Changes in net position	(5,293,276)	4,387,541	51,115,652	39,754,426	-	89,964,343
Net Position:						
Beginning of year, as previously reported	167,817,594	87,883,283	138,529,034	1,099,079,418	-	1,493,309,329
Restatements due to implementation of GASB 65	-	-	(211,719)	-	-	(211,719)
Beginning of year, as restated	167,817,594	87,883,283	138,317,315	1,099,079,418	-	1,493,097,610
End of year	\$ 162,524,318	\$ 92,270,824	\$ 189,432,967	\$ 1,138,833,844	\$ -	\$ 1,583,061,953

San Diego Metropolitan Transit System
Combining Schedule of Cash Flows
For the Year Ended June 30, 2014

	General Operations	Contracted Services	SDTC	SDTI	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 9,223,755	\$ 26,262,781	\$ 28,069,204	\$ 41,821,943	\$ 105,377,683
Payments to suppliers	(20,120,853)	(60,707,601)	(13,987,739)	(22,748,447)	(117,564,640)
Payments to employees	(18,716,712)	(685,420)	(65,882,235)	(32,191,956)	(117,476,323)
Payments for damage and injury	(29,301)	-	(3,140,157)	(466,520)	(3,635,978)
Net cash provided (used) by operating activities	(29,643,111)	(35,130,240)	(54,940,927)	(13,584,980)	(133,299,258)
Cash flows from noncapital financing activities:					
Public support funds received	99,575,620	35,130,240	57,885,377	13,510,577	206,101,814
Net cash provided (used) by noncapital financing activities	99,575,620	35,130,240	57,885,377	13,510,577	206,101,814
Cash flows from capital and related financing activities:					
Debt service costs	(644,866)	-	(3,293,388)	-	(3,938,254)
Property acquisition	(81,756,393)	-	-	-	(81,756,393)
Proceeds from disposal of assets	37,034	-	89,487	454,644	581,165
Net cash provided (used) by capital and related financing activities	(82,364,225)	-	(3,203,901)	454,644	(85,113,482)
Cash flows from investing activities:					
Interest received on investments	124,738	-	-	-	124,738
Net cash provided (used) by investing activities	124,738	-	-	-	124,738
Net increase (decrease) in cash and cash equivalents	(12,306,978)	-	(259,451)	380,241	(12,186,188)
Cash and cash equivalents:					
Beginning of year	80,186,753	-	(603,155)	(97,919)	79,485,679
End of year	<u>\$ 67,879,775</u>	<u>\$ -</u>	<u>\$ (862,606)</u>	<u>\$ 282,322</u>	<u>\$ 67,299,491</u>
Cash and cash equivalents:					
Cash and cash equivalents	\$ 55,167,148	\$ -	\$ (862,606)	\$ 282,322	\$ 54,586,864
Cash and certificates of deposit restricted for capital support	<u>12,712,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,712,627</u>
Total cash and cash equivalents	<u>\$ 67,879,775</u>	<u>\$ -</u>	<u>\$ (862,606)</u>	<u>\$ 282,322</u>	<u>\$ 67,299,491</u>

San Diego Metropolitan Transit System
Combining Schedule of Cash Flows (Continued)
For the Year Ended June 30, 2014

	General Operations	Contracted Services	SDTC	SDTI	Total
Reconciliation of operating (loss) to net cash provided (used) by operating activities:					
Operating (loss)	\$ (32,201,432)	\$ (50,001,505)	\$ (68,146,576)	\$ (88,791,435)	\$ (239,140,948)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities					
Depreciation	1,587,986	11,686,999	15,628,029	74,295,186	103,198,200
Amortization of net pension asset	-	-	1,915,000	-	1,915,000
(Increase) decrease in:					
Accounts and other receivables	732,412	724,154	28,028	2,723	1,487,317
Inventory	-	-	115,777	(1,472,065)	(1,356,288)
Prepaid expenses and other current assets	(327,292)	(168,535)	(350,627)	(362,805)	(1,209,259)
Increase (decrease) in:					
Accounts payable	711,340	2,628,647	(4,592,479)	3,942,482	2,689,990
Accrued expenses	(92,888)	-	(50,662)	(1,569,067)	(1,712,617)
Unearned revenue	(535,115)	-	-	-	(535,115)
Net other postemployment benefits obligation	418,451	-	451,369	494,052	1,363,872
Compensated absences payable	(42,706)	-	(436,599)	(77,812)	(557,117)
Accrued damage, injury and employee claims	106,133	-	497,813	(46,239)	557,707
Total adjustments	2,558,321	14,871,265	13,205,649	75,206,455	105,841,690
Net cash provided (used) by operating activities	\$ (29,643,111)	\$ (35,130,240)	\$ (54,940,927)	\$ (13,584,980)	\$ (133,299,258)

Supplemental noncash disclosures:

During the year SANDAG and outside parties contributed \$118,768,399 in capital assets
During the year the fair value of investments increased by \$249,501

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, 2014

	Budgeted Amounts		Actual Amounts			
	Original	Final	Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
Operating revenues:						
Passenger revenue	\$ 92,527,518	\$ 94,221,057	\$ 93,994,559	\$ -	\$ 93,994,559	\$ (226,498)
Advertising	720,000	1,125,000	869,797	-	869,797	(255,203)
Charter	-	-	30,149	-	30,149	30,149
Miscellaneous	5,280,360	6,779,720	9,530,976	(1,789,249)	7,741,727	962,007
Total operating revenues	98,527,878	102,125,777	104,425,481	(1,789,249)	102,636,232	510,455
Operating expenses:						
Personnel costs	117,070,825	115,429,187	117,092,259	(1,516,490)	115,575,769	(146,582)
Outside services	73,480,775	73,978,843	73,858,746	-	73,858,746	120,097
Transit operations funding	4,353,928	4,268,223	4,242,856	-	4,242,856	25,367
Materials and supplies	8,816,458	9,551,310	9,276,195	182,407	9,458,602	92,708
Energy costs	24,237,537	24,549,325	26,043,694	-	26,043,694	(1,494,369)
Risk management	4,298,369	4,860,419	3,610,207	1,267,435	4,877,642	(17,223)
Miscellaneous	3,611,647	3,906,747	6,244,272	(2,170,903)	4,073,369	(166,622)
Depreciation	-	-	103,198,200	(103,198,200)	-	-
Total operating expenses	235,869,539	236,544,054	343,566,429	(105,435,751)	238,130,678	(1,586,624)
Operating income (loss)	(137,341,661)	(134,418,277)	(239,140,948)	103,646,502	(135,494,446)	(1,076,169)

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, 2014

	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
Public support and nonoperating revenues (expenses):						
Federal revenue	38,735,638	46,388,688	60,851,717	(1,102,514)	59,749,203	13,360,515
Transportation Development Act	65,433,430	57,780,381	82,565,009	(37,590,648)	44,974,361	(12,806,020)
State Transit Assistance	5,600,000	4,264,150	17,870,768	(13,884,232)	3,986,536	(277,614)
State revenue - other	1,320,000	1,600,000	4,211,454	(2,580,909)	1,630,545	30,545
<i>TransNet</i> funds	26,248,289	26,248,289	42,694,815	(15,776,770)	26,918,045	669,756
Other local subsidies	1,741,698	1,633,533	3,323,619	(1,679,451)	1,644,168	10,635
Investment earnings	7,656,990	7,656,990	6,087,302	1,556,138	7,643,440	(13,550)
Interest expense	(9,542,576)	(9,542,576)	(6,981,977)	(2,383,153)	(9,365,130)	177,446
Gain (loss) on disposal of assets	-	-	(272,805)	853,968	581,163	581,163
Other expenses	-	-	(13,010)	11,261	(1,749)	(1,749)
Total public support and nonoperating revenues (expenses)	137,193,469	136,029,455	210,336,892	(72,576,310)	137,760,582	1,731,127
Income (loss) before contributed capital	(148,192)	1,611,178	(28,804,056)	31,070,192	2,266,136	654,958
Reserve revenue	148,192	212,633	-	(12,964)	(12,964)	(225,597)
Contributed capital, net	-	-	118,768,399	(118,768,399)	-	-
Changes in net position	-	\$ 1,823,811	89,964,343	\$ (87,711,171)	\$ 2,253,172	\$ 429,361
Net Position:						
Beginning of year, as restated			1,493,097,610			
End of year			<u>\$ 1,583,061,953</u>			

San Diego Metropolitan Transit System
General Operations
Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
Operating revenues:						
Advertising	\$ 720,000	\$ 1,125,000	\$ 869,797	\$ -	\$ 869,797	\$ (255,203)
Miscellaneous	3,685,360	5,090,720	6,082,244	(789,249)	5,292,995	202,275
Total operating revenues	4,405,360	6,215,720	6,952,041	(789,249)	6,162,792	(52,928)
Operating expenses:						
Personnel costs	17,739,118	17,253,004	17,927,122	(375,745)	17,551,377	(298,373)
Outside services	13,100,249	13,163,616	13,365,021	-	13,365,021	(201,405)
Transit operations funding	4,353,928	4,268,223	94,077,918	(89,835,062)	4,242,856	25,367
Materials and supplies	24,423	18,255	12,520	-	12,520	5,735
Energy costs	219,650	231,950	227,243	-	227,243	4,707
Risk management	434,610	341,083	259,941	106,133	366,074	(24,991)
Miscellaneous	(27,619,394)	(25,298,892)	(25,034,183)	(117,797)	(25,151,980)	(146,912)
Depreciation	-	-	1,563,788	(1,563,788)	-	-
Total operating expenses	8,252,584	9,977,239	102,399,370	(91,786,259)	10,613,111	(635,872)
Operating income (loss)	(3,847,224)	(3,761,519)	(95,447,329)	90,997,010	(4,450,319)	(688,800)

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, 2014

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
Public support and nonoperating revenues (expenses):						
Federal revenue	140,000	140,000	60,851,717	(60,508,848)	342,869	202,869
Transportation Development Act (TDA) funds	4,353,928	4,268,223	82,565,009	(77,477,201)	5,087,808	819,585
State Transit Assistance (STA) funds	-	1,823,811	17,870,768	(16,066,957)	1,803,811	(20,000)
State revenue - other	-	-	4,211,454	(4,211,454)	-	-
<i>TransNet</i> funds	-	-	48,194,815	(48,194,815)	-	-
Other local subsidies	-	-	3,323,619	(3,323,619)	-	-
Investment earnings	7,656,990	7,656,990	6,087,302	1,556,138	7,643,440	(13,550)
Interest expense	(8,303,694)	(8,303,694)	(5,828,318)	(2,383,153)	(8,211,471)	92,223
Gain (loss) on disposal of assets	-	-	(300,501)	337,535	37,034	37,034
Total public support and nonoperating revenues (expenses)	3,847,224	5,585,330	216,975,865	(210,272,374)	6,703,491	1,118,161
Income (loss) before transfers and contributed capital	-	1,823,811	121,528,536	(119,275,364)	2,253,172	429,361
Transfers	-	-	(41,733,367)	41,733,367	-	-
Contributed capital, net	-	-	(85,077,211)	85,077,211	-	-
Changes in net position	\$ -	\$ 1,823,811	(5,282,042)	\$ 7,535,214	\$ 2,253,172	\$ 429,361
Net Position:						
Beginning of year			148,531,842			
End of year			<u>\$ 143,249,800</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, 2014

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
Operating revenues:						
Miscellaneous	\$ 865,000	\$ 865,000	\$ 938,512	\$ -	\$ 938,512	\$ 73,512
Total operating revenues	865,000	865,000	938,512	-	938,512	73,512
Operating expenses:						
Personnel costs	610,561	610,561	601,284	-	601,284	9,277
Outside services	167,500	204,160	160,908	-	160,908	43,252
Materials and supplies	7,000	7,000	6,349	-	6,349	651
Energy costs	8,000	8,000	9,012	-	9,012	(1,012)
Miscellaneous	231,180	219,261	213,337	-	213,337	5,924
Depreciation	-	-	7,118	(7,118)	-	-
Total operating expenses	1,024,241	1,048,982	998,008	(7,118)	990,890	58,092
Operating income (loss)	(159,241)	(183,982)	(59,496)	7,118	(52,378)	131,604
Reserve revenue	159,241	183,982	-	52,378	52,378	(131,604)
Changes in net position	-	-	(59,496)	\$ 59,496	\$ -	\$ -
Net Position:						
Beginning of year			286,087			
End of year			\$ 226,591			

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, 2014

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
Operating revenues:						
Miscellaneous	\$ 145,000	\$ 135,000	\$ 1,249,855	\$ (1,000,000)	\$ 249,855	\$ 114,855
Total operating revenues	145,000	135,000	1,249,855	(1,000,000)	249,855	114,855
Operating expenses:						
Personnel costs	86,151	116,151	127,116	-	127,116	(10,965)
Outside services	20,000	30,000	41,468	-	41,468	(11,468)
Risk management	27,300	17,000	15,195	-	15,195	1,805
Miscellaneous	500	500	734	-	734	(234)
Depreciation	-	-	17,080	(17,080)	-	-
Total operating expenses	133,951	163,651	201,593	(17,080)	184,513	(20,862)
Operating income (loss)	11,049	(28,651)	1,048,262	(982,920)	65,342	93,993
Reserve revenue	(11,049)	28,651	-	(65,342)	(65,342)	(93,993)
Contributed capital, net	-	-	(1,000,000)	1,000,000	-	-
Changes in net position	-	-	48,262	(48,262)	-	-
Net Position:						
Beginning of year			18,999,665			
End of year			<u>\$ 19,047,927</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, 2014

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
Operating revenues:						
Passenger revenue	\$ 26,760,778	\$ 25,939,349	\$ 26,025,468	\$ -	\$ 26,025,468	\$ 86,119
Total operating revenues	26,760,778	25,939,349	26,025,468	-	26,025,468	86,119
Operating expenses:						
Personnel costs	596,936	636,354	683,179	-	683,179	(46,825)
Outside services	54,699,492	54,984,975	54,697,311	-	54,697,311	287,664
Materials and supplies	3,000	7,553	15,095	-	15,095	(7,542)
Energy costs	8,863,936	8,436,685	8,767,317	-	8,767,317	(330,632)
Risk management	15,300	15,300	15,300	-	15,300	-
Miscellaneous	2,164,696	1,786,063	1,780,633	-	1,780,633	5,430
Depreciation	-	-	11,686,999	(11,686,999)	-	-
Total operating expenses	66,343,360	65,866,930	77,645,834	(11,686,999)	65,958,835	(91,905)
Operating income (loss)	(39,582,582)	(39,927,581)	(51,620,366)	11,686,999	(39,933,367)	(5,786)

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, 2014

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
Public support and nonoperating revenues (expenses):						
Federal revenue	4,831,422	9,684,472	10,362,108	-	10,362,108	677,636
Transportation Development Act (TDA) funds	30,873,462	26,193,576	25,275,681	-	25,275,681	(917,895)
State revenue - other	1,320,000	1,600,000	1,630,545	-	1,630,545	30,545
<i>TransNet</i> funds	1,094,000	1,094,000	1,298,865	-	1,298,865	204,865
Other local subsidies	1,463,698	1,355,533	1,366,168	-	1,366,168	10,635
Total public support and nonoperating revenues (expenses)	39,582,582	39,927,581	39,933,367	-	39,933,367	5,786
Income (loss) before contributed capital	-	-	(11,686,999)	11,686,999	-	-
Contributed capital, net	-	-	16,074,540	(16,074,540)	-	-
Changes in net position	\$ -	\$ -	4,387,541	\$ (4,387,541)	\$ -	\$ -
Net Position:						
Beginning of year			87,883,283			
End of year			<u>\$ 92,270,824</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, 2014

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
Operating revenues:						
Passenger revenue	\$ 28,993,362	\$ 27,670,601	\$ 27,781,183	\$ -	\$ 27,781,183	\$ 110,582
Charter	-	-	29,420	-	29,420	29,420
Miscellaneous	10,000	5,000	4,965	-	4,965	(35)
Total operating revenues	29,003,362	27,675,601	27,815,568	-	27,815,568	139,967
Operating expenses:						
Personnel costs	65,654,127	65,043,296	65,666,847	(682,906)	64,983,941	59,355
Outside services	1,930,716	1,646,886	1,767,954	-	1,767,954	(121,068)
Materials and supplies	4,745,690	4,818,612	4,707,738	-	4,707,738	110,874
Energy costs	5,586,715	5,617,326	6,004,285	-	6,004,285	(386,959)
Risk management	1,937,285	2,535,172	1,625,295	1,165,946	2,791,241	(256,069)
Miscellaneous	11,869,618	10,878,620	10,869,184	-	10,869,184	9,436
Depreciation	-	-	15,628,029	(15,628,029)	-	-
Total operating expenses	91,724,151	90,539,912	106,269,332	(15,144,989)	91,124,343	(584,431)
Operating income (loss)	(62,720,789)	(62,864,311)	(78,453,764)	15,144,989	(63,308,775)	(444,464)

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, 2014

	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
Public support and nonoperating revenues (expenses):						
Federal revenue	17,764,216	18,564,216	19,335,691	7,653,049	26,988,740	8,424,524
Transportation Development Act (TDA) funds	20,163,166	22,666,349	14,306,051	-	14,306,051	(8,360,298)
State Transit Assistance (STA) funds	5,600,000	2,440,339	2,182,725	-	2,182,725	(257,614)
<i>TransNet</i> funds	20,154,289	20,154,289	20,619,180	-	20,619,180	464,891
Other local subsidies	278,000	278,000	278,000	-	278,000	-
Interest expense	(1,238,882)	(1,238,882)	(1,153,659)	-	(1,153,659)	85,223
Gain (loss) on disposal of assets	-	-	(27,873)	117,360	89,487	89,487
Other expenses	-	-	(13,010)	11,261	(1,749)	(1,749)
Total public support and nonoperating revenues (expenses)	62,720,789	62,864,311	55,527,105	7,781,670	63,308,775	444,464
Income (loss) before contributed capital	-	-	(22,926,659)	22,926,659	-	-
Contributed capital, net	-	-	74,042,311	(74,042,311)	-	-
Changes in net position	\$ -	\$ -	51,115,652	\$ (51,115,652)	\$ -	\$ -
Net Position:						
Beginning of year, as restated			138,317,315			
End of year			<u>\$ 189,432,967</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, 2014

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget
Operating revenues:						
Passenger revenue	\$ 36,773,378	\$ 40,611,107	\$ 40,187,908	\$ -	\$ 40,187,908	\$ (423,199)
Charter	-	-	729	-	729	729
Miscellaneous	575,000	684,000	1,255,400	-	1,255,400	571,400
Total operating revenues	37,348,378	41,295,107	41,444,037	-	41,444,037	148,930
Operating expenses:						
Personnel costs	32,383,932	31,769,821	32,086,711	(457,839)	31,628,872	140,949
Outside services	3,562,818	3,949,206	3,826,084	-	3,826,084	123,122
Materials and supplies	4,036,345	4,699,890	4,534,493	182,407	4,716,900	(17,010)
Energy costs	9,559,236	10,255,364	11,035,837	-	11,035,837	(780,473)
Risk management	1,883,874	1,951,864	1,694,476	(4,644)	1,689,832	262,032
Miscellaneous	16,965,047	16,321,195	18,414,567	(2,053,106)	16,361,461	(40,266)
Depreciation	-	-	74,295,186	(74,295,186)	-	-
Total operating expenses	68,391,252	68,947,340	145,887,354	(76,628,368)	69,258,986	(311,646)
Operating income (loss)	(31,042,874)	(27,652,233)	(104,443,317)	76,628,368	(27,814,949)	(162,716)

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, 2014

	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
Public support and nonoperating revenues (expenses):						
Federal revenue	16,000,000	18,000,000	22,912,890	(857,404)	22,055,486	4,055,486
Transportation Development Act (TDA) funds	10,042,874	4,652,233	1,500,525	(1,195,704)	304,821	(4,347,412)
<i>TransNet</i> funds	5,000,000	5,000,000	5,000,000	-	5,000,000	-
Gain (loss) on disposal of assets	-	-	55,569	399,073	454,642	454,642
Total public support and nonoperating revenues (expenses)	31,042,874	27,652,233	29,468,984	(1,654,035)	27,814,949	162,716
Income (loss) before contributed capital	-	-	(74,974,333)	74,974,333	-	-
Contributed capital, net	-	-	114,728,759	(114,728,759)	-	-
Changes in net position	-	-	39,754,426	\$ (39,754,426)	\$ -	\$ -
Net Position:						
Beginning of year			1,099,079,418			
End of year			<u><u>\$ 1,138,833,844</u></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.

FINANCIAL TRENDS

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:										
Net investment in capital assets										
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,960	\$ 420,668
Total government activities net position	-	-	-	-	-	-	-	-	35,868	185,115
Business-type activities:										
Net investment in capital assets										
Restricted	1,395,206	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
Unrestricted	6,742	7,255	78,378	7,007	2,548	2,700	-	-	-	-
Total business-type activities net position	1,583,062	1,493,309	1,408,803	1,253,697	1,257,884	1,250,149	1,265,577	1,260,920	1,100,482	659,923
Primary government:										
Net investment in capital assets										
Restricted	1,395,206	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
Unrestricted	6,742	7,255	78,378	7,007	2,548	2,700	-	-	-	-
Total primary government net position	1,583,062	1,493,309	1,408,803	1,253,697	1,257,884	1,250,149	1,265,577	1,260,920	1,248,310	1,265,706

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.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating revenues:										
Passenger revenue	\$ 93,995	\$ 90,652	\$ 88,094	\$ 84,764	\$ 84,167	\$ 85,192	\$ 75,939	\$ 68,635	\$ 67,580	\$ 63,803
Advertising	870	972	784	621	783	925	1,119	1,001	839	1,340
Charter	30	1	186	129	128	69	63	45	31	895
Miscellaneous	9,531	4,934	4,445	4,688	4,264	4,874	3,671	3,703	1,734	18
Total operating revenues	104,426	96,559	93,509	90,202	89,342	91,060	80,792	73,384	70,184	66,056
Operating expenses:										
Personnel costs	117,092	123,720	112,537	104,329	109,512	101,913	102,847	91,206	90,490	91,486
Outside services	73,859	67,414	66,050	64,037	63,574	65,140	64,940	62,630	57,709	70,260
Transit operations funding	4,243	3,571	3,721	4,053	3,758	3,004	3,853	5,438	6,758	6,245
Materials and supplies	9,276	8,469	7,977	7,678	6,680	7,190	7,590	7,266	8,158	8,756
Energy costs	26,044	22,572	22,689	21,932	22,892	25,283	27,211	22,767	24,305	14,140
Risk management	3,610	2,902	4,030	3,924	4,859	4,074	3,898	5,615	5,078	5,212
Miscellaneous	6,244	6,493	5,116	4,899	3,571	2,052	1,975	944	2,336	2,564
Depreciation	103,198	92,788	84,811	81,041	98,238	75,499	85,543	74,473	66,799	49,139
Total operating expenses	343,566	327,929	306,931	291,893	313,084	284,155	297,857	270,339	261,633	247,802
Operating income (loss)	(239,140)	(231,370)	(213,422)	(201,691)	(223,742)	(193,095)	(217,065)	(196,955)	(191,449)	(181,746)

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public support and nonoperating revenues										
(expenses):										
Grants and contributions	211,517	183,945	325,658	170,850	224,506	176,979	200,879	184,332	155,746	209,483
Investment earnings	6,087	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	(6,982)	(7,520)	(8,014)	(8,420)	(12,702)	(11,153)	(10,666)	(14,230)	(11,499)	(10,313)
Gain (loss) on disposal of assets	(273)	804	(620)	712	(69)	294	88	(1,260)	(1,800)	291
Other expenses	(13)	(13)	(5)	(139)	(1,075)	(705)	(465)	(355)	(188)	(185)
Total public support and nonoperating revenues	210,336	183,483	324,641	170,698	220,368	175,999	203,230	181,836	151,039	213,810
Income (loss) before contributed capital	(28,804)	(47,887)	111,219	(30,993)	(3,374)	(17,096)	(13,835)	(15,119)	(40,410)	32,064
Contributed capital, net	118,768	132,182	44,118	26,806	11,110	1,668	18,492	27,729	23,013	30,008
Changes in net position	\$ 89,964	\$ 84,295	\$ 155,337	\$ (4,187)	\$ 7,736	\$ (15,428)	\$ 4,657	\$ 12,610	\$ (17,397)	\$ 62,072

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 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.

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REVENUE CAPACITY

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

		Federal	State	Local		
Fiscal Year Ended	Passenger Fares	Operating Funds	Operating Funds	Operating Funds	Interest	Other
San Diego Transit						
2005	\$ 21,383	\$ 14,200	\$ 25,862	\$ 7,278	\$ 68	\$ 800
2006	22,264	15,000	23,415	13,383	129	(526)
2007	22,298	15,000	29,360	9,901	63	1,115
2008	23,680	13,934	21,863	10,507	-	868
2009	27,882	17,177	24,496	14,416	-	271
2010	26,708	18,267	16,249	21,456	-	31
2011	26,056	19,894	29,435	18,307	-	166
2012	27,498	20,709	20,497	17,549	-	214
2013	28,621	20,266	31,954	18,886	-	33
2014	27,781	19,336	16,489	20,897	-	7
San Diego Trolley						
2005	25,855	10,651	1,741	8,279	-	880
2006	27,934	12,788	7,415	6,000	-	695
2007	27,402	15,325	6,279	6,000	-	469
2008	31,120	13,881	4,479	6,000	-	664
2009	33,454	16,616	787	7,043	-	997
2010	33,050	16,449	5,637	5,000	-	462
2011	34,673	14,912	5,497	5,000	-	1,220
2012	35,216	14,989	7,208	5,492	-	361
2013	35,554	22,426	3,379	5,000	-	625
2014	40,188	22,913	1,501	5,000	-	1,312
MTS - Contracted Services						
2005	16,564	711	31,703	2,136	-	-
2006	17,382	-	137	455	-	(345)
2007	18,935	200	36,300	1,778	-	(974)
2008	21,138	921	38,020	1,285	-	75
2009	23,857	4,681	29,581	1,456	-	64
2010	24,410	10,420	21,524	1,636	-	47
2011	24,036	4,641	28,857	2,002	-	-
2012	25,380	7,155	26,635	1,984	-	-
2013	26,476	5,595	28,132	2,368	-	-
2014	26,025	10,362	26,906	2,665	-	-

Source: Audited Financial Statements.

San Diego Metropolitan Transit System Fare Structure Last Eight Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007
Bus Cash Fares								
One-way fare, local routes	\$ 2.25	\$ 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	1.10	0.75	0.75
Urban	-	-	-	-	-	-	2.25	2.25
Rapid/Express	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50-4.00
Senior/disabled Rapid/Express	1.25	1.25	1.25	1.25	1.25	1.25	0.75	0.75
Rapid Express/Premium	5.00	5.00	5.00	5.00	5.00	5.00	5.00	-
Senior/disabled Rapid Express/Premium	2.50	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	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	2.50-5.00	-	-
Sorrento Valley Coaster Connection	-	-	-	-	-	1.00	-	-
Senior/disabled Coaster Connection	-	-	-	-	-	0.50	-	-
Shuttles	-	-	-	-	-	-	1.00	1.00
Trolley Cash Fares								
One-way fare, all stations	2.50	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	1.25	1.00	1.00
Downtown	-	-	-	-	-	1.25	1.25	1.25
Senior/disabled Downtown	-	-	-	-	-	0.60	-	-
1 station-20+ stations	-	-	-	-	-	-	1.50-3.00	1.50-3.00
Bus and Trolley Day Passes								
Regional day pass	5.00	5.00	5.00	5.00	5.00	-	-	-
Region plus day pass	12.00	12.00	12.00	14.00	14.00	-	-	-
Bus and Trolley Monthly Passes								
Regional monthly pass	72.00	72.00	72.00	72.00	72.00	68.00	64.00	-
Senior/disabled Regional	18.00	18.00	18.00	18.00	18.00	17.00	16.00	14.50
Youth Regional	36.00	36.00	36.00	36.00	36.00	34.00	32.00	29.00
14-Day/Half-month	43.00	43.00	43.00	43.00	43.00	41.00	-	-
Rapid Express/Premium monthly pass	100.00	100.00	100.00	100.00	100.00	90.00	-	-
Senior/disabled Rapid Express/Premium	25.00	25.00	25.00	25.00	25.00	22.50	-	-
Youth Rapid Express/Premium	50.00	50.00	50.00	50.00	50.00	45.00	-	-
14-Day/Half-month Rapid Express/Premium	60.00	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 2014.

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 Percentage
Last Ten Fiscal Years

<u>Fiscal Year Ended</u>	<u>San Diego Transit</u>	<u>San Diego Trolley</u>	<u>MTS-Contract Services</u>
2005	26.67	54.25	31.97
2006	30.38	50.78	31.96
2007	30.44	48.97	33.05
2008	29.59	55.62	34.40
2009	34.31	57.15	40.00
2010	28.46	54.26	42.06
2011	31.22	57.41	40.37
2012	30.50	55.63	41.50
2013	29.01	53.98	42.31
2014	30.34	56.52	39.46

Source: Audited Financial Statements; calculated as passenger revenue divided by operating expenses (less depreciation and OPEB), interest expense, and miscellaneous expenses.

DEBT CAPACITY

San Diego Metropolitan Transit System

Ratio of Outstanding Debt by Type

Last Nine Fiscal Years

Year Ended June 30	Capital Lease - Tower	Capital Lease - Equipment	1990 LRV Sale/Leaseback	1995 LRV Lease/Leaseback	Certificate of Participation 2002	Certificate 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%	\$ 86
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%	77
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%	55
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%	46
2014	3,614,149	-	-	113,457,002	-	-	23,965,000	141,036,151	0.08%	44

Details regarding MTS's 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. 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. 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.

DEMOGRAPHIC AND ECONOMIC STATISTICS

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

	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	\$ 2,982,816	\$ 129,600,000	\$ 47,055	4.10%
2007	3,014,165	136,200,000	47,405	4.80%
2008	3,051,262	142,000,000	47,019	6.40%
2009	3,077,633	139,600,000	46,047	10.20%
2010	3,104,581	142,700,000	45,974	10.50%
2011	3,131,254	150,200,000	46,767	10.40%
2012	3,157,669	160,200,000	48,265	9.30%
2013	3,186,188	171,200,000	49,778	7.40%
2014	3,216,304	181,700,000	52,878	6.10%

Source:

- (1) California Department of Transportation - Estimates 2006-2011, Forecast 2012-2014
- (2) California Employment Development Department, June 2014

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. 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. 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.

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

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
2014	149	785	600	1,534

Source: MTS payroll records

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

Company Name	Number of Employees (1)	Percent of 1,491,600 County Total (2)
State of California	43,300	2.90%
University of California, San Diego	28,672	1.92%
Federal Government	24,200	1.62%
U.S. Department of Defense	21,500	1.44%
County of San Diego	20,100	1.35%
City of San Diego	18,000	1.21%
Sharp Healthcare	15,865	1.06%
Scripps Health	13,750	0.92%
San Diego Unified School District	13,559	0.91%
Kaiser San Diego Medical Center	8,900	0.60%

Source:

- (1) The Daily Transcript - 2014 Data updated July 31, 2014
- (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 Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating Cost (in 000's)										
San Diego Transit	\$ 91,568	\$ 98,666	\$ 90,153	\$ 83,457	\$ 93,831	\$ 81,271	\$ 80,031	\$ 73,257	\$ 73,284	\$ 80,187
San Diego Trolley	71,098	65,859	63,309	60,395	60,913	58,537	55,949	55,952	55,015	47,662
MTS-Contract Services	65,959	62,573	61,154	59,536	58,037	59,639	61,451	57,287	54,387	51,815
Farebox Revenue (in 000's)										
San Diego Transit	27,781	28,621	27,498	26,056	26,708	27,882	23,680	22,298	22,264	21,383
San Diego Trolley	40,188	35,554	35,216	34,673	33,050	33,454	31,120	27,402	27,934	25,855
MTS-Contract Services	26,025	26,476	25,380	24,036	24,410	23,857	21,138	18,935	17,382	16,564
Total Passengers (in 000's)										
San Diego Transit	28,541	28,927	28,802	27,252	26,921	29,762	28,094	26,076	24,890	24,427
San Diego Trolley	39,695	29,699	32,655	31,613	30,469	36,928	37,621	35,114	33,830	29,334
MTS-Contract Services	23,761	23,479	23,780	22,664	21,988	21,645	21,460	21,143	18,907	18,449
Revenue Miles (in 000's)										
San Diego Transit	8,695	8,557	8,221	8,178	8,624	9,221	9,522	9,622	9,958	10,087
San Diego Trolley	8,516	7,758	7,544	7,519	7,743	7,895	8,003	7,940	8,180	7,060
MTS-Contract Services	12,139	11,607	11,214	11,196	11,450	12,179	12,501	12,454	12,242	12,701
Subsidy / Total Passenger										
San Diego Transit	2.24	2.42	2.18	2.11	2.50	1.79	2.01	1.95	2.05	2.41
San Diego Trolley	0.78	1.02	0.86	0.81	0.92	0.68	0.66	0.81	0.80	0.74
MTS-Contract Services	1.68	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.

San Diego Metropolitan Transit System
Service Performance Data
Last Ten Fiscal Years

Service Provided	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
San Diego Transit										
Vehicle Revenue Miles (in 000's)	8,695	8,557	8,221	8,178	8,624	9,221	9,522	9,622	9,958	10,090
Vehicle Revenue Hours (in 000's)	795	787	757	754	789	843	870	853	840	830
Passengers (in 000's)	28,541	28,927	28,802	27,252	26,921	29,762	28,094	26,076	24,890	24,425
Passenger Miles (in 000's)	110,009	108,222	106,804	100,500	98,163	107,408	100,256	98,203	93,580	93,746
Number of Vehicles	310	260	236	236	238	247	267	267	274	280
San Diego Trolley										
Vehicle Revenue Miles (in 000's)	8,516	7,758	7,544	7,519	7,743	7,895	8,003	7,940	8,180	7,060
Vehicle Revenue Hours (in 000's)	504	472	428	423	442	410	439	432	469	368
Passenger Car Hours (in 000's)	512	476	433	429	448	416	445	439	480	379
Passengers (in 000's)	39,695	29,699	32,655	31,613	30,469	36,928	37,621	35,114	33,830	29,334
Passenger Miles (in 000's)	228,531	173,151	194,822	193,063	186,509	220,639	206,924	207,727	208,875	187,988
Number of Vehicles	179	178	151	128	134	133	134	134	134	123
MTS-Contracted Services										
Vehicle Revenue Miles (in 000's)	12,139	11,607	11,214	11,196	11,450	12,179	12,501	12,454	12,242	12,701
Vehicle Revenue Hours (in 000's)	998	961	933	927	946	986	1,019	996	928	946
Passengers (in 000's)	23,761	23,479	23,780	22,664	21,988	21,645	21,460	21,143	18,907	18,449
Passenger Miles (in 000's)	85,269	84,021	79,789	82,125	79,237	80,104	77,173	78,304	73,343	69,958
Number of Vehicles	449	427	404	407	369	388	358	348	337	357
Total										
Passengers (in 000's)	91,997	82,105	85,237	81,529	79,378	88,335	87,175	82,333	77,627	72,208
Passenger Miles (in 000's)	423,809	365,394	381,415	375,688	363,909	408,151	384,353	384,234	375,798	351,692

Source: NTD Report and MTS internal capital asset system

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Operations										
Buildings and structures	1	1	1	1	1	1	1	1	1	1
Nonrevenue vehicles	3	3	5	5	5	7	7	10	10	12
San Diego Transit										
Land (parcels)	2	2	2	2	2	2	2	2	2	2
Buildings and structures	2	2	2	2	2	2	2	2	2	2
Buses	310	260	236	236	238	247	267	267	274	280
Nonrevenue vehicles	12	14	19	22	32	39	53	47	45	49
San Diego Trolley										
Trolley stations	54	54	54	54	54	54	54	54	54	50
Track miles	54	54	54	54	54	54	54	54	54	49
Light rail vehicles (total inventory)	179	178	151	128	134	133	134	134	134	123
Nonrevenue vehicles	16	15	31	43	51	68	72	69	58	78
MTS - Contracted Services										
Land (parcel)	2	2	2	1	1	1	1	1	1	1
Buildings and structures	4	4	4	3	3	3	3	1	1	1
Buses	449	427	404	407	369	388	358	348	337	357
Nonrevenue vehicles	8	8	8	10	7	7	9	4	2	2
Taxicab Administration										
Buildings and structures	1	1	1	1	1	1	1	1	1	1
Nonrevenue vehicles	2	2	4	3	3	3	3	2	1	1

Source: MTS internal capital asset system.

San Diego Metropolitan Transit System Ridership Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Ridership (in 000's)										
San Diego Transit	28,541	28,927	28,802	27,252	26,921	29,762	28,094	26,076	24,890	24,427
% Change	-1.33%	0.43%	5.69%	1.23%	-9.55%	5.94%	7.74%	4.77%	1.90%	
San Diego Trolley	39,695	29,699	32,655	31,613	30,469	36,928	37,621	35,114	33,830	29,334
% Change	33.65%	-9.05%	3.30%	3.75%	-17.49%	-1.84%	7.14%	3.80%	15.32%	
MTS - Contracted Services	23,761	23,479	23,780	22,664	21,988	21,645	21,460	21,143	18,907	18,449
% Change	1.20%	-1.27%	4.92%	3.07%	1.58%	0.86%	1.50%	11.83%	2.49%	

Source: NTD Report

San Diego Metropolitan Transit System
Operating Subsidy
Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Average Fare per Rider										
San Diego Transit	0.97	0.99	0.95	0.96	0.99	0.94	0.84	0.86	0.90	0.88
San Diego Trolley	1.01	1.20	1.08	1.10	1.08	0.91	0.83	0.78	0.83	0.88
MTS - Contract Services	1.10	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	3.21	3.41	3.13	3.06	3.49	2.73	2.85	2.81	2.74	3.20
San Diego Trolley	1.79	2.22	1.94	1.91	2.00	1.59	1.49	1.59	1.63	1.62
MTS - Contract Services	2.78	2.67	2.57	2.63	2.64	2.76	2.86	2.71	2.88	2.81
Subsidy per Rider										
San Diego Transit	2.24	2.42	2.18	2.11	2.50	1.79	2.01	1.95	2.05	2.41
San Diego Trolley	0.78	1.02	0.86	0.81	0.92	0.68	0.66	0.81	0.80	0.74
MTS - Contract Services	1.68	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



Att. A, AI 30, 11/20/14
6265 Greenwich Drive
Suite 220
San Diego, California 92122

Phone: (858) 242-5100
Fax: (858) 242-5150
www.pm-llp.com

**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 net position as of June 30, 2014 and 2013, 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 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered MTS's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of MTS's 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's 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
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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.

A handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive, flowing style.

San Diego, California
October 31, 2014



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

Agenda Item No. 45

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 20, 2014

SUBJECT:

YEAR END OPERATIONS REPORT (WAYNE TERRY, BILL SPRAUL AND DENIS
DESMOND)

INFORMATIONAL ONLY

Budget Impact

None.

DISCUSSION:

MTS Board Policy No. 42, Transit Service Evaluation and Adjustment, establishes a process for evaluating existing transit services to achieve the objective of developing a customer-focused, competitive, integrated, and sustainable system. Additionally, federal Title VI guidance requires that certain performance measures be evaluated and reported to the Board periodically. The analyses, included in the attachment to this report, show trends for the current fiscal year and help to track performance throughout the year.

Staff from the Planning department and the Rail and Bus Operating Divisions will provide a summary of fiscal year 2014 service performance.

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

Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Service Performance Monitoring Report



San Diego Metropolitan Transit System
POLICY 42 PERFORMANCE MONITORING REPORT
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The following measures of productivity and service quality are used to ensure that services are focused on providing competitive and attractive transportation that meets our customers' needs.

Total Passengers

Route Categories	FY 2012	FY 2013	FY 2014	# Change FY12- FY13	# Change FY13- FY14	% Change FY12- FY13	% Change FY13- FY14
Premium Express	310,455	308,912	286,428	(1,543)	(22,484)	-0.5%	-7.3%
Rapid Express (Routes 280, 290)	-	-	17,666	-	17,666	-	-
Express	2,329,041	2,366,370	2,457,794	37,329	91,424	1.6%	3.9%
Light Rail	32,674,616	29,699,366	39,665,093	(2,975,250)	9,965,727	-9.1%	33.6%
Silver Line (Light Rail)	-	-	29,540	-	-	-	-
Rapid (SuperLoop, Route 235)	-	1,557,568	1,658,456	-	100,888	-	6.5%
Urban Frequent	38,311,741	38,457,861	38,270,989	146,120	(186,872)	0.4%	-0.5%
Urban Standard	13,647,404	11,984,646	11,425,215	(1,662,758)	(559,431)	-12.2%	-4.7%
Circulator	841,764	773,698	725,279	(68,066)	(48,419)	-8.1%	-6.3%
Rural	41,819	45,180	72,236	3,361	27,056	8.0%	59.9%
Demand-Responsive	355,300	379,415	417,717	24,115	38,302	6.8%	10.1%
System Total Passengers	88,512,140	85,573,016	95,026,413	(2,939,124)	9,453,397	-3.3%	11.0%
Fixed-Route Bus Ridership	55,482,224	55,494,235	54,914,063	12,011	(580,172)	0.0%	-1.0%

NOTES: Overall, MTS system-wide ridership has increased +11%, mainly due to increased Trolley ridership. This is primarily attributed to Automatic Passenger Counters (APCs) now installed on most Trolley cars, which improved accuracy and provide a clearer picture of ridership trends. The previous estimation methodology relied on the number of one-way tickets sold, which dropped significantly when Day Passes replaced transfers. In addition, new low-floor Trolley cars, reconfigured routes, an improved economy, additional service, and gas prices of more than \$4 per gallon also contributed to the ridership gains. Fixed-route bus ridership decreased slightly, partially due to construction delays on major routes. Ridership decreases in some categories, such as Premium Express and Circulator, reflect routes changing to a different route category.

Average Weekday Passengers

Route Categories	FY 2012	FY 2013	FY 2014	# Change FY12- FY13	# Change FY13- FY14	% Change FY12- FY13	% Change FY13- FY14
Premium Express	1,221	1,214	1,197	(7)	(17)	-0.6%	-1.4%
Rapid Express (Routes 280, 290)	-	-	1,104	-	-	-	-
Express	8,422	8,631	9,022	209	391	2.5%	4.5%
Light Rail	97,401	87,955	120,739	(9,446)	32,784	-9.7%	37.3%
Silver Line (Light Rail)	-	-	181	-	-	-	-
Rapid (SuperLoop, Route 235)	-	4,862	5,294	-	432	-	8.9%
Urban Frequent	125,394	125,383	125,361	(11)	(22)	0.0%	0.0%
Urban Standard	46,467	41,228	39,436	(5,239)	(1,792)	-11.3%	-4.3%
Circulator	3,582	2,966	2,782	(616)	(184)	-17.2%	-6.2%
Rural	265	227	306	(38)	79	-14.3%	34.8%
Demand-Responsive	1,302	1,367	1,500	65	133	5.0%	9.7%
System Avg. Weekday Pass.	284,054	273,833	306,922	(10,221)	33,089	-3.6%	12.1%
Fixed-Route Bus Avg. Weekday Pass.	185,351	184,511	184,503	(840)	(8)	-0.5%	0.0%

NOTES: The average weekday passenger statistics show how many passengers ride MTS on a typical weekday. For FY14, there is a +12.1% increase in system-wide average weekday passengers (33,089 passengers per average weekday). Most of this is a result of an increase of +32,784 Trolley passengers per average weekday (+37.3%). Fixed-route bus average weekday passengers remained almost unchanged. The greatest fixed-route percentage decrease in average weekday passengers was the Circulator category, with a -6.2% decrease in average weekday passengers (-184 passengers per average weekday), mainly the result of routes changing categories to Urban Standard.

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Passengers Per Revenue Hour

Route Categories	FY 2012	FY 2013	FY 2014	% Change FY12-FY13	% Change FY13-FY14
Premium Express	21.9	21.3	21.5	-2.7%	0.9%
Rapid Express (Routes 280, 290)	-	-	25.6	-	-
Express	33.9	32.2	31.6	-5.0%	-1.9%
Light Rail	187.7	160.6	228.1	-14.4%	42.0%
Silver Line (Light Rail)	-	-	40.6	-	-
Rapid (SuperLoop, Route 235)	-	34.3	33.4	-	-2.6%
Urban Frequent	37.5	37.0	35.5	-1.3%	-4.1%
Urban Standard	29.6	28.0	26.6	-5.4%	-5.0%
Circulator	16.5	15.4	17.6	-6.7%	14.3%
Rural	9.4	9.4	13.0	0.0%	38.3%
Demand-Responsive	2.1	2.1	2.1	0.0%	0.0%
System Riders Per Rev. Hour	45.0	42.3	45.9	-6.0%	8.5%
Fixed-Route Bus Riders Per Rev. Hr.	34.3	33.5	32.4	-2.3%	-3.3%

NOTES: MTS operated 4% more revenue hours in FY14 than in FY13. The 'passengers per revenue hour' metric shows how the revenue hours (in-service hours plus layover hours) that were added or removed relate to ridership increases or decreases. Increasing riders per revenue hour would indicate that the system is more efficient, for example, carrying more passengers with the same number of buses. For FY14, all MTS services carried 45.9 passengers per revenue hour, an increase of +8.5% (+3.6 riders per revenue hour). The change in riders per revenue hour figure on MTS' fixed-route bus services was a moderate decrease of -3.3% (1.1 riders per revenue hour). For FY14, Trolley passengers per revenue hour increased +42.0% to 228.1 passengers per revenue hour, an increase of +67.5 riders per revenue hour.

Weekday Passengers Per In-Service Hour

The 'passengers per in-service hour' measure is related to the above 'passengers per revenue hour,' but shows how many passengers are carried while the vehicle is in-service picking up passengers, excluding layover time. Analyzing this figure helps MTS to understand how effective it is at providing the right level of service, instead of how effective MTS is at grouping trips and breaks together for a vehicle to operate (revenue hours).

Route Categories	FY 2012	FY 2013	FY 2014	% Change FY12-FY13	% Change FY13-FY14
Premium Express	24.0	23.5	24.8	-2.1%	5.5%
Rapid Express (Routes 280, 290)	-	-	29.4	-	-
Express	41.0	40.4	39.1	-1.5%	-3.2%
Light Rail	222.4	209.2	274.4	-5.9%	31.2%
Silver Line (Light Rail)	-	-	63.7	-	-
Rapid (SuperLoop, Route 235)	-	46.8	45.6	-	-2.6%
Urban Frequent	45.7	45.1	44.5	-1.3%	-1.3%
Urban Standard	39.5	37.9	36.2	-4.1%	-4.5%
Circulator	25.7	22.3	27.5	-13.2%	23.3%
Rural	10.1	8.5	9.6	-15.8%	13.1%
Demand-Responsive	N/A	N/A	N/A	N/A	N/A
System Riders/In-Svc. Hour	60.3	56.9	62.4	-5.6%	9.7%
Fixed-Route Bus Riders Per In-Svc. Hr.	42.7	42.0	41.2	-1.6%	-1.9%

NOTES: Compared to FY13, MTS' system-wide passengers per in-service hour increased +5.5 to 62.4 passengers per in-service hour (+9.7%) in FY14. For FY14, fixed-route bus passengers per in-service hour experienced a small -1.9% decrease to 41.2 passengers per in-service hour.

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On-Time Performance

On-time performance is defined as departing within 5 minutes of the scheduled time. It is measured by service change period in order to show the results of scheduling changes. MTS' goal for on-time performance is 85% for Urban Frequent bus routes, and 90% for Trolley and all other bus route categories.

Route Categories	Service Change					GOAL
	Jan. 2013	Jun. 2013	Sept. 2013	Jan. 2014	Jun. 2014	
Premium Express	98.4%	98.8%	91.9%	99.2%	-	90.0%
Rapid Express (Routes 280, 290)	-	-	-	-	85.7%	90.0%
Express	81.0%	81.8%	80.0%	80.2%	83.3%	90.0%
Light Rail	94.0%	95.2%	90.7%	89.0%	88.0%	90.0%
Silver Line (Light Rail)	90.9%	86.8%	88.8%	88.6%	91.0%	90.0%
Rapid (SuperLoop, Route 235)	91.2%	90.0%	84.0%	88.6%	90.8%	85.0%
Urban Frequent	83.6%	79.6%	83.4%	82.1%	81.2%	85.0%
Urban Standard	84.9%	83.1%	86.0%	83.1%	86.1%	90.0%
Circulator	87.4%	91.6%	86.6%	92.4%	90.5%	90.0%
Rural	N/A	N/A	N/A	N/A	N/A	
Demand-Responsive	N/A	N/A	N/A	N/A	N/A	
System On-Time Performance	85.7%	84.1%	85.1%	84.5%	85.0%	

NOTES: Overall, on-time performance has remained around 85%. Following the June 2014 service change, three route categories have met their goal while five categories did not. Each route is continually evaluated to determine if performance below the target is a result of issues that MTS controls, such as driver performance or scheduling, or situations outside MTS' direct control, such as construction, traffic congestion, and passenger issues. Trolley on-time performance has been impacted by Blue Line Trolley Renewal construction activities and is expected to increase as the project wraps up next year. Performance of Urban Frequent bus routes, which by far carry the greatest number of passengers, is heavily impacted by construction, stop signs and stop lights, and traffic as they typically go through high density corridors.

Preventable Accidents Per 100,000 Miles

Operator	FY 2012	FY 2013	FY 2014
MTS Directly-Operated Bus	1.47	1.42	1.49
MTS Contract Services	0.89	1.13	1.30
MTS Rail	0.04	0.04	0.02

NOTES: MTS Directly-Operated Bus preventable accidents are slightly up for FY14 compared to FY13. MTS Contract Services preventable accidents are up as MTS' contractor determined accidents were not previously recorded correctly. The contractor responded accordingly and made changes to their reporting system. MTS Trolley reported three preventable accidents in FY14. Accidents deemed "preventable" by MTS' definition may not be violations of the California Vehicle Code (CVC). No Trolley accidents in FY14 have involved a CVC violation by a Trolley operator. For bus and Trolley operations, continued operator retraining and safety awareness programs are held throughout the year to improve the operator average for this safety metric.

Mean Distance Between Failures (MDBF)

Operator	FY 2012	FY 2013	FY 2014
MTS Directly-Operated Bus	9,706	11,167	12,405
MTS Contract Services	10,908	10,190	9,265
MTS Rail	476,369	325,354	430,189

NOTES: MTS Directly-Operated Bus MDBF is up for FY14 compared to FY13, due to the arrival of new buses. MTS Contract Services MDBF for FY14 remained consistent with a slight decrease compared to FY13 due to older buses. Trolley MDBF is up, as new cars arrived and increased MDBF.

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Complaints/Comments/Suggestions Per 100,000 Passengers

Operator	FY 2012	FY 2013	FY 2014	% Change FY12-FY13	% Change FY13-FY14
MTS Directly-Operated Bus	5.7	5.8	4.6	1.8%	-20.7%
MTS Contract Svcs. Fixed-Route Bus	8.3	8.7	6.9	4.8%	-20.7%
MTS Rail	1.4	3.0	1.7	114.3%	-42.7%
General System	0.8	1.0	0.4	25.0%	-60.0%

NOTES: Passenger complaints have decreased in FY14. In FY13, MTS saw an increase in the number of passenger complaints, mostly due to the realignment of the Blue, Orange, and Green Trolley Lines in September 2012. Complaints related to the MTS System, rather than an individual operator, are tracked separately. These complaints are in addition to any complaints that the operators receive and are related to planning issues, website problems, and general MTS policies and procedures. For FY14, the MTS General System received 0.4 complaints per 100,000 passengers.

OBJECTIVE | Develop a Sustainable System

The following measures are used to ensure that transit resources are deployed efficiently and do not exceed budgetary constraints.

Revenue Hours

Operator	FY14 Actual	FY14 Budget	# Diff	% Diff
MTS Directly-Operated Bus	795,085	796,263	(1,178)	-0.1%
MTS Contract Svcs. Fixed-Route Bus	900,886	895,405	5,481	0.6%
MTS Rail	504,089	501,008	3,081	0.6%
System	2,200,060	2,192,676	7,384	0.3%

NOTES: Service levels were slightly more than budgeted, largely due to changes made in conjunction with new Rapid service along the I-15 Corridor. MTS Directly-Operated Bus hours were slightly under budget and MTS Contract Services Fixed-Route Bus hours were slightly above budget. MTS Rail hours were slightly above budget in FY14.

Revenue Miles

Operator	FY14 Actual	FY14 Budget	# Diff	% Diff
MTS Directly-Operated Bus	8,694,639	8,694,616	23	0.0%
MTS Contract Svcs. Fixed-Route Bus	9,643,899	9,607,787	36,112	0.4%
MTS Rail	8,516,212	8,488,071	28,141	0.3%
System	26,854,750	26,790,474	64,276	0.2%

NOTES: Service levels were slightly more than budgeted, largely due to changes made in conjunction with new Rapid service along the I-15 Corridor. MTS Directly-Operated Bus and MTS Contract Services Fixed-Route Bus miles were slightly above budget. MTS Rail miles were slightly above budget in FY14.

Weekday Peak-Vehicle Requirement

This measure shows the maximum number of vehicles that are on the road at any time in order to provide the levels of service that have been scheduled.

Operator	June 2013	June 2014	# Change FY13-FY14
MTS Directly-Operated Bus	210	213	3
MTS Contract Svcs. Fixed-Route Bus	260	272	12
MTS Rail	96	96	-

NOTES: Peak vehicles have seen an increase for MTS Bus and MTS Contract Services fixed-route services. These increases are mainly due to the increased service implemented in FY14 and the transition of routes between MTS Contract Services and MTS Directly-Operated fixed-route services. Trolley's peak car requirement has remained consistent between FY13 and FY14.

In-Service Speeds (MPH) (Weekday)

Operator	June 2013	June 2014	% Change FY13-FY14
MTS Directly-Operated Bus	13.5	14.5	7.4%
MTS Contract Svcs. FR Bus	14.1	13.9	-1.4%
MTS Rail	18.2	18.1	-0.5%

NOTES: In-service speeds have remained relatively flat year-over-year. MTS Directly-Operated Bus speeds are up due to implementation of Rapid service along the I-15 Corridor, which operates, on managed lanes along Interstate 15.

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In-Service/Total Miles

The 'in-service miles per total miles' ratio is only calculated for MTS in-house bus operations, as contractors are responsible for bus and driver assignments (runcutting) for MTS Contract Services.

Operator	June 2013	June 2014	% Change FY13-FY14
MTS Directly-Operated Bus	85.9%	86.7%	0.8%
MTS Contract Svcs. FR Bus	N/A	N/A	N/A
MTS Rail	99.7%	99.3%	-0.4%

NOTES: Ratios have remained practically steady over the two service periods reported for MTS Directly-Operated Bus and MTS Trolley operations.

In-Service/Total Hours

As with the mileage statistic, 'in-service hours' per total hours can only be calculated for MTS in-house bus operations.

Operator	June 2013	June 2014	% Change FY13-FY14
MTS Directly-Operated Bus	75.9%	75.7%	-0.2%
MTS Contract Svcs. FR Bus	N/A	N/A	N/A
MTS Rail	99.4%	97.7%	-1.7%

NOTES: Efficiency of scheduling has kept the ratio generally consistent over time, with only a minor changes from FY13 to FY14.

Farebox Recovery Ratio

This metric measures the percent of total operating cost recovered through fare revenue. The Transportation Development Act (TDA) has a requirement of 31.9 percent system-wide for fixed-route (excluding regional routes which have a 20 percent requirement).

Operator	FY 2012	FY 2013	FY 2014	% Change FY12-FY13	% Change FY13-FY14
MTS FR (No Premium Exp/Rapid Exp)	36.7%	39.6%	38.2%	2.9%	-1.4%
MTS Premium Express	46.0%	46.5%	43.2%	0.5%	-3.3%
MTS Rapid Express	-	-	45.3%	-	-
MTS Rail	57.2%	55.3%	59.8%	-1.9%	4.5%
System Farebox Recovery Ratio	42.8%	42.6%	43.0%	-0.2%	0.4%

For both system-wide and Premium Express services, farebox recovery ratios continue to exceed the Transportation Development Act (TDA) target.

Subsidy Per Passenger

MTS's goal is to improve route-category average year-over-year. This metric is the amount of public subsidy required to provide service for each unlinked passengers boarding (measured as total operating cost minus fare revenue, divided by total passengers).

Operator	FY 2012	FY 2013	FY 2014	% Change FY12-FY13	% Change FY13-FY14
Premium Express	\$4.44	\$4.73	\$5.50	6.5%	16.3%
Rapid Express (Routes 280, 290)	-	-	\$4.86	-	-
Express	\$2.33	\$2.51	\$2.60	7.7%	3.6%
Light Rail	\$0.81	\$0.97	\$0.69	19.8%	-28.9%
Silver Line (Light Rail)	-	-	\$8.63	-	-
Rapid (SuperLoop, Route 235)	-	\$2.11	\$2.35	-	-
Urban Frequent	\$1.50	\$1.44	\$1.58	-4.0%	9.7%
Urban Standard	\$1.24	\$1.39	\$1.56	12.1%	12.2%
Circulator	\$2.23	\$2.00	\$2.21	-10.3%	10.5%
Rural	\$12.91	\$13.17	\$9.79	2.0%	-25.7%
Demand-Responsive	\$32.56	\$32.55	\$31.62	0.0%	-2.9%
System Subsidy Per Pass.	\$1.37	\$1.47	\$1.40	7.3%	-4.8%
Fixed-Route Bus Subsidy Per Pass.	\$1.50	\$1.51	\$1.68	0.7%	11.3%

Overall, system-wide subsidy per passenger decreased to \$1.40 in FY14. For fixed-route bus service, subsidy per passenger increased from \$1.51 to \$1.68 in FY14 (+11.3%). Light rail subsidy per passenger decreased from \$0.97 to \$0.69 over the last year, which is a -28.9% decrease.

San Diego Metropolitan Transit System
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Title VI Compliance

The indicators below are required by the FTA to be monitored by and reported to the MTS Board. They measure the quantity and quality of service that MTS provides to minority and non-minority populations, as defined in FTA Circular 4702.1B (2012). The circular defines a minority route as "a route that has at least 1/3 of its total revenue mileage in a Census block or block group, or traffic analysis zone(s) with a percentage of minority population that exceeds the percentage of minority population in the transit service area."

Route Headway, On-Time Performance, and Passenger Load Factor

Category/Mode*	On-Time Performance Standard	Headway Standard (Base Weekday) P = Peak B = Base	Vehicle Load Factor (Standard = No more than 20% of trips exceed factor)	Minority Route Y - Yes N - No
Premium Express				
Goal	90%	30 min.	1.00	
Routes		Actual		
810*		15	-	Y
820*		20	-	N
850*		30	-	N
860*		20 P / 30 B	-	N
880*		50	-	Y
Rapid Express				
Goal	90%	30 min.	1.00	
Routes		Actual		
280^		15	-	N
290^		10 P / 15 B	-	N
Express				
Goal	90%	30 min.	1.50	
Routes		Actual		
20		20 P / 30 B	-	Y
50		15 P / 30 P / 60 B	-	N
60^		15 P / 30 P	-	Y
110^		20	-	Y
150		15 P / 30 P / 60 B	-	N
210*		15	-	Y
870		90	-	N
950^		30	-	Y
960		20	-	Y
Light Rail				
Goal	90%	15 min.	3.00	
Routes		Actual		
Blue		7.5 P / 15 B	-	Y
Orange		15	-	Y
Green		15	-	N
Silver Line		30	-	N
Rapid				
Goal	85%	15 min.	1.50	
Routes		Actual		
201		10 P / 15 B	-	Y
202		10 P / 15 B	-	Y
204		10 P / 15 B	-	Y
235^		15 P / 30 B	-	N

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Urban Frequent				
Goal	85%	15 min.	1.50	
Routes		Actual		
1		15	-	Y
2		12 P / 15 B	-	Y
3		15	-	Y
5		15	-	Y
6		15	-	Y
7		6 P / 12 B	-	Y
8		20	-	N
9		20	-	N
10		15	-	Y
11		15	-	Y
13		15	-	Y
15		10 P / 15 B	-	Y
30		15 P / 30 B	-	N
41		15	-	Y
44		15	-	Y
120		15	-	Y
701		15	-	Y
709		15	-	Y
712		15	-	Y
901		15 P / 30 B	-	Y
906/907		15	-	Y
929		12 P / 15 B	-	Y
932		15	-	Y
933/934		15	-	Y
955		15	-	Y
961		15	-	Y
992		15	-	N
Urban Standard				
Goal	90%	30 min.	1.50	
Routes		Actual		
4		30	-	Y
14		60	-	N
27		30	-	N
28		30	-	N
31		30	-	Y
35		15 P / 30 B	-	N
105		30	-	N
115		30	-	N
703		60	-	Y
704		30	-	Y
705		30	-	Y
707		60	-	Y
815		30	-	Y
816		30	-	Y
832		30	-	N
833		30	-	Y
834		30	-	N
844/845*		30	-	N
848		30	-	N
854		30	-	N
855		30	-	Y
856		30	-	Y
864		30	-	N
871/872		30	-	Y
874/875		30	-	Y
904		30	-	N
905		30	-	Y
916/917		30 P / 60 B	-	Y
921		30	-	Y
923		30	-	N
928		30	-	Y
936		30	-	Y

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Urban Standard				
Goal	90%	30 min.	1.50	
Routes		Actual		
944/945 [^]		30	-	Y/N (Note 2)
962/963		30	-	Y
967		60	-	Y
968		60	-	Y
Circulator				
Goal	90%	60 min.	1.5 (Note 3)	
Routes		Actual		
18		30	-	N
25		60	-	Y
83		60	-	N
84		60	-	N
88		30	-	N
851		30	-	Y
964		30 P / 60 B	-	Y
965		30	-	Y
972	No missed trips.	~30	-	Y
973	No missed trips.	~30	-	Y
978	No missed trips.	~30	-	Y
979	No missed trips.	~30	-	Y

Note 1: (*) Route discontinued in FY14. (^) New route in FY14.

Note 2: Route 944 is a minority route and Route 945 is a non-minority route.

Note 3: Load standard is 1.0 for routes operated with a minibuss. Routes 972, 973, 978, are 979 are timed to the COASTER schedule and wait for passengers to transfer from the selected COASTER trips.

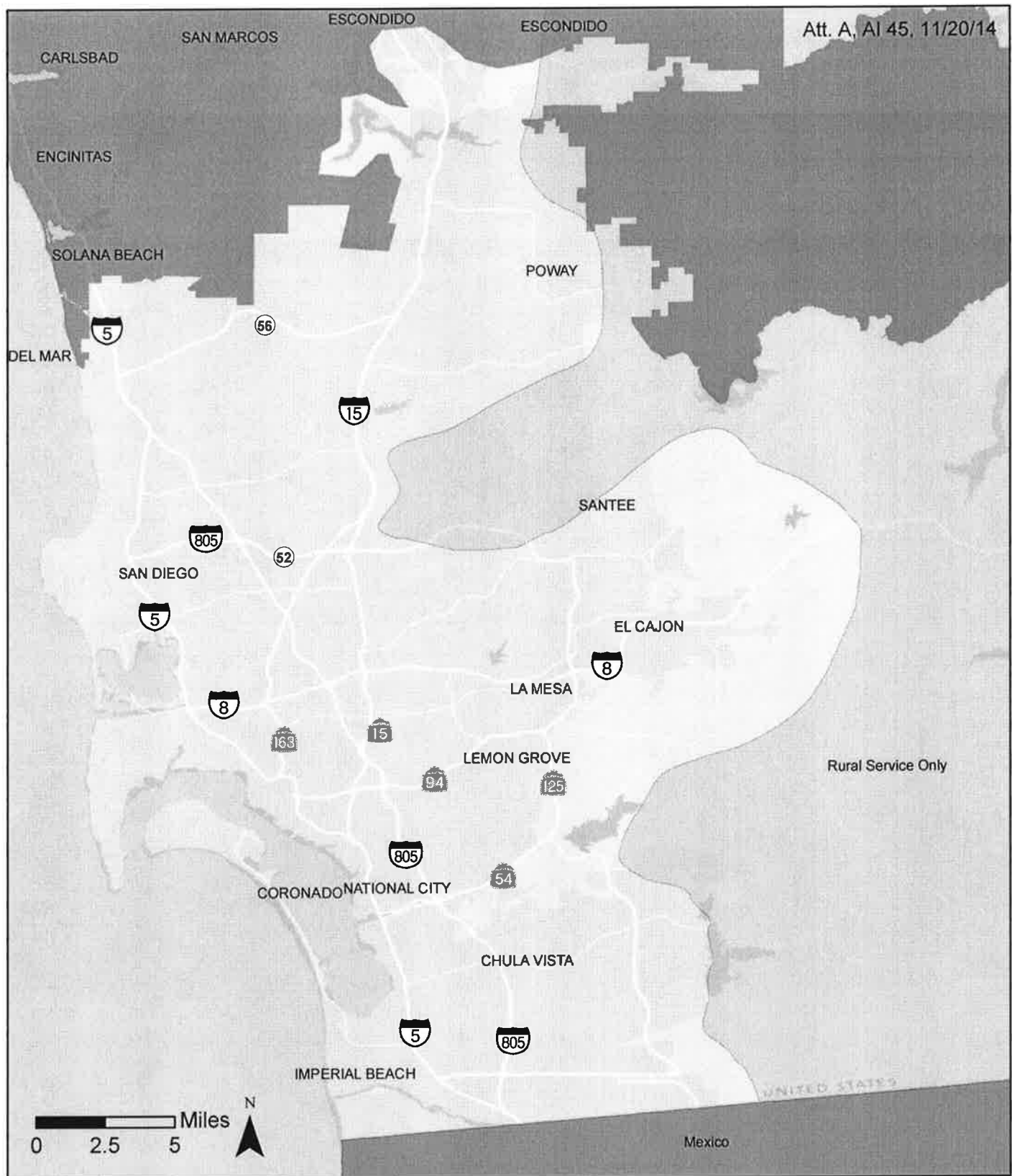
Note 4: Rural and Demand Responsive services have no specific goals for on-time performance, headway, or load standard.

Service Availability

- > 80% of residents or jobs within ½ mile of a bus stop or rail station in urban areas.
- > 100% of suburban residences within 5 miles of a bus stop or rail station.
- > One return trip at least 2 days/week to destinations from rural villages

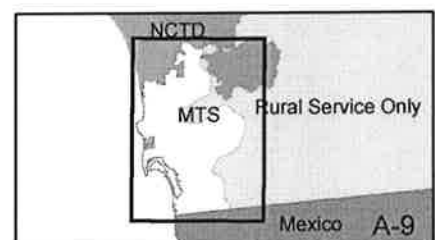
Goal		
80% of residents or jobs within ½ mile of a bus stop or rail station in urban area	% of residents within 1/2 mile of a bus stop or rail station in urban areas	% of jobs within 1/2 mile of a bus stop or rail station in urban areas
	98.1%	98.2%
100% of suburban residences within 5 miles of a bus stop or rail station.	% of suburban residents within 5 miles of a bus stop or rail station	
	100.0%	
One return trip at least 2 days/week to destinations from rural villages (Lakeside and Alpine).	Available Service	
	Route 848 serves Lakeside seven days a week and Route 864 serves Alpine seven days a week.	

See attached map entitled 'Metropolitan Transit System Area of Jurisdiction'.



Metropolitan Transit System AREA OF JURISDICTION

June, 2014



FY 2014 ANNUAL ROUTE STATISTICS

Updated: 11/14/2014

Route	Annual Passengers	Avg. Weekday Passengers	Passengers/ Revenue Hour	Subsidy per Passenger	Farebox Recovery	Cost Per Passenger
Blue Line	15,094,878	47,268	249.4	\$ 0.28	78.9%	\$ 1.32
Orange Line	10,896,289	33,505	216.3	\$ 1.16	47.4%	\$ 2.20
Green Line	13,673,926	39,966	217.1	\$ 0.78	57.1%	\$ 1.83
Silver Line	29,540	181	40.6	\$ 8.63	11.5%	\$ 9.76
1	1,515,014	4,981	31.6	\$ 2.50	29.7%	\$ 3.56
2	1,423,635	4,583	38.1	\$ 1.99	35.0%	\$ 3.05
3	1,822,383	6,265	39.4	\$ 0.19	83.6%	\$ 1.15
4	873,817	2,824	37.6	\$ 2.06	33.3%	\$ 3.09
5	913,424	3,091	48.9	\$ 1.36	42.7%	\$ 2.38
6	606,400	1,940	33.1	\$ 2.48	29.6%	\$ 3.52
7	3,771,716	11,618	46.7	\$ 1.43	42.6%	\$ 2.49
8	603,070	1,621	31.5	\$ 2.62	29.1%	\$ 3.69
9	536,493	1,565	31.2	\$ 2.67	28.4%	\$ 3.73
10	1,554,363	5,101	40.3	\$ 1.83	36.8%	\$ 2.89
11	2,574,222	8,736	33.8	\$ 2.39	30.7%	\$ 3.45
13	2,183,110	7,126	46.5	\$ 1.45	41.9%	\$ 2.50
14	89,619	352	12.0	\$ 8.40	10.9%	\$ 9.43
15	1,548,803	4,986	36.5	\$ 2.12	33.4%	\$ 3.19
18	47,009	186	16.3	\$ 2.09	32.8%	\$ 3.11
20	1,233,204	4,141	30.3	\$ 2.79	27.5%	\$ 3.84
25	110,738	436	17.3	\$ 1.91	34.8%	\$ 2.93
27	255,527	945	17.7	\$ 2.10	32.2%	\$ 3.10
28	420,822	1,386	32.9	\$ 0.30	76.6%	\$ 1.27
30	2,175,394	6,851	30.9	\$ 2.63	30.1%	\$ 3.77
31	112,438	441	23.9	\$ 3.80	22.0%	\$ 4.87
35	611,302	1,859	31.3	\$ 0.19	84.3%	\$ 1.18
41	1,391,958	4,633	38.5	\$ 1.92	36.4%	\$ 3.02
44	1,344,856	4,513	35.7	\$ 2.18	33.1%	\$ 3.26
50	248,096	981	22.1	\$ 4.23	19.7%	\$ 5.26
60^	5,450	339	28.1	\$ 3.10	25.0%	\$ 4.14
83	43,097	170	13.2	\$ 2.81	26.6%	\$ 3.83
84	34,587	137	11.5	\$ 3.39	23.2%	\$ 4.41
88	110,873	377	25.5	\$ 3.31	24.6%	\$ 4.39
105	399,745	1,397	26.4	\$ 3.34	24.4%	\$ 4.42
110^	2,826	177	23.0	\$ 4.06	19.6%	\$ 5.05
115	365,861	1,345	24.2	\$ 2.22	31.5%	\$ 3.24
120	953,698	3,065	28.2	\$ 3.09	25.1%	\$ 4.13
150	746,389	2,946	42.6	\$ 1.69	38.1%	\$ 2.73
201	787,028	2,532	42.6	\$ 1.59	41.7%	\$ 2.72
202	675,577	2,110	38.1	\$ 1.92	37.0%	\$ 3.05
204	152,767	466	15.9	\$ 6.21	15.2%	\$ 7.32
210*	71,364	302	27.7	\$ 3.20	23.9%	\$ 4.20
235^	43,084	2,224	11.4	\$ 9.29	9.3%	\$ 10.24
280^	7,069	442	20.4	\$ 7.73	34.8%	\$ 11.86
290^	10,597	662	30.8	\$ 2.96	57.3%	\$ 6.92
701	588,348	2,224	23.8	\$ 1.74	32.7%	\$ 2.58
703	40,465	-	27.5	\$ 1.90	34.6%	\$ 2.91
704	503,788	1,823	24.7	\$ 1.86	31.8%	\$ 2.73

Route	Annual Passengers	Avg. Weekday Passengers	Passengers/ Revenue Hour	Subsidy per Passenger	Farebox Recovery	Cost Per Passenger
705	308,324	1,110	26.9	\$ 1.16	42.4%	\$ 2.02
707	62,372	245	22.9	\$ 2.36	27.2%	\$ 3.24
709	1,045,506	3,858	39.2	\$ 0.90	48.7%	\$ 1.76
712	856,355	3,097	30.5	\$ 1.15	42.9%	\$ 2.02
810	146,432	616	27.2	\$ 4.20	50.2%	\$ 8.43
815	359,232	1,077	31.8	\$ 0.42	71.3%	\$ 1.45
816	348,447	1,378	33.1	\$ 0.89	54.1%	\$ 1.94
820	46,634	197	17.3	\$ 7.46	35.0%	\$ 11.48
832	60,286	202	16.2	\$ 2.03	33.6%	\$ 3.05
833	134,734	452	19.7	\$ 1.55	39.7%	\$ 2.57
834	19,061	75	16.2	\$ 4.60	18.3%	\$ 5.63
844.845*	167,008	674	12.9	\$ 2.89	26.2%	\$ 3.92
848	442,090	1,442	30.6	\$ 1.08	49.6%	\$ 2.14
850	33,197	136	21.3	\$ 5.90	40.8%	\$ 9.96
851	94,583	373	20.5	\$ 1.45	41.4%	\$ 2.47
854	191,523	730	26.1	\$ 1.62	38.1%	\$ 2.62
855	290,389	1,009	31.8	\$ 0.88	53.9%	\$ 1.90
856	719,975	2,598	30.2	\$ 1.51	40.4%	\$ 2.54
860	36,282	154	17.5	\$ 8.18	33.4%	\$ 12.28
864	457,090	1,471	19.2	\$ 3.26	24.9%	\$ 4.35
870	14,580	57	11.5	\$ 2.31	47.1%	\$ 4.37
872	121,782	463	21.9	\$ 1.67	38.2%	\$ 2.69
874.875	510,711	1,747	29.1	\$ 1.27	44.8%	\$ 2.30
880	23,883	94	14.8	\$ 5.01	46.8%	\$ 9.42
888	2,755	13	4.6	\$ 33.39	3.9%	\$ 34.75
891	1,461	14	4.0	\$ 41.10	2.9%	\$ 42.33
892	1,769	17	5.1	\$ 31.83	4.0%	\$ 33.14
894	66,251	262	15.6	\$ 7.53	14.6%	\$ 8.81
901	1,069,771	3,419	25.9	\$ 2.19	31.3%	\$ 3.19
904	94,312	260	18.5	\$ 1.28	20.2%	\$ 1.61
905	642,499	2,241	36.4	\$ 1.14	50.8%	\$ 2.32
906.907	1,512,377	4,911	38.4	\$ 0.08	92.5%	\$ 1.08
917	255,363	909	22.2	\$ 2.04	32.0%	\$ 2.99
921	398,098	1,490	26.6	\$ 1.29	44.8%	\$ 2.34
923	265,030	1,019	18.6	\$ 1.69	37.8%	\$ 2.71
928	408,829	1,479	29.3	\$ 1.38	41.5%	\$ 2.36
929	2,516,163	8,056	36.4	\$ 0.65	60.0%	\$ 1.62
932	1,291,346	4,379	31.3	\$ 0.91	51.4%	\$ 1.88
934	1,806,978	6,056	32.2	\$ 1.28	43.4%	\$ 2.25
936	656,485	1,959	31.4	\$ 0.76	57.0%	\$ 1.76
944.945^	11,539	643	9.0	\$ 4.59	18.5%	\$ 5.63
950^	39,881	187	68.1	\$ 0.90	57.4%	\$ 2.11
955	1,584,508	5,191	37.1	\$ 0.54	64.1%	\$ 1.50
960*	96,004	397	26.2	\$ 3.21	23.2%	\$ 4.18
961	635,939	2,180	30.7	\$ 1.01	48.9%	\$ 1.99
962.963	697,087	2,493	28.1	\$ 0.97	50.6%	\$ 1.97
964	89,491	353	15.0	\$ 2.36	30.2%	\$ 3.38
965	68,996	247	14.7	\$ 2.42	29.7%	\$ 3.45
967	64,284	238	14.5	\$ 2.73	26.4%	\$ 3.71
968	65,281	248	14.6	\$ 3.19	23.5%	\$ 4.17
992	445,159	1,313	22.7	\$ 1.03	51.3%	\$ 2.12

Route	Annual Passengers	Avg. Weekday Passengers	Passengers/ Revenue Hour	Subsidy per Passenger	Farebox Recovery	Cost Per Passenger
MTS ACCESS	417,717	1,500	2.1	\$ 31.62	13.0%	\$ 36.32
SVCC	125,905	504	21.1	\$ 1.36	Note 11	\$ 2.38

SERVICE CATEGORY	Annual Passengers	Avg. Weekday Passengers	Passengers/ Revenue Hour	Subsidy per Passenger	Farebox Recovery	Cost Per Passenger
Premium Express	286,428	1,197	21.5	\$ 5.50	43.2%	\$ 9.68
Rapid Express	17,666	1,104	25.6	\$ 4.86	45.3%	\$ 8.89
Express	2,457,794	9,022	31.6	\$ 2.60	28.8%	\$ 3.65
Light Rail	39,694,633	120,920	227.3	\$ 0.70	59.8%	\$ 1.74
Rapid	1,658,456	5,294	33.4	\$ 2.35	32.4%	\$ 3.47
Urban Frequent	38,270,989	125,361	35.5	\$ 1.58	39.4%	\$ 2.60
Urban Standard	11,425,215	39,436	26.6	\$ 1.56	39.4%	\$ 2.57
Circulator	725,279	2,782	17.6	\$ 2.21	31.8%	\$ 3.24
Rural	72,236	306	13.0	\$ 9.79	11.6%	\$ 11.07
Demand-Responsive	417,717	1,500	2.1	\$ 31.62	13.0%	\$ 36.32

MODE	Annual Passengers	Avg. Weekday Passengers	Passengers/ Revenue Hour	Subsidy per Passenger	Farebox Recovery	Cost Per Passenger
Light Rail	39,694,633	120,920	227.3	\$ 0.70	59.8%	\$ 1.74
Fixed Route Bus	54,914,063	184,503	32.4	\$ 1.68	38.3%	\$ 2.73
Demand-Responsive	417,717	1,500	2.1	\$ 31.62	13.0%	\$ 36.32
Rural	72,236	306	13.0	\$ 9.79	11.6%	\$ 11.07

System Totals	95,026,413	306,923	45.9	\$ 1.40	43.0%	\$ 2.46
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Note 1: (*) Route discontinued in FY14. (^) New route in FY14.

Note 2: After federal JARC grant, Route 905 subsidy/passenger is \$0.77.

Note 3: After federal JARC grant, Route 929 subsidy/passenger is \$0.57.

Note 4: After federal JARC grant, Route 932 subsidy/passenger is \$0.76.

Note 5: After federal JARC grant, Route 955 subsidy/passenger is \$0.41.

Note 6: After federal JARC grant, Route 960 subsidy/passenger is \$1.61.

Note 7: After federal JARC grant, Route 967 subsidy/passenger is \$1.96. Route 968 subsidy/passenger is \$2.44

Note 8: City of Coronado subsidized fares for summer service on Route 904. Subsidy/passenger after payment is \$1.14.

Note 9: After Rural 5311 grant, Routes 888, 891, 892, and 894 subsidy/passenger is \$5.66.

Note 10: After Rural 5311 grant, Route 864 subsidy/passenger is \$2.86.

Note 11: SVCC fares and one-half of the subsidy are paid for by NCTD resulting in a 72% farebox recovery.

Note 12: Routes 201, 202, 204 & 235, SANDAG reimburses MTS for the net operating cost (operating cost less fare revenue) using TransNet funds.



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

Agenda Item No. 46

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 20, 2014

SUBJECT:

FISCAL YEAR 2014 FINAL BUDGET COMPARISON (MIKE THOMPSON)

RECOMMENDATION:

That the Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

With the completion of the Fiscal Year (FY) 2014 Comprehensive Annual Financial Report (CAFR), the FY 2014 budget can be reviewed and compared with actual audited financial results. Attachment A-1 combines the operations, administration and other activities results for FY 2014. Attachment A-2 details the FY 2014 combined operations results and Attachments A-3 to A-8 present budget comparisons for each San Diego Metropolitan Transit System (MTS) operation. Attachment A-9 details budget comparisons for MTS Administration, and A-10 provides FY 2014 results for MTS's other activities (Taxicab/San Diego and Arizona Eastern Railway Company). Attachment A-11 details subsidy revenue and other non-operating revenue and expenses. Attachment A-12 details MTS's contingency reserve balance. Attachment A-13 details the balances of all reserve accounts.

Overall Results

For FY 2014, MTS had an excess of revenues over expenses of \$2,253,000. The amended budget assumed an excess of revenues over expenses of \$1,824,000, and the final resulted in bringing in an additional \$429,000.



A comparison of the results against the amended budget is outlined below.

REVENUES

Fare Revenue

Passenger revenues were \$96,662,000 compared to \$96,890,000 in the amended budget for an unfavorable variance of \$228,000 (-0.2%). This was due to lower-than-anticipated ridership in the second half of the fiscal year.

Other Operating Revenue

Other operating revenues were \$8,753,000 compared to \$7,995,000 in the amended budget for a favorable variance of \$758,000 (9.5%).

EXPENSES

Overall, operating expenses were \$240,798,000 compared to an amended budget of \$239,213,000 for an unfavorable variance of \$1,585,000. This was due to energy costs.

Total personnel costs for the fiscal year totaled \$115,953,000 compared to an amended budget of \$115,957,000, which resulted in a favorable variance of \$4,000 (0.0%).

Total outside service expenses for the fiscal year totaled \$79,838,000 compared to an amended budget of \$79,948,000, which resulted in a favorable variance of \$110,000 (0.1%).

Total energy costs for the fiscal year totaled \$27,251,000 compared to the budget of \$25,593,000, resulting in an unfavorable variance of \$1,658,000 (-6.5%). The unfavorable variance is due to increased natural gas and electricity rates.

Subsidy Revenue and Other Non-Operating Revenue and Expenses

Attachment A-11 details subsidy revenue and other non-operating revenue and expenses. Total subsidy and other non-operating revenues for the fiscal year totaled \$137,636,000 compared to \$136,152,000 in the amended budget for a favorable variance of \$1,484,000 (1.1%). This was primarily due to additional TransNet operating support revenues received, plus gains on the sale of assets that were not budgeted.

Reserves

Attachment A-12 details the adjustments to MTS's contingency reserve balance. The ending reserve balance on June 30, 2013, was \$26,588,000.

For FY 2014, MTS had an excess of revenues over expenses before reserves of \$2,266,000. This balance needs to be adjusting for interest, other adjustments, and the income or loss from SD&AE and Taxicab Administration results (which are self-funded). The total of the adjustments is a decrease of \$25,000, and the net change for the fiscal year is an increase of \$2,241,000, resulting in a contingency reserve balance on June 30, 2014 of \$28,829,000. This balance represents 11.7% of the MTS FY 2014 operating

expense budget. The goal is for MTS to increase the contingency reserve to 12.5% of the operating budget by FY 2016.

MTS has a number of other reserve accounts, and the balances for each account are listed on Attachment A-13.



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
JUNE 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 96,662	\$ 96,890	\$ (228)	-0.2%
Other Revenue	8,753	7,995	758	9.5%
Total Operating Revenue	\$ 105,415	\$ 104,885	\$ 530	0.5%
Personnel costs	\$ 115,953	\$ 115,957	\$ 4	0.0%
Outside services	79,838	79,948	110	0.1%
Transit operations funding	-	-	-	-
Materials and supplies	9,517	9,566	49	0.5%
Energy	27,251	25,593	(1,658)	-6.5%
Risk management	4,878	4,870	(7)	-0.1%
General & administrative	2,275	2,173	(102)	-4.7%
Vehicle/facility leases	1,087	1,106	19	1.7%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	(0)	0	0	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 240,798	\$ 239,213	\$ (1,585)	-0.7%
Operating income (loss)	\$ (135,383)	\$ (134,328)	\$ (1,055)	-0.8%
Total public support and nonoperating revenues	137,636	136,152	1,484	1.1%
Income (loss) before capital contributions	\$ 2,253	\$ 1,824	\$ 429	23.5%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
CONSOLIDATED OPERATIONS
COMPARISON TO BUDGET - FISCAL YEAR 2014
JUNE 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 96,662	\$ 96,890	\$ (228)	-0.2%
Other Revenue	1,291	689	602	87.3%
Total Operating Revenue	\$ 97,953	\$ 97,579	\$ 374	0.4%
Personnel costs	\$ 97,674	\$ 97,977	\$ 304	0.3%
Outside services	66,270	66,550	280	0.4%
Transit operations funding	-	-	-	-
Materials and supplies	9,498	9,541	43	0.4%
Energy	26,449	24,844	(1,605)	-6.5%
Risk management	4,496	4,512	16	0.4%
General & administrative	347	328	(19)	-5.8%
Vehicle/facility leases	802	822	20	2.4%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	27,717	27,717	0	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 233,253	\$ 232,291	\$ (961)	-0.4%
Operating income (loss)	\$ (135,300)	\$ (134,712)	\$ (588)	-0.4%
Total public support and nonoperating revenues	135,300	134,712	588	0.4%
Income (loss) before capital contributions	\$ (0)	\$ (0)	\$ 0	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
TRANSIT SERVICES (SAN DIEGO TRANSIT CORPORATION)
COMPARISON TO BUDGET - FISCAL YEAR 2014
JUNE 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 27,781	\$ 27,671	\$ 111	0.4%
Other Revenue	34	5	29	587.7%
Total Operating Revenue	\$ 27,816	\$ 27,676	\$ 140	0.5%
Personnel costs	\$ 64,984	\$ 65,043	\$ 59	0.1%
Outside services	1,768	1,647	(121)	-7.4%
Transit operations funding	-	-	-	-
Materials and supplies	4,708	4,819	111	2.3%
Energy	6,107	5,710	(396)	-6.9%
Risk management	2,791	2,535	(256)	-10.1%
General & administrative	166	170	4	2.4%
Vehicle/facility leases	294	308	15	4.8%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	10,307	10,307	(0)	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 91,124	\$ 90,540	\$ (584)	-0.6%
Operating income (loss)	\$ (63,309)	\$ (62,864)	\$ (444)	-0.7%
Total public support and nonoperating revenues	63,309	62,864	444	0.7%
Income (loss) before capital contributions	\$ -	\$ 0	\$ (0)	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
RAIL OPERATIONS (SAN DIEGO TROLLEY, INCORPORATED)
COMPARISON TO BUDGET - FISCAL YEAR 2014
JUNE 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 40,188	\$ 40,611	\$ (423)	-1.0%
Other Revenue	1,256	684	572	83.6%
Total Operating Revenue	\$ 41,444	\$ 41,295	\$ 149	0.4%
Personnel costs	\$ 31,629	\$ 31,770	\$ 141	0.4%
Outside services	3,824	3,949	125	3.2%
Transit operations funding	-	-	-	-
Materials and supplies	4,721	4,700	(21)	-0.5%
Energy	11,219	10,426	(794)	-7.6%
Risk management	1,690	1,952	262	13.4%
General & administrative	170	142	(28)	-19.5%
Vehicle/facility leases	354	357	3	1.0%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	15,652	15,652	0	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 69,259	\$ 68,947	\$ (312)	-0.5%
Operating income (loss)	\$ (27,815)	\$ (27,652)	\$ (163)	-0.6%
Total public support and nonoperating revenues	27,815	27,652	163	0.6%
Income (loss) before capital contributions	\$ -	\$ 0	\$ (0)	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
MULTIMODAL OPERATIONS (FIXED ROUTE)
COMPARISON TO BUDGET - FISCAL YEAR 2014
JUNE 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 23,932	\$ 23,810	\$ 122	0.5%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 23,932	\$ 23,810	\$ 122	0.5%
Personnel costs	\$ 543	\$ 495	\$ (48)	-9.7%
Outside services	42,371	42,700	330	0.8%
Transit operations funding	-	-	-	-
Materials and supplies	15	8	(8)	-99.9%
Energy	6,316	6,078	(238)	-3.9%
Risk management	-	-	-	-
General & administrative	1	2	1	71.1%
Vehicle/facility leases	15	17	2	10.2%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	1,227	1,227	0	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 50,488	\$ 50,527	\$ 39	0.1%
Operating income (loss)	\$ (26,556)	\$ (26,717)	\$ 161	0.6%
Total public support and nonoperating revenues	26,556	26,717	(161)	-0.6%
Income (loss) before capital contributions	\$ -	\$ (0)	\$ 0	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
MULTIMODAL OPERATIONS (PARATRANSIT)
COMPARISON TO BUDGET - FISCAL YEAR 2014
JUNE 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 2,093	\$ 2,129	\$ (36)	-1.7%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 2,093	\$ 2,129	\$ (36)	-1.7%
Personnel costs	\$ 140	\$ 141	\$ 1	1.0%
Outside services	12,327	12,285	(42)	-0.3%
Transit operations funding	-	-	-	-
Materials and supplies	-	-	-	-
Energy	2,455	2,362	(93)	-3.9%
Risk management	15	15	-	0.0%
General & administrative	2	5	2	47.3%
Vehicle/facility leases	140	140	(0)	0.0%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	392	392	0	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 15,471	\$ 15,340	\$ (131)	-0.9%
Operating income (loss)	\$ (13,377)	\$ (13,211)	\$ (167)	-1.3%
Total public support and nonoperating revenues	13,377	13,211	167	1.3%
Income (loss) before capital contributions	\$ -	\$ (0)	\$ 0	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
CONSOLIDATED CHULA VISTA TRANSIT OPERATIONS
COMPARISON TO BUDGET - FISCAL YEAR 2014
JUNE 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 2,668	\$ 2,669	\$ (2)	-0.1%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 2,668	\$ 2,669	\$ (2)	-0.1%
Personnel costs	\$ 302	\$ 339	\$ 37	11.0%
Outside services	5,643	5,631	(11)	-0.2%
Transit operations funding	-	-	-	-
Materials and supplies	54	14	(39)	-271.0%
Energy	352	268	(84)	-31.4%
Risk management	-	10	10	-
General & administrative	8	9	1	13.1%
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	139	139	(0)	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 6,496	\$ 6,410	\$ (86)	-1.3%
Operating income (loss)	\$ (3,829)	\$ (3,741)	\$ (88)	-2.3%
Total public support and nonoperating revenues	3,829	3,741	88	2.3%
Income (loss) before capital contributions	\$ (0)	\$ 0	\$ (0)	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
CORONADO FERRY
COMPARISON TO BUDGET - FISCAL YEAR 2014
JUNE 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	-	-	-	-
Total Operating Revenue	\$ -	\$ -	\$ -	-
Personnel costs	\$ -	\$ -	\$ -	-
Outside services	183	183	-	0.0%
Transit operations funding	-	-	-	-
Materials and supplies	-	-	-	-
Energy	-	-	-	-
Risk management	-	-	-	-
General & administrative	-	-	-	-
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	-	-	-	-
Depreciation	-	-	-	-
Total Operating Expenses	\$ 183	\$ 183	\$ -	0.0%
Operating income (loss)	\$ (183)	\$ (183)	\$ -	0.0%
Total public support and nonoperating revenues	183	183	(0)	0.0%
Income (loss) before capital contributions	\$ (0)	\$ (0)	\$ (0)	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
ADMINISTRATION
CONSOLIDATED
COMPARISON TO BUDGET - FISCAL YEAR 2014
JUNE 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	6,274	6,306	(32)	-0.5%
Total Operating Revenue	\$ 6,274	\$ 6,306	\$ (32)	-0.5%
Personnel costs	\$ 17,551	\$ 17,253	\$ (298)	-1.7%
Outside services	13,365	13,164	(201)	-1.5%
Transit operations funding	-	-	-	-
Materials and supplies	13	18	6	31.4%
Energy	792	739	(53)	-7.2%
Risk management	366	341	(25)	-7.3%
General & administrative	1,824	1,736	(88)	-5.1%
Vehicle/facility leases	285	284	(1)	-0.3%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	(27,826)	(27,826)	0	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 6,370	\$ 5,709	\$ (661)	-11.6%
Operating income (loss)	\$ (96)	\$ 597	\$ (693)	116.1%
Total public support and nonoperating revenues	2,349	1,227	1,122	91.4%
Income (loss) before capital contributions	\$ 2,253	\$ 1,824	\$ 429	23.5%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OTHER ACTIVITIES
CONSOLIDATED
COMPARISON TO BUDGET - FISCAL YEAR 2014
JUNE 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	1,188	1,000	188	18.8%
Total Operating Revenue	\$ 1,188	\$ 1,000	\$ 188	18.8%
Personnel costs	\$ 728	\$ 727	\$ (2)	-0.2%
Outside services	202	234	32	13.6%
Transit operations funding	-	-	-	-
Materials and supplies	6	7	1	9.3%
Energy	11	10	(1)	-5.4%
Risk management	15	17	2	10.6%
General & administrative	104	109	5	4.8%
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	109	109	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 1,175	\$ 1,213	\$ 37	3.1%
Operating income (loss)	\$ 13	\$ (213)	\$ 226	106.1%
Total public support and nonoperating revenues	(13)	213	(226)	-106.1%
Income (loss) before capital contributions	\$ (0)	\$ (0)	\$ 0	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
MTS
COMBINED SUBSIDY AND OTHER NON-OPERATING REVENUE AND EXPENSES
COMPARISON TO BUDGET - FISCAL YEAR 2014
JUNE 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
<u>Subsidy Revenue</u>				
Federal Revenue	\$ 59,749	\$ 46,389	\$ 13,361	28.8%
Transportation Development Act	44,974	57,780	(12,806)	-22.2%
State Transit Assistance	3,987	4,264	(278)	-6.5%
State Revenue - Other	1,631	1,600	31	1.9%
TransNet funds	26,918	26,248	670	2.6%
Other Local subsidies	1,644	1,634	11	0.7%
Total Subsidy Revenue	\$ 138,903	\$ 137,915	\$ 988	0.7%
<u>Other Non-Operating Revenue and Expense</u>				
Investment Earnings	\$ 7,532	\$ 7,567	\$ (35)	-0.5%
Other Non-Operating Income	568	213	356	167.2%
Other Non-Operating Expenses	(9,367)	(9,543)	176	-1.8%
Total Other Non-Operating Revenue Revenue and Expense	\$ (1,267)	\$ (1,763)	\$ 496	-28.2%
Total Subsidy and Non-Operating Revenue and Expense	\$ 137,636	\$ 136,152	\$ 1,484	1.1%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
MTS
CONTINGENCY RESERVE BALANCE
JUNE 30, 2014
(in \$000's)

Balance, June 30, 2013	\$ 26,588
Current Year Adjustments:	
FY 2014 Income (Loss) Before Reserves	2,266
Remove Other Activities contributions to income:	
SDAE	(65)
Taxi	52
Interest allocation/ other	(12)
Net Adjustments:	<u>2,241</u>
Balance, June 30, 2014	<u><u>\$ 28,829</u></u>
% of MTS Operating Expense Budget	11.7%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
MTS
RESERVE BALANCES
JUNE 30, 2014

Title	Amount	Explanation
Contingency	\$ 28,828,747	For ongoing operations, future matching of grants; goal of 12.5% of operating budget per Policy 36
Capital Project Reserve	1,000,000	To hold prior year's revenue for the FY 2015 capital budget
Taxicab Contingency	242,410	For ongoing operations and future capital improvement needs
Insurance	2,000,000	Established for potential future liability claims, minimum \$2 million per Policy 46
Billboard San Diego	158,915	Per agreement with city, used for improvements to right of way
Billboard Chula Vista	1,324,571	Per agreement with city, used for improvements to right of way
SD&AE	1,576,036	Established from 1984 state payments for storm damage, restricted for repair/improvement of line
MTS JPA Residual	146,780	Established from proceeds of legal settlement, restricted for repairs to MTS Tower
Land Management	439,254	For repair and maintenance of rental property
Total	\$ 35,716,713	



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

Agenda Item No. 47

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 20, 2014

SUBJECT:

OPERATIONS BUDGET STATUS REPORT FOR SEPTEMBER 2014 (MIKE THOMPSON)

INFORMATIONAL ONLY

Budget Impact

None at this time.

DISCUSSION:

This report summarizes the year-to-date operating results for September 2014 compared to the fiscal year (FY) 2015 budget for San Diego Metropolitan Transit System (MTS). Attachment A-1 combines the operations', administrations' and other activities' results for September 2014. Attachment A-2 details the September 2014 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 Attachment A-10 provides September 2014 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 2014, MTS net-operating income unfavorable variance totaled \$298,000 (-0.8%). Operations produced a \$587,000 (-1.6%) unfavorable variance and the administrative/other activities areas were favorable by \$289,000.

MTS COMBINED RESULTS

Revenues. Year-to-date combined revenues through September 2014 were \$28,136,000, compared to the year-to-date budget of \$28,291,000, representing a \$155,000 (-0.5%) unfavorable variance.



Expenses. Year-to-date combined expenses through September 2014 were \$64,529,000, compared to the budget of \$64,386,000, resulting in a \$143,000 (-0.2%) unfavorable variance.

Personnel Costs. Year-to-date personnel-related costs totaled \$30,200,000, compared to a budgetary figure of \$30,571,000, producing a favorable variance of \$371,000 (1.2%).

Outside Services and Purchased Transportation. Total outside services for the first three months of the fiscal year totaled \$21,671,000, compared to a budget of \$21,796,000, resulting in a favorable variance of \$125,000 (0.6%). This is primarily due to a favorable variance of repairs/maintenance costs within Operations, partially offset by increased purchased transportation costs for ADA Paratransit services.

Materials and Supplies. Total year-to-date materials and supplies expenses were \$2,473,000, compared to a budgetary figure of \$2,569,000, resulting in a favorable expense variance of \$95,000 (3.7%). This favorable variance is primarily due to revenue parts costs within Operations.

Energy. Total year-to-date energy costs were \$8,180,000, compared to the budget of \$7,366,000 resulting in an unfavorable variance of \$814,000 (-11.0%). The unfavorable variance is due to increased electricity rates that were higher than expected.

Risk Management. Total year-to-date expenses for risk management were \$1,084,000, compared to the budget of \$1,110,000, resulting in a favorable variance totaling \$26,000 (2.3%).

General and Administrative. The year-to-date general and administrative costs, including vehicle and facilities leases, were \$920,000 through September 2014, compared to a budget of \$974,000, resulting in a favorable variance of \$54,000 (5.5%).

YEAR-TO-DATE SUMMARY

The September 2014 year-to-date net-operating income totaled an unfavorable variance of \$298,000 (-0.8%). These factors include unfavorable variances in energy costs and operating revenue; partially offset by favorable variances in personnel, outside services, materials, risk management and general and administrative costs.



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 2015
SEPTEMBER 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 25,659	\$ 25,830	\$ (171)	-0.7%
Other Revenue	2,477	2,461	16	0.6%
Total Operating Revenue	\$ 28,136	\$ 28,291	\$ (155)	-0.5%
Personnel costs	\$ 30,200	\$ 30,571	\$ 371	1.2%
Outside services	21,671	21,796	125	0.6%
Transit operations funding	-	-	-	-
Materials and supplies	2,473	2,569	95	3.7%
Energy	8,180	7,366	(814)	-11.0%
Risk management	1,084	1,110	26	2.3%
General & administrative	607	643	36	5.6%
Vehicle/facility leases	313	331	17	5.2%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	-	-	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 64,529	\$ 64,386	\$ (143)	-0.2%
Operating income (loss)	\$ (36,393)	\$ (36,095)	\$ (298)	-0.8%
Total public support and nonoperating revenues	(361)	(361)	(0)	0.0%
Income (loss) before capital contributions	\$ (36,754)	\$ (36,456)	\$ (298)	0.8%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
CONSOLIDATED OPERATIONS
COMPARISON TO BUDGET - FISCAL YEAR 2015
SEPTEMBER 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 25,659	\$ 25,830	\$ (171)	-0.7%
Other Revenue	111	177	(66)	-37.3%
Total Operating Revenue	\$ 25,770	\$ 26,007	\$ (237)	-0.9%
Personnel costs	\$ 25,558	\$ 25,696	\$ 138	0.5%
Outside services	18,229	18,286	57	0.3%
Transit operations funding	-	-	-	-
Materials and supplies	2,458	2,561	103	4.0%
Energy	7,976	7,162	(814)	-11.4%
Risk management	934	1,013	79	7.8%
General & administrative	6	84	78	92.6%
Vehicle/facility leases	249	258	9	3.4%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	7,290	7,290	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 62,700	\$ 62,350	\$ (350)	-0.6%
Operating income (loss)	\$ (36,930)	\$ (36,343)	\$ (587)	-1.6%
Total public support and nonoperating revenues	390	390	-	0.0%
Income (loss) before capital contributions	\$ (36,540)	\$ (35,953)	\$ (587)	1.6%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
TRANSIT SERVICES (SAN DIEGO TRANSIT CORPORATION)
COMPARISON TO BUDGET - FISCAL YEAR 2015
SEPTEMBER 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 6,713	\$ 6,944	\$ (232)	-3.3%
Other Revenue	0	1	(1)	-64.0%
Total Operating Revenue	\$ 6,713	\$ 6,946	\$ (232)	-3.3%
Personnel costs	\$ 17,296	\$ 17,087	\$ (209)	-1.2%
Outside services	451	446	(4)	-0.9%
Transit operations funding	-	-	-	-
Materials and supplies	1,099	1,237	138	11.2%
Energy	1,687	1,770	83	4.7%
Risk management	440	482	43	8.9%
General & administrative	(12)	46	58	126.7%
Vehicle/facility leases	84	92	8	8.8%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	2,763	2,763	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 23,807	\$ 23,923	\$ 117	0.5%
Operating income (loss)	\$ (17,093)	\$ (16,978)	\$ (116)	-0.7%
Total public support and nonoperating revenues	(287)	(287)	-	0.0%
Income (loss) before capital contributions	\$ (17,381)	\$ (17,265)	\$ (116)	0.7%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
RAIL OPERATIONS (SAN DIEGO TROLLEY, INCORPORATED)
COMPARISON TO BUDGET - FISCAL YEAR 2015
SEPTEMBER 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 11,120	\$ 10,864	\$ 257	2.4%
Other Revenue	111	176	(65)	-37.1%
Total Operating Revenue	\$ 11,231	\$ 11,040	\$ 191	1.7%
Personnel costs	\$ 7,860	\$ 8,225	\$ 365	4.4%
Outside services	861	998	137	13.7%
Transit operations funding	-	-	-	-
Materials and supplies	1,339	1,299	(40)	-3.1%
Energy	3,625	2,978	(646)	-21.7%
Risk management	491	527	37	6.9%
General & administrative	14	34	21	60.1%
Vehicle/facility leases	92	92	(0)	-0.1%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	4,033	4,033	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 18,313	\$ 18,186	\$ (127)	-0.7%
Operating income (loss)	\$ (7,082)	\$ (7,146)	\$ 64	0.9%
Total public support and nonoperating revenues	-	-	-	-
Income (loss) before capital contributions	\$ (7,082)	\$ (7,146)	\$ 64	-0.9%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
MULTIMODAL OPERATIONS (FIXED ROUTE)
COMPARISON TO BUDGET - FISCAL YEAR 2015
SEPTEMBER 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 6,590	\$ 6,736	\$ (146)	-2.2%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 6,590	\$ 6,736	\$ (146)	-2.2%
Personnel costs	\$ 120	\$ 85	\$ (34)	-40.5%
Outside services	11,716	11,879	163	1.4%
Transit operations funding	-	-	-	-
Materials and supplies	16	21	4	20.7%
Energy	1,830	1,700	(130)	-7.7%
Risk management	-	-	-	-
General & administrative	2	1	(1)	-79.7%
Vehicle/facility leases	4	5	1	18.6%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	361	361	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 14,049	\$ 14,051	\$ 2	0.0%
Operating income (loss)	\$ (7,459)	\$ (7,316)	\$ (143)	-2.0%
Total public support and nonoperating revenues	-	-	-	-
Income (loss) before capital contributions	\$ (7,459)	\$ (7,316)	\$ (143)	2.0%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
MULTIMODAL OPERATIONS (PARATRANSIT)
COMPARISON TO BUDGET - FISCAL YEAR 2015
SEPTEMBER 30, 2014
(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 601	\$ 550	\$ 50	9.1%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 601	\$ 550	\$ 50	9.1%
Personnel costs	\$ 19	\$ 32	\$ 13	41.9%
Outside services	3,507	3,277	(229)	-7.0%
Transit operations funding	-	-	-	-
Materials and supplies	-	-	-	-
Energy	699	590	(109)	-18.5%
Risk management	4	4	-	0.0%
General & administrative	-	2	2	-
Vehicle/facility leases	70	70	0	0.0%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	110	110	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 4,409	\$ 4,085	\$ (323)	-7.9%
Operating income (loss)	\$ (3,808)	\$ (3,535)	\$ (273)	-7.7%
Total public support and nonoperating revenues	-	-	-	-
Income (loss) before capital contributions	\$ (3,808)	\$ (3,535)	\$ (273)	7.7%

**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
CONSOLIDATED CHULA VISTA TRANSIT OPERATIONS
COMPARISON TO BUDGET - FISCAL YEAR 2015
SEPTEMBER 30, 2014
(in \$000's)**

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 635	\$ 736	\$ (101)	-13.7%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 635	\$ 736	\$ (101)	-13.7%
Personnel costs	\$ 75	\$ 78	\$ 3	3.8%
Outside services	1,492	1,483	(9)	-0.6%
Transit operations funding	-	-	-	-
Materials and supplies	4	4	(0)	-0.8%
Energy	135	123	(11)	-9.1%
Risk management	-	-	-	-
General & administrative	3	1	(2)	-153.4%
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	23	23	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 1,731	\$ 1,712	\$ (19)	-1.1%
Operating income (loss)	\$ (1,096)	\$ (977)	\$ (119)	-12.2%
Total public support and nonoperating revenues	617	617	-	0.0%
Income (loss) before capital contributions	\$ (479)	\$ (360)	\$ (119)	33.2%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
CORONADO FERRY
COMPARISON TO BUDGET - FISCAL YEAR 2015
SEPTEMBER 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	-	-	-	-
Total Operating Revenue	\$ -	\$ -	\$ -	-
Personnel costs	\$ -	\$ -	\$ -	-
Outside services	47	47	-	0.0%
Transit operations funding	-	-	-	-
Materials and supplies	-	-	-	-
Energy	-	-	-	-
Risk management	-	-	-	-
General & administrative	-	-	-	-
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	-	-	-	-
Depreciation	-	-	-	-
Total Operating Expenses	\$ 47	\$ 47	\$ -	0.0%
Operating income (loss)	\$ (47)	\$ (47)	\$ -	0.0%
Total public support and nonoperating revenues	60	60	-	0.0%
Income (loss) before capital contributions	\$ 13	\$ 13	\$ -	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
ADMINISTRATION
CONSOLIDATED
COMPARISON TO BUDGET - FISCAL YEAR 2015
SEPTEMBER 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	2,306	2,189	117	5.4%
Total Operating Revenue	\$ 2,306	\$ 2,189	\$ 117	5.4%
Personnel costs	\$ 4,451	\$ 4,690	\$ 238	5.1%
Outside services	3,434	3,484	49	1.4%
Transit operations funding	-	-	-	-
Materials and supplies	15	6	(9)	-160.0%
Energy	201	202	1	0.5%
Risk management	146	92	(54)	-58.9%
General & administrative	576	533	(43)	-8.0%
Vehicle/facility leases	64	72	8	11.7%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	(7,318)	(7,318)	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 1,570	\$ 1,761	\$ 191	10.8%
Operating income (loss)	\$ 736	\$ 428	\$ 308	-72.0%
Total public support and nonoperating revenues	(751)	(751)	(0)	0.0%
Income (loss) before capital contributions	\$ (15)	\$ (323)	\$ 308	-95.5%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OTHER ACTIVITIES
CONSOLIDATED
COMPARISON TO BUDGET - FISCAL YEAR 2015
SEPTEMBER 30, 2014
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	60	95	(35)	-37.2%
Total Operating Revenue	\$ 60	\$ 95	\$ (35)	-37.2%
Personnel costs	\$ 191	\$ 185	\$ (6)	-3.0%
Outside services	8	27	19	70.4%
Transit operations funding	-	-	-	-
Materials and supplies	-	2	2	-
Energy	3	3	(0)	-11.4%
Risk management	3	4	1	18.1%
General & administrative	25	27	1	4.7%
Vehicle/facility leases	-	-	-	-
Amortization of net pension asset	-	-	-	-
Administrative Allocation	28	28	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 259	\$ 275	\$ 17	6.0%
Operating income (loss)	\$ (199)	\$ (180)	\$ (19)	-10.4%
Total public support and nonoperating revenues	-	-	-	-
Income (loss) before capital contributions	\$ (199)	\$ (180)	\$ (19)	10.4%



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

Agenda Item No. 48

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 20, 2014

SUBJECT:

CHULA VISTA TRANSIT UPDATE (PAUL JABLONSKI)

INFORMATIONAL ONLY

Budget Impact

None. MTS currently funds the full operational cost of Chula Vista Transit (CVT).

DISCUSSION:

In April 2006, MTS completed the Comprehensive Operations Analysis which analyzed all public transportation services provided by MTS and its various operators, and concluded that enhanced bus services could be provided in Chula Vista by combining Chula Vista Transit (CVT) services into a new contract to be bid by MTS. In 2006 MTS awarded a contract for bus services which included services within Chula Vista to Veolia (now Transdev). Following the contract award, staff began discussions with CVT staff regarding consolidating the operation of services within Chula Vista under the new MTS/Veolia contract. A Memorandum of Understanding was prepared and negotiated between the parties and approved in 2007. Total consolidation of CVT under MTS was not finalized at that time, however, due to the continued need for the maintenance facility at the City's Public Works Facility. Nevertheless the City Manager indicated the City's intent to assume full control of the facility for City use in the near future, and MTS began to seek an alternative.

MTS determined that the South Bay Bus Maintenance Facility (SBBMF), also in Chula Vista, could be expanded to accommodate the addition of both CVT vehicles and the



South Bay Bus Rapid Transit vehicles. The expansion project was completed in September 2014 and MTS has indicated to the City that it will transition the operation of the current CVT services to SBBMF in January. With the resolution of this last need to maintain a separate CVT operation, MTS staff is negotiating final consolidation of CVT into MTS.



Paul C. Jablonski
Chief Executive Officer

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



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

Agenda Item No. 62

Chief Executive Officer's Report

ADM 121.7

November 20, 2014

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 24, 2014 through November 11, 2014.



EXPENSE CONTRACTS

Doc #	Organization	Subject	Amount	Day
G1690.1-14	FINEST CITY OIL	COMPASS CARD OUTLET	\$3,000.00	10/24/2014
G1691.1-14	SUPER MERCADO MURPHY'S	COMPASS CARD OUTLET	\$3,000.00	10/24/2014
G1692.1-14	SLEEWA	COMPASS CARD OUTLET	\$3,000.00	10/24/2014
G1544.2-13	XEROX TRANSPORTATION	ADD SPANISH ANNOUNCEMENTS	\$28,195.00	10/27/2014
B0621.0-15	3DEGRES	GREEN POWER AGREEMENT FOR LEED	\$2,327.00	10/28/2014
G1732.0-15	THE PELOTON ALLIANCE	ERP/TAM CONSULTING SERVICES	\$80,000.00	10/29/2014
PWB149.1-14	TELLIARD CONSTRUCTION	AMPS BUS WASH INSTALL, IAD	\$3,500.00	11/6/2014
PWL150.5-14	GLOBAL POWER GROUP, INC.	EXPAND SCOPE AND TIME	\$18,729.43	11/6/2014
G1764.0-15	HOLIDAY BOWL	ANNUAL AGMT	\$1,175.00	11/11/2014

REVENUE CONTRACTS

Doc #	Organization	Subject	Amount	Day
L1212.0-14	DUWIGHT CONSTRUCTION	ROE - DOWNTOWN PUBLIC RESTROOM PROJECT	(\$2,500.00)	10/27/2014
L5266.0-14	MARATHON GENERAL INC	ROE PERMIT - CONSTRUCTING CITY SANTEE	(\$2,500.00)	10/29/2014
G1384.1-11	CALTROP CORP.	AMENDMENT TO RELEASE \$500K BACK TO SANDA	(\$500,000.00)	10/30/2014
G1385.1-11	AECOM	AMENDMENT TO RELEASE \$500K BACK TO SANDA	(\$500,000.00)	10/30/2014
L1217.0-15	CITY OF LA MESA	EASEMENT OF UNDERGROUND SEWER MAIN	(\$5,285.00)	11/3/2014
B0508.6-09	UCSD	UCSD ZONE PASS AGMT	(\$579,274.00)	11/4/2014
G1755.0-15	UCSD	UCSD U-PASS PROGRAM	(\$3,000,000.00)	11/6/2014
L1229.0-15	CHRISTMAS LIGHT CO.	DURABLE ROE - INSTALL AND MAINTAIN C ST	(\$9,000.00)	11/11/2014
L1234.0-15	SAN DIEGO RUN FOR THE HUNGRY	ROE PERMIT FOR 2014 RUN FOR THE HUNGRY	(\$750.00)	11/11/2014

PURCHASE ORDERS

DATE	Organization	Subject	AMOUNT
10/28/2014	SAP AMERICA, INC	SAP01 CLASSES	\$17,390.00
10/28/2014	BAY ALARM	BURGLAR AND FIRE ALARM MONITORING	\$407.87
10/29/2014	RUSH PRESS	2014 REGIONAL TRANSIT MAPS, PROOFS	\$19,386.13
10/29/2014	DELL COMPUTER CORP	LATITUDE E7440 AND E/PORT	\$5,208.22
10/30/2014	TOOLFETCH LLC	EAGLE SAFETY CABINET	\$4,426.40

PURCHASE ORDERS

DATE	Organization	Subject	AMOUNT
10/30/2014	TRI-SIGNAL INTEGRATION INC	UL FIRE LISTED POWER SUPPLY	\$1,584.36
11/3/2014	MILE-X EQUIPMENT, INC	25 TON AIR HYDRAULIC SHOP PRESS	\$5,916.24
11/4/2014	HOTSY PRESSURE WASHING	POWER WASHER W/ TRAILER DOUBLE AXLE	\$30,659.04
11/4/2014	ADVERTISING CONCEPTS INC	MOBILE SILICONE POCKETS	\$3,856.00
11/4/2014	GREEN PEARLE INTERNATIONAL INC	16OZ TWISTER TUMBLER MUG (RED)	\$3,012.00
11/4/2014	SAP AMERICA INC	ADM100 - SAP BASIS ADMINISTRATION	\$3,750.00
11/4/2014	CDW GOVERNMENT INCORPORATED	RNW SPS EE 4 ESS 1Y A	\$2,850.00
11/7/2014	QUANTUM CORPORATION	SSC14-RS00-CG11 GOLD (SUPPORT PLAN)	\$2,999.94
11/7/2014	DELL COMPUTER CORP	OPTIPLEX 9220 AND DELL 24 MONITOR	\$95,319.24
11/7/2014	UNION TRIBUNE	HELP WANTED ADS - BUS RECRUITMENT	\$4,887.00
11/7/2014	ADVERTISING CONCEPTS	EAR BUDS, RED, SINGLE COLOR IMPRINT	\$3,866.40
11/7/2014	CAREERBUILDER GOVERNMENT SOLUT	JOB POSTINGS 6/2014 -6/2016	\$48,840.00
11/7/2014	LEGEND FENCE CORP	FENCING AT IAD RAM BLDG	\$10,891.00
11/7/2014	MADDEN CONSTRUCTION	RENO. WALLS FOR EMERGENCY OPS CTR	\$1,818.18

WORK ORDERS

Doc #	Organization	Subject	Amount	Day
L0901.0-10.27	BRICEHOUSE	LOMA MEDIA TEALUM EVENT	(\$2,300.00)	10/27/2014
PWL134.0-12.30.1	HERZOG CONSTRUCTION	ADDITIONAL RAIL INSTALLATION	\$3,382.80	11/3/2014