



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 10, 2016

9:00 a.m.

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

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

ACTION RECOMMENDED

1. Roll Call
2. Approval of Minutes - October 13, 2016 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 2017 (Sharon Cooney) Approve
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 2017.

Please SILENCE electronics
during the meeting

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

Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc. and San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations). MTS is the taxicab administrator for seven cities.

MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.



CONSENT ITEMS

- | | | |
|-----|--|-------------|
| 6. | <u>San Diego and Arizona Eastern (SD&AE) Railway Company Quarterly Reports and Ratification of Actions Taken by the SD&AE Board of Directors at its Meeting on October 11, 2016</u>
Action would: (1) receive the San Diego and Imperial Valley Railroad (SD&IV), Pacific Southwest Railway Museum Association (Museum), and Pacific Imperial Railroad, Inc. (PIR) quarterly reports for information; and (2) ratify actions taken by the SD&AE Board at its quarterly meeting on October 11, 2016. | Ratify |
| 7. | <u>Investment Report - September 2016</u> | Information |
| 8. | <u>Light Rail Vehicle (LRV) Remote Diagnostics System and Public Address System Integration with Variable Message Sign System - Contract Award</u>
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1966.0-17, a Sole Source agreement, with Davra Networks (Davra), for the integration of the remote diagnostics and telematics information and the public address (PA) system, with the variable message sign (VMS) system located at each of the trolley stations. | Approve |
| 9. | <u>Authorization to Increase Legal Service Contract with Tyson & Mendes, LLP to Pay Projected Expenses</u>
Action would authorize the Chief Executive Officer (CEO) to approve increasing the Tyson & Mendes, LLP contract by \$200,000 to cover anticipated legal expenses. | Approve |
| 10. | <u>Work Order Contract Approval for Beech and Middletown Trackwork and Signaling Preliminary Engineering</u>
Action would authorize the Chief Executive Officer (CEO) to execute Work Order 13.05 to MTS Doc. No. G1494.0-13 with Pacific Railway Enterprises, Inc. to perform Design Engineering Services for the Beech and Middletown Double Crossover project. | Approve |
| 11. | <u>HASTUS Timekeeping Implementation for Non Driving Employees</u>
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1883.1-16 with GIRO, Inc., for the purchase of additional licensing for Roster and Daily Crew with SignIn/SignOut and FMLA; and the options to exercise Employee Performance Management (EPM) and SelfService modules for non-driving employees. | Approve |
| 12. | <u>Janitorial Services for San Diego Trolley, Inc. (SDTI) & San Diego Transit Corporation (SDTC) Buildings and Light Rail Vehicle (LRV) Fleet - Contract Award</u>
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1931.0-16 with NMS Management, Inc. (NMS), a Disadvantaged Business Enterprise (DBE), for the provision of janitorial services for SDTI & SDTC buildings and the LRV fleet for three (3) base years with three (3) 1-year options, exercisable at MTS's sole discretion. | Approve |
| 13. | <u>Centralized Train Control System Maintenance Services</u>
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G0930.17-04.29.2 with San Diego Association of Governments (SANDAG), for the provision of preventative maintenance services on software and equipment for the Centralized Train Control (CTC) System. | Approve |

- | | | |
|-----|--|---------|
| 14. | <u>Additional Funding for the Catenary Improvements to the Orange Line from 12th & Imperial to Main Street El Cajon, Broadway Wye</u>
Action would authorize the Chief Executive Officer (CEO) to approve additional funding of \$2,950,000 for the installation of catch cable for Orange Line and Broadway Wye. | Approve |
| 15. | <u>Proposed Revisions to MTS Board Policy No. 59, "Natural Gas and Energy Commodity Hedge Policy"</u>
Action would approve the proposed revisions to MTS Board Policy No. 59, "Natural Gas and Energy Commodity Hedge Policy". | Approve |
| 16. | <u>Trust Fund Administrator Position</u>
Action would authorize the Chief Executive Officer (CEO) to add one (1) Trust Fund Administrator position to the FY17 budget, increasing the total Full Time Equivalent (FTE) position from 0 to 1. | Approve |
| 17. | <u>SD8 Procurement Project - Funding Transfer</u>
Action would approve the transfer of \$4,550,000 from the SD100 Light Rail Vehicle (LRV) Replacement project (MTS CIP No. 20020027) to the SD8 Procurement project (MTS CIP No. 20021029). | Approve |
| 18. | <u>Proposed Revisions to MTS Board Policy No. 22</u>
Action would approve the proposed revisions to MTS Board Policy No. 22, "Rules of Procedure for the San Diego Metropolitan Transit System (MTS) Board of Directors" related to the Audit Oversight Committee (Section 22.9). | Approve |
| 19. | <u>Construction Support Services for Roadway Worker Protection Safety Training</u>
Action would ratify previous actions and authorize the Chief Executive Officer (CEO) to execute Work Order No. 11.04.03 to MTS Doc. No. G1386.0-11 with PGH Wong Engineering, Inc. | Approve |
| 20. | <u>Cubic Corporation: Fare System Software Upgrades</u>
Action would authorize the Chief Executive Officer (CEO) to issue a purchase order to Cubic Transportation Systems, Inc. (Cubic), on a sole source basis, for the provision of professional services to program fare system software upgrades in an amount not to exceed \$350,000. | Approve |

CLOSED SESSION

- | | | |
|-----|--|-----------------|
| 24. | a. CLOSED SESSION - CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code Section 54957.6
<u>Agency:</u> San Diego Trolley, Inc. (SDTI)
<u>Employee Organization:</u> Public Transit Employees Association (Representing SDTI Train Operators, Electromechanics, Servicers and Clerical Staff)
<u>Agency-Designated Representative:</u> Jeff Stumbo

<u>Oral Report of Final Actions Taken in Closed Session</u> | Possible Action |
|-----|--|-----------------|

NOTICED PUBLIC HEARINGS

- | | | |
|-----|---|----------|
| 25. | <u>Public Hearing for Route 950 Major Service Changes (Denis Desmond)</u> | Possible |
|-----|---|----------|

Action would: (1) Receive public testimony; and (2) Provide direction to staff for any changes prior to approval at a later Board of Directors meeting

Action

DISCUSSION ITEMS

- | | | |
|-----|---|---------------------|
| 30. | <u>Fiscal Year 2016 Comprehensive Annual Financial Report (CAFR) (Erin Dunn and Larry Marinesi; Kenneth Pun and Gary Caporicci of The Pun Group)</u>
Action would receive the Fiscal Year (FY) 2016 Comprehensive Annual Financial Report (CAFR). | Receive |
| 31. | <u>Fiscal Year 2016 Final Budget Comparison (Mike Thompson)</u>
Action would receive the MTS operations budget status report for Fiscal Year 2016 and approve Budget Development Committee recommendations to program the excess revenues less expenses. | Receive/
Approve |

REPORT ITEMS

- | | | |
|-----|---|-------------|
| 45. | <u>Operations Budget Status Report for August 2016 (Mike Thompson)</u> | Information |
| 46. | <u>Year End Operations Report (Denis Desmond, Bill Spraul & Wayne Terry)</u> | Information |
| 60. | <u>Chairman's Report</u> | Information |
| 61. | <u>Chief Executive Officer's Report</u> | Information |
| 62. | <u>Board Member Communications</u> | |
| 63. | <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. | |
| 64. | <u>Next Meeting Date:</u> December 8, 2016 | |
| 65. | <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 13, 2016

1. Roll Call

Chairman Mathis called the Board meeting to order at 9:07 a.m. A roll call sheet listing Board member attendance is attached.

2. Approval of Minutes

Mr. Minto moved to approve the minutes of the September 15, 2016, MTS Board of Directors meeting. Ms. Rios seconded the motion, and the vote was 14 to 0 in favor with Mr. Cunningham absent.

3. Public Comments

Richard Lujan – Mr. Lujan commented on bus stops located in the Lomita community of San Diego. He stated that the bus stops do not comply with the Americans with Disabilities Act (ADA). He stated that many of the stops are filled with dirt and rocks, they are not easily accessible and there are no trash cans. Mr. Lujan noted that one bus stop in particular on San Vicente St and Jacumba is all rock and gravel, making it difficult to access in a wheelchair. He also requested for the trolleys to automatically deploy the handicap ramps every time the doors open.

Martha Welch – Ms. Welch commented on the 2015 budget. She asked why there are not more public bathrooms at trolley stations. She commented that the Blue Line trolley cars are sometimes made up of only the old cars and no new cars. She said that there are bus stops that have been moved because of construction in downtown. She also commented on the future Purple Line trolley.

CONSENT ITEMS

6. Fiscal Year 2017 State Transit Assistance Claim

Action would adopt Resolution No. 16-21, approving the fiscal year (FY) 2017 State Transit Assistance (STA) claim.

7. Adoption of the 2017 San Diego Metropolitan Transit System (MTS) Executive Committee and Board of Directors Meeting Schedule

Action would adopt the 2017 Executive Committee and Board of Directors meeting schedule.

8. Federal Transit Administration Section 5310 Public Hearing

Action would adopt Resolution No. 16-22 certifying that there are no private, nonprofit organizations readily available to provide the same complementary paratransit service in MTS's service area, a prerequisite to receiving FTA Section 5310 funding.

9. Federal Transit Administration Section 5310 Grant Application
Action would: (1) Adopt Resolution No. 16-23 agreeing to comply with all terms and conditions of the Federal Transit Administration (FTA) Section 5310 Enhanced Mobility for Seniors and Individuals with Disabilities program as set forth by the FTA and the San Diego Association of Governments (SANDAG); (2) Authorize the Chief Executive Officer (CEO) to submit the following applications and execute any grant agreements awarded by SANDAG: a. \$460,800 in federal fiscal year 2015 FTA Section 5310 Enhanced Mobility for Seniors and Individuals with Disabilities funding for paratransit vehicle replacement; b. \$460,800 in federal fiscal year 2016 FTA Section 5310 Enhanced Mobility for Senior and Individuals with Disabilities funding for paratransit vehicle replacement; and (3) Authorize the commitment of up to \$852,368 in local matching funds to fully fund the purchase of 16 paratransit vehicles if awarded.
10. Bus Bench Advertising and Maintenance Services (Revenue Contract)
Action would: (1) ratify prior contract extension with Coast United Advertising (Coast) entered into under the Chief Executive Officer's (CEO) authority, MTS Doc. No. B0201.5-99; (2) authorize the CEO to execute Amendment No. 6, MTS Doc. No. B0201.6-99 with Coast to extend the current agreement through December 31, 2017 to allow sufficient time to remove existing benches and install new benches; and (3) authorize the CEO to delay the implementation of the new contract, MTS Doc. No. G1805.0-15, with Coast until January 1, 2018.
11. Investment Report - August 2016
12. Revisions to San Diego Metropolitan Transit System (MTS) Ordinance No. 11, Providing for the Licensing and the Regulating of Transportation Services within the City by the Adoption of a Uniform Paratransit Ordinance
Action would: (1) Adopt the proposed amendments to Ordinance No. 11, An Ordinance Providing for the Licensing and the Regulating of Transportation Services within the City by the Adoption of a Uniform Paratransit Ordinance; and (2) Direct publication of a summary of the amendment to Ordinance No. 11.
13. Copley Park Division (CPD) Roof and HVAC Project - Award Work Order Under a Job Order Contract
Action would authorize the Chief Executive Officer (CEO) to execute Work Order No. MTSJOC7504-14, under MTS Doc. No. PWL204.0-16 with ABC Construction, Inc., for the provision of labor, materials, equipment, and supplies for the purchase and installation of roofing materials and HVAC equipment at the CPD.
14. San Diego Metropolitan Transit System (MTS) Green Line Public Address (PA) System Purchase and Installation Services - Award Work Order Under a Job Order Contract (JOC)
Action would authorize the Chief Executive Officer (CEO) to execute Work Order No. MTSJOC7500-01, under MTS Doc. No. PWL203.0-16 with HMS Construction, Inc. (HMS), for the provision of labor, materials, equipment, and supplies for the purchase and installation of a public address system at nineteen locations along the MTS Green Line.
15. Taxicab Administration Building, Taxicab Garage & Taxicab Parking Lot - Contract Award
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1928.0-16 with T&T Janitorial (a certified DBE), for the provision of janitorial services for the Taxicab

Administration Building, Taxicab Garage & Taxicab Parking Lot for three (3) base years with three (3) 1-year options, exercisable at MTS's sole discretion.

16. Light Rail Vehicle (LRV) Resistor Banks - Contract Award
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L1321.0-16 with Siemens Industry, Inc. (Siemens) for the purchase of LRV Resistor Banks.
17. Unallocated Transportation Development Act (TDA) Funds for Transit-Related Projects
Action would approve the use of \$76,712.09 in unallocated TDA funds currently held by the County of San Diego (County) for transit-related expenses for the City of El Cajon.
18. Light Rail Vehicle Anti-Graffiti Window Film Installation and Materials - Contract Award
Action would authorize the Chief Executive Officer (CEO) to: (1) Execute MTS Doc. No. L1319.0-16 with NMS Management, Inc. (NMS) for a two (2) year base period with three (3) one-year options to supply and install anti-graffiti window film on 128 light rail vehicles (LRVs); and (2) Exercise each option year at the CEO's discretion.
19. Courthouse Station - Special Trackwork Materials - Contract Award
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L1323.0-17 with Voestalpine Nortrak, Inc. for the purchase of Courthouse Station Special Trackwork Materials.
20. General Engineering and Real Estate Services for MTS Right of Entry Permits and Right-of-Way Issues
Action would ratify previous actions and authorize the Chief Executive Officer (CEO) to execute Work Order No. 13.01.06 to MTS Doc. No. G1496.0-13 with RailPros, Inc.
21. General Engineering and Real Estate Services for MTS As-Needed Real Estate Support
Action would ratify previous actions and authorize the Chief Executive Officer (CEO) to execute Work Order No. 13.03.02 to MTS Doc. No. G1493.0-13 with Kimley-Horn & Associates, Inc.

COMMENTS – RECOMMENDED CONSENT ITEMS

Chairman Mathis stated that there were public speakers for consent items 6 and 12. He said that he will pull those items and take a vote on the remaining consent items.

Action on Recommended Consent Items, excluding Items 6 and 12

Mr. McWhirter moved to approve all recommended consent agenda items, excluding numbers 6 and 12. Mr. Minto seconded the motion, and the vote was 14 to 0 in favor with Mr. Cunningham absent.

PUBLIC COMMENTS – CONSENT ITEM 6

Martha Welch – Ms. Welch commented on State Transit Assistance (STA) and asked why other cities were not listed on the allocation list. She asked what the STA money pays for at MTS.

Action on Recommended Consent Item 6

Mr. Roberts moved to approve consent agenda item number 6. Mr. Minto seconded the motion, and the vote was 14 to 0 in favor with Mr. Cunningham absent.

PUBLIC COMMENTS – CONSENT ITEM 12

William Johnson – Mr. Johnson said he represents the United Taxi Workers of San Diego. He stated that they are in support of the Ordinance No. 11 changes. He also noted that there were some changes and revisions that were not included because they affected the budget.

Yonas Mehari-Ghiliu – Mr. Mehari-Ghiliu is an owner operator of a taxicab. He said that they are happy with the changes in Ordinance No. 11, but there are still more changes that will need to be made in the future.

Feyissa Bulti – Mr. Bulti is a taxicab operator. He said there is more work to be done on updating Ordinance No. 11 concerning fees and penalties. He also commented on the taxicab relationships with hotels and said that Yellow Cab exclusively works with the hotels.

Ms. Cooney provided further clarification on consent item number 12. She noted that the revisions to Ordinance No. 11 were recommended by the permit holders. The revisions were approved by the Taxicab Advisory Committee and recommended by MTS staff. She noted that a summary of the changes were listed in the agenda item. Ms. Zapf commented that she is the Chair of the Taxicab Advisory Committee and said that the proposed changes are relatively minor and those changes were asked for by the permit holders.

Action on Recommended Consent Item 12

Ms. Zapf moved to approve consent agenda item number 12. Mr. Minto seconded the motion, and the vote was 14 to 0 in favor with Mr. Cunningham absent.

CLOSED SESSION

24. Closed Session Items

The Board convened to Closed Session at 9:28 a.m.

- a. CLOSED SESSION - CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
Pursuant to California Government Code Section 54956.9(d)(1) San Diego Metropolitan Transit System v. Grand Central West LLC and related cross-complaints (San Diego Superior Court Case No. 37-2014-00044014-CU-OR-CTL)
- b. CLOSED SESSION - CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to California Government Code Section 54956.8
Property: Lots 1 and 2 of Map 14930 (aka 5175 Linda Vista Rd; 5375 Napa St; 5395 Napa St)
Agency Negotiators: Paul Jablonski, Chief Executive Officer; Karen Landers, General Counsel; and Tim Allison, Manager of Real Estate Assets
Negotiating Parties: Morena Vista LLC

- c. CLOSED SESSION - CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to California Government Code Section 54956.8
Property: 1255 Imperial Avenue, Suite 100, San Diego, California 92101
Agency Negotiators: Paul Jablonski, Chief Executive Officer; Karen Landers, General Counsel; and Tim Allison, Manager of Real Estate Assets
Negotiating Parties: Grab & Go Subs California, Inc.
Under Negotiation: Price and Terms of Payment
- d. CLOSED SESSION - CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code Section 54957.6
Agency: San Diego Trolley, Inc. (SDTI)
Employee Organization: Public Transit Employees Association (Representing SDTI Train Operators, Electromechanics, Servicers and Clerical Staff)
Agency-Designated Representative: Jeff Stumbo

The Board reconvened to Open Session at 10:43 a.m.

Oral Report of Final Actions Taken in Closed Session

Karen Landers, General Counsel, reported the following:

- a. The Board received a report from counsel regarding pending litigation and gave instructions to counsel.
- b. The Board received a report from negotiators and gave instructions.
- c. This item was pulled and not discussed.
- d. The Board received a report from negotiators.

NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS:

- 30. Siemens Industry, Inc. (Siemens) Light Rail Vehicle (LRV) Procurement: Release for Production Notice - 45 Option LRVs (Karen Landers)

Karen Landers, General Counsel, provided a brief report on the Siemens LRV Procurement. Ms. Landers provided information about the existing contract with Siemens. She noted that the additional purchase of 45 LRVs will be used for two projects, including the Mid-Coast LRT Extension Project and capacity enhancements on the Blue and Orange Lines.

Action Taken

Mr. Roberts moved to authorize the Chief Executive Officer (CEO) to issue a Release for Production Notice to Siemens for the purchase of 45 LRVs upon execution and approval of

grant funding for the California Transportation Commission. Mr. Minto seconded the motion, and the vote was 14 to 0 in favor with Mr. Cunningham absent.

31. Americans with Disabilities Act (ADA) Paratransit Client Certification Services - Contract Award (Jay Washburn)

Bill Spraul, Chief Operating Officer of Transit Services, introduced Jay Washburn, Manager of Paratransit and Minibus. Mr. Spraul stated that staff has been looking into ADA service and certification processes to ensure that MTS is being as cost efficient and effective as possible. Mr. Washburn continued the presentation and provided a background on the MTS Access service and stated that a review was done on the eligibility process of this service. He discussed the results of the review and noted that the best practices and required enhancements were updated. The changes include an improved and more robust application process; eligibility screening via phone interview; in-person interview and assessment; and functionally-based eligibility decisions. Mr. Washburn reviewed the procurement process and stated that Medical Transportation Management (MTM) was selected as the best value to MTS. He also reviewed the potential annual savings under the new contract.

PUBLIC COMMENTS

Rod Easterly – Mr. Easterly commented that there was not much public notice or input regarding these changes. He stated that he was not given detailed information and came to the meeting to gain further insight.

BOARD MEMBER COMMENTS

Mr. Roberts asked how MTS Access service and Facilitating Access to Coordinated Transportation (FACT) service compare. Mr. Jablonski stated that MTS is required by the FTA to provide ADA services and FACT is not required to provide ADA services. Mr. Roberts commented that it seems FACT could help alleviate some of MTS's Access service. Mr. Jablonski noted that FACT's service area is more restrictive since they are primarily located in San Diego's North County. Ms. Cooney commented that FACT is making improvements to providing service in other areas of the county. She said that FACT also recently received grant funding to purchase additional buses to expand their service.

Ms. Zapf inquired about the average cost per trip for Access service. Mr. Spraul replied that MTS's direct cost per trip is about \$28.00, and when adding in the fixed cost per trip, the total is just under \$50.00. Ms. Zapf stated that FACT costs per trip are significantly lower and recommended that we should look into partnering more with FACT to help alleviate the cost. She asked if income was taken into consideration for determining customer eligibility. Mr. Spraul replied that financial factors are not considered when determining eligibility. Ms. Zapf asked about the service area limits for these trips. Mr. Spraul replied that as long as the trip can be made in the fixed route service area, we are obligated to provide that trip in Access service.

Ms. Bragg commented that this service is not only about money, but it services the most vulnerable passengers. She stated that there needs to be extensive outreach to the public regarding this service. Ms. Bragg said that there should also be outreach to educate people about traveling and navigating the system.

Action Taken

Ms. Zapf moved to authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1901.0-16 with Medical Transportation Management, Inc. (MTM), for the provision of ADA paratransit client certification services for three (3) base years with two (2) 1-year options, exercisable at MTS's sole discretion. Ms. Bragg seconded the motion, and the vote was 14 to 0 in favor with Mr. Cunningham absent.

PUBLIC COMMENTS – AGENDA ITEM 30 (TAKEN OUT OF ORDER)

Robin Stimson, Vice President of Siemens, thanked the Board for its confidence in Siemens to continue its relationship with MTS in building the new LRVs. He said that they look forward to providing the new ultra-low floor LRVs to San Diego to help expand service.

REPORT ITEMS

45. Operations Budget Status Report for June 2016 (Mike Thompson)

Mike Thompson, Director of Financial Planning and Analysis, provided a presentation on the operations budget status report for June 2016. He reviewed the results for total operating revenues and noted that fare revenues were slightly down over the previous year. He stated that the total operating expenses are resulting in favorable numbers for personnel costs, purchased transportation and energy. Mr. Thompson reviewed the results for total non-operating revenues as well as the total revenues less expenses. He noted that staff will meet with the Budget Development Committee (BDC) to bring a recommendation on the remaining surplus of revenues. Lastly, he discussed ongoing concerns including sales tax subsidy revenue, State of California budget, passenger levels and energy prices.

Mr. Gloria inquired when the next BDC meeting will take place. Mr. Thompson replied that the next BDC meeting will take place on Thursday, October 27 at 9:00am.

Ms. Zapf asked about the proposed high number for passenger levels for FY 2017. Mr. Thompson replied that the projected number is higher because it was not adjusted at midyear. He noted that number will be updated for the next report.

Action Taken

No action taken. Informational item only.

60. Chairman's Report

Chairman Mathis commented on the success of the ribbon-cutting ceremony for the East County Bus Maintenance Facility yesterday. He stated that this facility will help to phase out almost all of MTS's diesel buses and transition to CNG.

Mr. Roberts reminded the Board that the Mid-Coast Groundbreaking Event will take place on Saturday, October 22nd, at the Preuss School field at UC San Diego.

61. Chief Executive Officer's Report

Mr. Jablonski reported the following business travel: on September 16th he traveled to Sacramento to speak with a Board Member of the California Air Resources Board (CARB) regarding the proposed Advanced Clean Transit mandate; on September 22nd he traveled to Sacramento to attend the CARB Board meeting; on September 23rd he traveled to Long Beach for a California Transit Association (CTA) Executive Committee meeting; and from September 25th through September 29th he traveled to Washington DC for the San Diego Regional Chamber Mission and to also participate in the CTA Federal Lobby Day.

62. Board Member Communications

Ms. Rios invited Board Members to attend the Maytime Band Review in National City on Saturday, October 15th.

63. Additional Public Comments on Items Not on the Agenda

Valerie Hightower – Ms. Hightower asked when bus benches would be installed at the following bus stops: 41st & Oceanview, 41st & National, 30th & Imperial, and 54th & El Cajon. She said that transit security should have bicycles to help them better patrol the different bus stops. She asked for the Route 4 bus to have increased service. She asked for shuttle service from the Euclid Trolley Station to Chollas Lake.

64. Next Meeting Date

The next regularly scheduled Board meeting is November 10, 2016.

65. Adjournment

Chairman Mathis adjourned the meeting at 11:30 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 13, 2016

CALL TO ORDER (TIME): 9:07 a.m.

RECESS: _____

RECONVENE: _____

CLOSED SESSION: 9:28 a.m.

RECONVENE: 10:43 a.m.

PUBLIC HEARING: _____

RECONVENE: _____

ORDINANCES ADOPTED: 1

ADJOURN: 11:30 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ALVAREZ	<input type="checkbox"/> (Cate) <input checked="" type="checkbox"/>	9:07 a.m.	11:30 a.m.
BRAGG	<input checked="" type="checkbox"/> (Spriggs) <input type="checkbox"/>	9:07 a.m.	11:30 a.m.
COLE	<input checked="" type="checkbox"/> (Cate) <input type="checkbox"/>	9:07 a.m.	11:30 a.m.
CUNNINGHAM	<input type="checkbox"/> (Mullin) <input type="checkbox"/>		
GASTIL	<input type="checkbox"/> (Jones) <input checked="" type="checkbox"/>	9:07 a.m.	11:30 a.m.
GLORIA	<input checked="" type="checkbox"/> (Cate) <input type="checkbox"/>	9:07 a.m.	11:30 a.m.
MATHIS	<input checked="" type="checkbox"/>	9:07 a.m.	11:30 a.m.
MCCLELLAN	<input type="checkbox"/> (Ambrose) <input checked="" type="checkbox"/>	9:07 a.m.	11:30 a.m.
MCWHIRTER	<input checked="" type="checkbox"/> (Arapostathis) <input type="checkbox"/>	9:07 a.m.	11:30 a.m.
MINTO	<input checked="" type="checkbox"/> (McNelis) <input type="checkbox"/>	9:07 a.m.	11:30 a.m.
RIOS	<input checked="" type="checkbox"/> (Sotelo-Solis) <input type="checkbox"/>	9:07 a.m.	11:30 a.m.
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	9:07 a.m.	11:30 a.m.
SALAS	<input checked="" type="checkbox"/> (Miesen) <input type="checkbox"/>	9:07 a.m.	11:30 a.m.
WOIWODE	<input checked="" type="checkbox"/> (Sandke) <input type="checkbox"/>	9:07 a.m.	11:30 a.m.
ZAPF	<input checked="" type="checkbox"/> (Cate) <input type="checkbox"/>	9:07 a.m.	11:30 a.m.

SIGNED BY THE CLERK OF THE BOARD:

Julia Tiller

CONFIRMED BY THE GENERAL COUNSEL:

Kevin Cline



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 10, 2016

SUBJECT:

APPOINTMENT OF AD HOC NOMINATING COMMITTEE FOR RECOMMENDING
APPOINTMENTS TO MTS COMMITTEES FOR 2017 (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 2017.

Budget Impact

None.

DISCUSSION:

Each year, the Board makes appointments to various committees, including the Budget Development Committee, Public Security Committee, Audit Oversight Committee, Executive Committee, Joint Committee on Regional Transit (JCRT), Taxicab Advisory 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 2016.

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, Gloria, Bragg and Minto.

The Ad Hoc Nominating Committee shall review the list of MTS committees and make recommendations to the Board with respect to the appointment of members of the Board

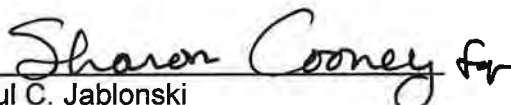


to serve on each committee. The Ad Hoc Nominating Committee is also tasked with reviewing the list of outside boards and/or committees and making recommendations to the Board with respect to the appointment of members of the Board to represent MTS on each outside board or committee, except for the Board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

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

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

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


Paul C. Jablonski
Chief Executive Officer

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

Attachments: A. Board Policy No. 22
B. Table of MTS Committees for 2016



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

Policies and Procedures No. 22

Board Approval: 2/12/15

SUBJECT:

RULES OF PROCEDURE FOR THE SAN DIEGO METROPOLITAN TRANSIT
SYSTEM (MTS) BOARD OF DIRECTORS

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. The Board is established and governed by the Mills-Deddeh Transit Development Act, set forth in the Sections 120000 through 120702 of the California Public Utilities Code ("MTS Enabling Legislation"). Section 120101 requires to the Board to "establish rules for its proceedings." In the event the rules of procedure set forth herein conflict with the MTS Enabling Legislation, or other applicable law, the applicable law shall supersede these rules.

22.1 Membership and Organization

- 22.1.1 Membership in this Board is established by Sections 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.
 - 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 schedule of the meetings shall be published in the local newspaper of general circulation prior to the next regular meeting. The schedule of meetings shall also be published on the MTS website and posted at the MTS Executive Offices.

- 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 at other than a regular meeting or at an adjourned regular meeting. However, an urgency ordinance may be passed at a 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 Consistent with Section 120109 of the MTS Enabling Legislation, 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 22.4.4, 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.

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 by the City of San Diego 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 22.8.2 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 and such other individuals as the Board may appoint at the first MTS Board meeting each calendar year. The Chairman of the Audit Oversight Committee shall be a voting member. The Chairman of the Audit Oversight Committee shall not be the member who serves as the Executive Committee Chairman. The Board may

also 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 voting members who are appointed to serve on the Audit Oversight Committee. 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 any applicable laws or regulations (including, but not limited to, the Brown Act, Government Code section 1090 and the Political Reform Act) and is not intended to supersede 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.

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.
Policy revised 2/12/15.

2016 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
Audit Oversight Committee	Ernie Ewin – Chair Harry Mathis – Committee Representative Ron Roberts – County Representative (Alternate: Greg Cox) Todd Gloria – City of San Diego Representative (Alternate: Myrtle Cole) Lorie Bragg – South Bay Representative (Alternate: Mona Rios) Bob McClellan – East County Representative (Alternate: Guy McWhirter)
Budget Development Committee	Harry Mathis – Committee Representative Myrtle Cole – Committee Representative Bob McClellan – Committee Representative John Minto – Committee Representative Ron Roberts – Committee Representative
Executive Committee	Harry Mathis – Chair Ron Roberts – County Representative (Alternate: Greg Cox) Todd Gloria – City of San Diego Representative (Alternate: Myrtle Cole) Lorie Bragg – South Bay Representative (Alternate: Mona Rios) Bob McClellan – East County Representative (Alternate: Guy McWhirter)
Joint Committee on Regional Transit (JCRT)	Harry Mathis – Committee Representative Jim Cunningham – Committee Representative George Gastil – Committee Representative
Los Angeles - San Diego Rail Corridor Agency (LOSSAN)	George Gastil – Committee Representative Lorie Bragg – Alternate
Public Security Committee	Harry Mathis – Committee Representative Jim Cunningham – Committee Representative George Gastil – Committee Representative John Minto – Committee Representative Mona Rios – Committee Representative Lorie Zapf – Committee Representative
SANDAG Board	Harry Mathis – Advisory Representative Mona Rios – Alternate
SANDAG Regional Planning Committee	Mona Rios – Committee Representative Myrtle Cole – Alternate
SANDAG Transportation Committee	Harry Mathis – Committee Representative Lorie Bragg – Alternate (Chosen by the Executive Committee)
Taxicab Advisory Committee	Lorie Zapf – Chair George Gastil – Alternate
Vice Chair Chair Pro Tem	Ron Roberts – Vice Chair Todd Gloria – Chair Pro Tem



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 10, 2016

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 11, 2016

RECOMMENDATION:

That the Board of Directors:

1. receive the San Diego and Imperial Valley Railroad (SD&IV), Pacific Southwest Railway Museum Association (Museum), and Pacific Imperial Railroad, Inc. (PIR) quarterly reports (Attachment A) for information; and
2. ratify actions taken by the SD&AE Board at its quarterly meeting on October 11, 2016.

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 2016 (Attachment A).


Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Copy of Final Meeting Materials from 10/11/16



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

Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc. and San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations). 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 & ARIZONA
EASTERN RAILWAY
COMPANY**

A NEVADA NONPROFIT
CORPORATION

1255 IMPERIAL AVE., STE. 1000
SAN DIEGO, CA
92101-7490
(619) 231-1466

BOARD OF DIRECTORS
PAUL JABLONSKI, CHAIRPERSON
MATT DOMEN
JARED GOOCH

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

LEGAL COUNSEL
KAREN LANDERS

AGENDA

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

October 11, 2016

9:00 a.m.

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

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

**ACTION
RECOMMENDED**

1. Approval of the Minutes of July 19, 2016
Action would approve the SD&AE Railway Company Minutes of July 19, 2016. Approve
2. Statement of Railway Finances (Erin Dunn)
Action would receive a report for information. Receive
3. Report on San Diego and Imperial Valley (SD&IV) Railroad Operations (Matt Domen)
Action would receive a report for information. Receive
4. Report on Pacific Southwest Railway Museum (Diana Hyatt)
Action would receive a report for information. Receive
5. Report on the Desert Line (Arturo Alemany)
Action would receive a report for information. Receive
6. Real Property Matters (Tim Allison)
 - a. Summary of SD&AE Documents Issued July 19, 2016
Action would receive a report for information. Receive
 - b. License for Community Dog Park in Imperial Beach
Action would approve issuing a license to the City of Imperial Beach for the portion of the proposed community dog park within SD&AE right-of-way located approximately between the intersection of 11th Street and Cherry Avenue and the intersection of Florida Street and Boulevard Avenue in Imperial Beach, CA. Approve
 - c. License Amendment for Bayshore Bikeway Bike Path Connection in Imperial Beach
Action would approve issuing a license amendment to the City of Imperial Beach for the proposed Bayshore Bikeway bike path connection located northwest of the intersection of 7th Street and Boulevard Avenue in Imperial Beach, CA. Approve

7. Approval of the 2017 SD&AE Board of Directors Meeting Schedule
(Karen Landers) Approve
Action would approve the 2017 SD&AE Board of Directors meeting schedule.
8. Board Member Communications
9. Public Comments
10. Next Meeting Date: Tuesday, January 17, 2017 (pending approval of Agenda Item No. 7 on this agenda).
11. Adjournment

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

July 19, 2016

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 19, 2016, at 9:04 a.m.

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

MTS staff:	Karen Landers, Tim Allison, Erin Dunn, Wayne Terry
Pacific Southwest Railroad Museum:	Diana Hyatt, Mike Edwards
Pacific Imperial Railroad (PIR):	Arturo Alemany
Baja Railroad (BJRR):	Manuel Hernandez, Roberto Romandia
Public:	Reena Deutsch

1. Approval of Minutes

Mr. Domen moved to approve the Minutes of the April 12, 2016, SD&AE Railway Board of Directors meeting. Mr. Jablonski seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Erin Dunn reviewed the Statement of Railway Finances for the second quarter (see the attachment to the agenda item). Ms. Landers pointed out that MTS has a contract with RailPros and Dan Davis to oversee the Desert Line reconstruction, and those expenses will be showing up on future reports.

Action Taken

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

3. Report on SD&IV Operations

Mr. Domen reviewed the SD&IV Periodic Report for activities for the second quarter of 2016 (see the attachment to the agenda item). Ms. Landers stated that SD&IV's lease has periodic rent evaluations and lease increases written into it, which may never have been done. She stated that it is time for an evaluation, and she will pull the information for review and then schedule a meeting.

Mr. Jablonski noted a healthy increase in the number of carloads and asked if those numbers can be sustained. Mr. Domen responded affirmatively and added the recent numbers are due to increased petroleum production in Mexico and also business from a steady transload customer. Mr. Gooch clarified that the fourth quarter typically sees the highest number of carloads quarterly due to higher demand for LPG.

Mr. Jablonski asked about the status of the spur on the Blue Line Improvement Project. Mr. Terry responded that the infrastructure is complete, and final signal testing is being conducted. The Federal Railroad Administration (FRA) will do an inspection. MTS received a five-year waiver from the FRA with a caveat that a supplement be submitted for special operations for the lockdown between the Yard and Palomar siding. Once testing is complete, the supplement will be prepared and submitted.

Mr. Domen reported that SD&IV will be running a test locomotive tomorrow night to that siding and test the interlocking. Mr. Jablonski requested that going forward, feedback be included in the quarterly report on the operational benefits of the expenditures for this project to report to SANDAG. Discussion ensued regarding the status of remaining projects for the Yard, potential customers, and the benefits of the enhancements to the Yard.

Mr. Domen added that the west Palomar siding was used to switch a customer and it worked great. He reported that the new signals are a great improvement, and they also speed up operations.

Action Taken

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

4. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt reviewed the Second Quarter 2016 Pacific Southwest Railway Museum (PSRM) report. She provided the amounts for the incomplete passenger train counts in the quarterly report: the Museum ran 48 passenger trains carrying 1,945 passengers in the second quarter of 2016.

Ms. Hyatt requested an update from the last meeting regarding the Jacumba Depot. Tim Allison responded that the lease is still under Carrizo Gorge Railway (CZRY). Ms. Landers added that there is a meeting right after this meeting regarding PSRM's lease, and it will be discussed at that meeting.

Mr. Allison stated that Caltrans has been working with MTS about the work that Caltrans has to do at the crossing by the Stone Store on Highway 94. He added that there have been a number of ongoing meetings with representatives from multiple agencies. Mr. Allison stated that Caltrans hired a contractor, but no right of entry permit has been submitted to date. Mr. Allison clarified that the project involves an emergency contract to replace the bridge in its entirety because Caltrans identified a scour problem north of an SD&AE crossing. He stated that the emergency contract was written with minimal plans and no strategy to deal with railroad approaches, so Caltrans is not ready to begin the project. Mr. Allison added that Dan Davis is our expert on the project, and he will be at the meeting on Friday. He stated that it is being made clear that the Museum's trains are not to be impacted and must be able to operate. Ms. Hyatt added that they want to ensure that the signaling will not be altered.

Action Taken

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

5. Report on Desert Line

Arturo Alemany reviewed the PIR Periodic Report for the second quarter of 2016 and he gave a status update of the reconstruction plans. Mr. Alemany reported that PIR is in contact with possible operating partners and that information will be released once there is a nondisclosure statement. Mr. Alemany reviewed a detailed plan for the disposition of rolling stock that is stored on the Desert Line. He added that he has been working with Roberto Romandia of Baja Rail and Ms. Hyatt, who has been very helpful. He added that the Museum will have the pick of the unclaimed inventory. He also reported on security and a minor locomotive/railcar collision.

- Public Speaker – Reena Deutsche: Ms. Deutsche requested an update on the status of plans to build a new multimodal facility in Coyote Wells. Mr. Alemany gave a brief response and then agreed to address it further with Ms. Deutsche after the meeting.

Mr. Jablonski asked if an operational analysis has been conducted to understand what infrastructure improvements might be done to the sidings, etc. to maximize the capacity on the line. Mr. Romandia responded that engineers have been doing studies based on FRA requirements and there are different options available. Discussion continued and Ms. Landers added that Dan Davis has been designated to address any technical issues (with any infrastructure improvements). Mr. Alemany clarified that Baja Rail activities will be included within PIR's quarterly reports.

Action Taken

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

6. Real Property Mattersa. Summary of SD&AE Documents Issued Since April 12, 2016

Tim Allison stated that since the April 12, 2016, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff. Mr. Allison stated that things are heating up with Caltrans' project and permit submittals by Baja Rail for Desert Line work.

- S200-16-636: Right of Entry Permit to the City of La Mesa for the La Mesa Flag Day Parade.
- S200-16-637: Right of Entry Permit to Navy Region Southwest for the Navy Bay Bridge Run.
- S200-16-639: Right of Entry Permit to Palm Engineering Construction Co. for a City of La Mesa sewer rehabilitation project east of the Grossmont Trolley Station.

Action Taken

The Board received a report for information.

7. Election to Fill Vacant Board Member Position

Ms. Landers stated that this request is to approve replacing Board member Blake Jones with Jared Gooch and to forward a recommendation to the MTS Board of Directors to ratify this action. She added that the recommendation should also reflect that the SD&AE Board allowed Mr. Gooch to serve as Mr. Jones' alternate for this meeting.

Mr. Jablonski moved to: (1) elect Jared Gooch from Genesee and Wyoming as an SD&AE Board member to replace Blake Jones (effective as of the beginning of this meeting); and (2) forward a recommendation for approval to the MTS Board of Directors. Mr. Domen seconded the motion, and it was unanimously approved.

8. Ratification of Corrections to July 14, 2015, Meeting Minutes

Ms. Landers informed Board members of a change in Committee clerks. Traci Wutke is no longer with MTS, and Jan Gardetto will be her replacement. Ms. Landers added that two items from the July 14, 2015, Meeting Minutes need Board approval for minor corrections to the actions.

1. Agenda Item 6b: License for Private Crossings – D and E Streets in Chula Vista on the Coronado Branch

The recommended action was to approve issuing a license to City of Chula Vista Property, LLC for two proposed private at-grade crossings across SD&AE tracks located between D and E Streets west of Bay Boulevard in Chula Vista, CA. The final meeting minutes reflected that the Board received a report when in fact the Board approved the action.

2. Agenda Item 6c: Easement for Underground Gas Pipeline Crossing

The recommended action was to approve issuing an easement to San Diego Gas & Electric Co. (SDG&E) for an underground gas pipeline crossing the SD&AE right of way at 65th Street in the City of San Diego. The final meeting minutes reflected that the Board received a report when in fact the Board approved the action.

Mr. Jablonski moved to: (1) approve corrections to the final meeting minutes of the July 14, 2015, SD&AE meeting for two prior actions taken on Agenda Items 6b and 6c; and (2) forward a recommendation to the MTS Board of Directors to ratify the corrected actions. Mr. Domen seconded the motion, and it was unanimously approved.

9. Board Member Communications

There were no Board member communications.

10. Public Comments

There were no additional public comments.

11. Next Meeting Date

The next meeting of the SD&AE Board of Directors is on October 11, 2016, at 9:00 a.m.

12. Adjournment

The meeting was adjourned at 9:45 a.m.



President



Legal Counsel

Agenda Item No. 2

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

October 11, 2016

SUBJECT:

STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors receive a financial report for the year ending June 30, 2016, and period ending August 31, 2016.

Budget Impact

None.

DISCUSSION:

Attached are SD&AE's financial results for the year ending June 30, 2016, as well as the period ending August 31, 2016.

Fiscal year 2016 ended with revenues totaling \$1.1 million and expenses totaling \$1.0 million. The \$1.0 million in Desert Line revenue was contributed to MTS capital projects and \$12,000 in interest was allocated to SD&AE resulting in a \$30,000 increase to reserves for the year.

As of August 31, 2016, fiscal year-to-date revenues are \$249,000 favorable to budget primarily due to the Desert Line lease revenue not included in the budget.

Expenses are \$13,000 favorable to budget primarily due to a favorable variance in Personnel Costs.

The net income for the period ending August 31, 2016, was \$257,000.

Attachments: SD&AE Operating Statement Fiscal Year 2016
SD&AE Operating Statement for period ending August 31, 2016

SD&AE Operating Statement FY2016-15

	FY 2016							FY 2015	
	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	YTD - Actual	YTD Budget	Variance	Q1 -Q4 Actual	Variance
Revenues									
Right of Entry Permits	\$ 750	\$ 4,150	\$ 1,750	\$ 6,058	\$ 12,708	\$ 35,000	\$ (22,292)	\$ 18,206	\$ (5,498)
Lease Income	16,529	19,904	24,973	25,479	86,885	70,000	16,885	85,334	1,551
Desert Line Lease Revenue	250,000	250,000	250,000	250,000	1,000,000	-	1,000,000	1,000,000	(0)
Operator Income - SD&IV 1%									
Freight Fee	8,500	8,500	6,203	8,500	31,703	30,000	1,703	28,725	2,978
Other Income - Easement	-	-	-	-	-	-	-	25,500	(25,500)
Total Revenue	275,779	282,554	282,926	290,037	1,131,296	135,000	996,296	1,157,765	(26,469)
Expenses									
Personnel Costs	16,642	9,975	2,061	9,455	38,133	70,981	32,848	102,593	64,460
Outside Services	422	17,010	3,642	29,480	50,554	65,000	14,446	68,067	17,513
Risk Management	3,347	3,762	3,762	3,762	14,633	16,000	1,367	15,401	768
Misc. Operating Expenses	250	156	287	9,060	9,753	500	(9,253)	309	(9,444)
Total Expense	20,661	30,903	9,752	51,757	113,072	152,481	39,408	186,370	73,297
Net Income/(Loss)	\$ 255,118	\$251,651	\$273,174	\$238,280	\$1,018,224	\$(17,481)	\$1,035,704	\$ 971,395	\$46,828

Reserve Balance July 1, 2015 \$ 1,553,150

Allocated Interest Earnings for
FY16 11,865
Operating Profit/(Loss) - YTD 1,018,224
Contributed Operating Capital
to MTS (1,000,000)

Reserve Balance as of June 30, \$ 1,583,239

SD&AE Operating Statement FY2017-16

	FY 2017			FY 2016	
	Jul - Aug Actual	Jul - Aug Budget	Variance	Q1 Actual	Variance
Revenues					
Right of Entry Permits	\$ 3,000	\$ 5,000	\$ (2,000)	\$ 750	\$ 2,250
Lease Income	12,599	11,667	932	16,529	(3,930)
Desert Line Lease Revenue	250,000	-	250,000	250,000	(0)
Operator Income - SD&IV 1%					
Freight Fee	5,667	5,833	(166)	8,500	(2,833)
Other Income - Easement		-	-	-	-
Total Revenue	271,265	22,500	248,765	275,779	(4,514)
Expenses					
Personnel Costs	1,361	17,264	15,903	16,642	15,281
Outside Services	9,514	7,622	(1,892)	422	(9,092)
Risk Management	2,646	2,668	22	3,347	701
Misc. Operating Expenses	1,146	84	(1,062)	250	(896)
Total Expense	14,667	27,638	12,971	20,661	5,994
Net Income/(Loss)	\$ 256,598	\$ (5,138)	\$ 261,736	\$ 255,118	\$ 1,480

Reserve Balance July 1, 2016 **\$1,583,239**

Allocated Interest Earnings -
Estimated 1,667
Operating Profit/(Loss) - YTD 256,598

**Reserve Balance as of
Aug 31, 2016** **\$1,841,504**

Agenda Item No. 3

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

October 11, 2016

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 2016



a Genesee & Wyoming Company

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

September 30, 2016

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 2016 are listed as follows:

1. Labor

At the end of September 30, 2016 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 increased 28% as compared to 2015. Bridge traffic into Mexico had a 40% increase, primarily driven by increases in LPG. Traffic terminating or originating on the SDIY flat.

3. Reportable Injuries/Environmental

Days through year to date, Sept 30, 2016, there were no FRA Reportable injuries or Environmental incidents on the SDIY Railroad.

Days FRA Reportable Injury Free: 7,119

4. Summary of Freight

	2016	2015	2014
Total rail carloads that moved by SDIY Rail Service in the quarter.	1385	1086	912
Total railroad carloads Terminating/Originating Mexico in the quarter.	1058	756	
Total railroad carloads Terminating/Originating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	327	330	207
Total customers directly served by SDIY in the quarter	10	10	10
Regional Truck trips that SDIY Railroad Service replaced in the quarter	4155	3258	2736

Respectfully,

Matt Domen
General Manager

San Diego & Imperial Valley Railroad

San Ysidro Transload Information



October 11, 2016



San Ysidro yard improvements

- Main driveway realignment allows trucks safer and easier access
- Security gates and fencing control entry



San Ysidro yard improvements

- Two remote-control, solar-powered switches located immediately off of mainline, along with a powered derail and mainline switch, allow for exit off of main without stopping, also allow the same for entering the main, saving approximately 20-30 minutes



San Ysidro yard improvements

- Additional new tracks and lengthened existing tracks increase railcar capacity from 100 to 200 cars, also cut “turn-around” time for jobs by half
- Designated crossing allows access to both sides of yard



San Ysidro yard improvements

- Lighting and cameras provide safety and security
- Drip pans at locomotive servicing area provide spill containment
- Portable unloading ramps for boxcars allow for flexibility in staging of railcars for transloading



San Ysidro yard improvements

- Drainage control prevents flooding during storms, keeping the railroad operational

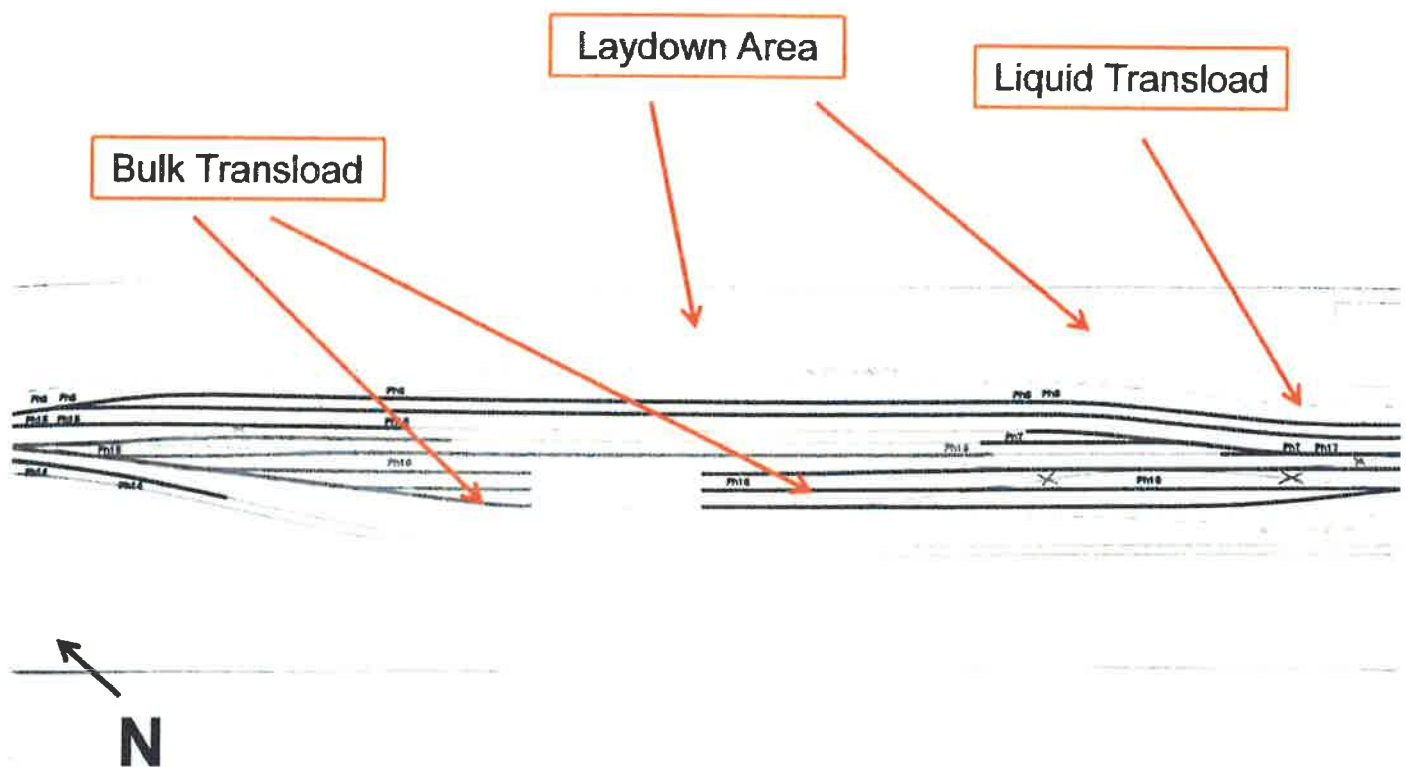
BEFORE



AFTER



Transload Operations



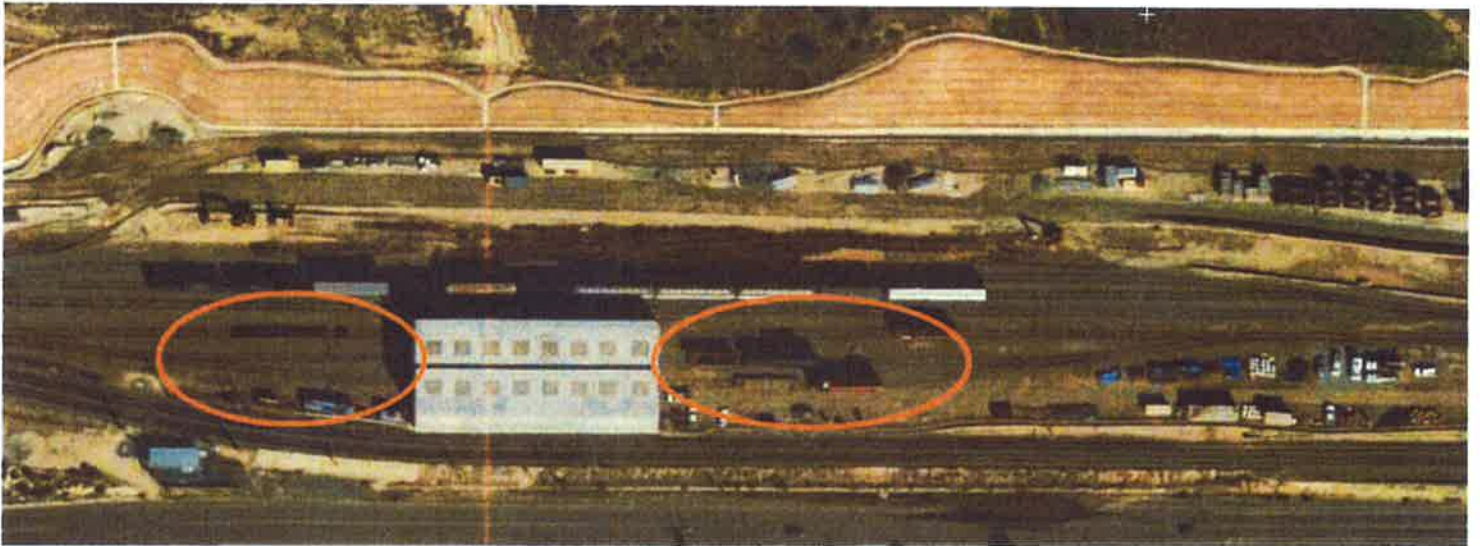
Current Transload Operations

Liquid Materials



Planned Transload Operations

Bulk Materials



SDIV Choice Terminal Marketing

A Bulk Transload Solution to Reduce Transportation Costs and Help Grow Your Business

San Diego & Imperial Valley Railroad



The answer to direct requests from area businesses, San Diego & Imperial Valley Railroad's new Choice Terminal™ allows you to tap into the value of rail economics, while continuing to receive trucks at your facility as always. By decreasing the distance of the truck haul, delays and shortages are reduced or eliminated. Having inventory closer to your facility at all times means a very short truck haul to get more product.

The Choice Terminal also provides your business with access to local and international markets via connections with BNSF Railway and the adjacent Tijuana border crossing.

SDIV Choice Terminal features:

- One centralized transload location at SDIV's recently expanded San Ysidro rail yard
- Inventory management
- Transload services from conveyor, forklift or pump
- 50 paved railcar transload spots
- Open truck access
- Experienced transload contractor on site
- Flexible hours
- Security fences and cameras

For more information on how the SDIV Choice Terminal can meet your transportation needs, contact Jared Goock, Director of Sales and Marketing for SDIV, at 480-300-0532 or Jared.Goock@sdvrr.com.

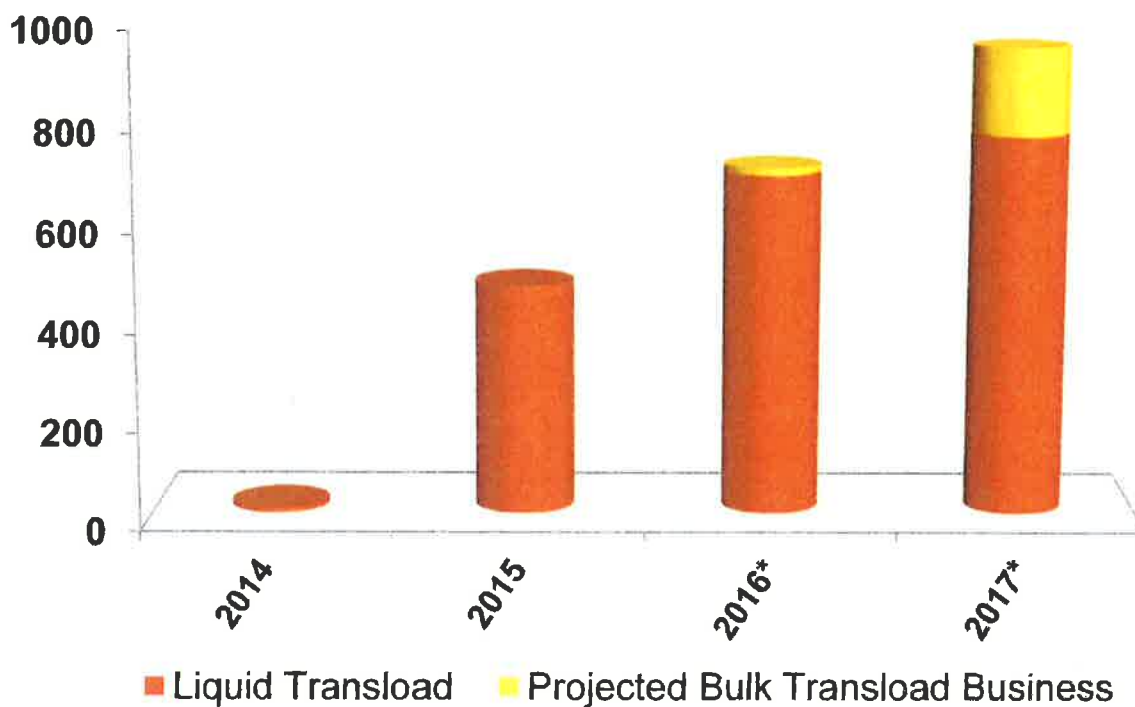


- Press Release in various industry publications
- Used Hoover Company Profile Data to identify over 250 potential new rail users within 50-mile radius
- Sales Blitz in San Diego market area to advertise and determine transload need
- Cold calls
- Referrals from existing customers

Railcar Transload Volume on SDIY

Number of Transloads Performed at San Ysidro

San Diego & Imperial
Valley Railroad



*Projected Volumes Q4 2016 and Q1-4 2017

**Zero
Injuries**

Our Goal Every Day

Agenda Item No. 4

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

October 11, 2016

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 was not submitted in time for the mail-out.

Attachment: To be provided at the meeting



Pacific Southwest Railway Museum

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

October 9, 2016

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

Re: Third Quarter 2016

Dear SD&AE Board:

During the third quarter of 2016, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 88 Valley Flyer passenger trains carrying 183 passengers during 16 operating days. There were no FRA reportable accidents or injuries during the third quarter, 2016. Total income from SD&AE property for third quarter, 2016 was \$7,160.85. Our check for \$143.22 will follow under separate cover. By comparison, PSRM carried 658 passengers during the third quarter of 2015 and total income from SD&AE property was \$14,160.

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

658 passengers during the third quarter of 2015
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

When planning the operating schedule for 2016, a decision was made to extend our summer schedule into the beginning of October when in past years the summer schedule ended on Labor Day weekend. Additionally, trains were operated on Sundays only during the summer season schedule as opposed to Saturdays only during the summer for the two previous years. The train rides operated during the third quarter of this year were two mile round-trip cabooses, within the Campo Valley at a lower fare. The results of this experiment did not yield favorable results in some areas and the data will be used in determining the 2017 summer schedule. The last day of the summer schedule was Sunday, October 2. Pumpkin Trains will operate every

Saturday and Sunday through the end of October. Every Saturday and Sunday from November 5 through the 20th, the museum will operate caboose trains. Every Friday and Saturday evening beginning Friday, November 25, 2016 through Saturday, December 17th the museum will operate its popular North Pole trains; pre-sales are strong with first class sold out.

PSRM continues to maintain both signalized railroad crossings within our right of way limits performing the monthly and quarterly inspections. PSRM also performs routine track inspections between MP 59.9 and 66.77. Our volunteer track crew continues to perform track maintenance tasks, particularly tie replacement on the mainline.

I would like to invite the members of this board and staff, Pacific Imperial Railroad and Baja Railroad to join us on one of two North Pole train rides on the private Pullman Robert Peary Friday, December 16, 2016 at the 5:00 pm or 7:00 pm departure. Both time slots have been reserved for you with a capacity of twenty persons per train departure.

Sincerely,

A handwritten signature in cursive script, reading "Diana Hyatt". The signature is written in dark ink and is positioned above the printed name and title.

Diana Hyatt
President

Agenda Item No. 5

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

October 11, 2016

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



Full Rail Service



www.dlg.com.mx

Exhibit 1





About Us

Since its foundation in 1962, DLG has actively participated in the development of the Mexican Railway Industry.

DLG Group has evolved from a car repair shop to become a group that offers complete rail services to the North American market with quality products and reliable services, covering all areas of the Railroad Industry.



**DLG
81249**

LIM CGA 01200 KGS
TARA 26100 KGS

DLG Industrias

It has the AAR M-1003 quality certification for reconstruction and maintenance of freight cars and components. We do track design, construction and maintenance as well. Also manufacturing of steel structures.

Infraestructure

- Track Maintenance.
- New Track construction.
- Manufacturing of metal structures and bridges.

Mechanical Repairs AAR

- Light, medium and heavy repairs to all types of rolling stock.
- Reconstruction and modification of cars.
- Side frame and bolsters reconditioning.
- Manufacture of box car sliding doors.
- Blast, paint and cleaning.
- Mobile units.





VYCCSA Talleres



Company with over 40 years of experience in manufacturing turnouts, switches and special track work.

Products

- Manufacture of all types of switches.
- Reconditioning of used switches.
- Track components and accessories.





SFNA Servicios

Company founded in 1995, it has full AAR M-1003 certification which guarantees the quality of our products and services.

Main Services

- Axles machining.
- New wheels.
- U-TUBE overhaul.





DLG Logistics



Logistic services company with national coverage.

The objective is to assure the delivery of products and services on time and with quality.

Main Services

- Logistics specialized in the rail industry.
- Public Transport Services.





IRS Capital

Financial company,
registered in CONDUSEF and CNBV
designed primarily to finance
commercial, industrial and personal
projects.

Services

- Financing of track construction and rolling stock maintenance projects.
- Financing DLG Group's employees, customers and suppliers.
- Leasing of machinery and equipment.





Recent Infrastructure Projects

- Etileno XXI Logistics Facility. Nanchital, Veracruz.
- Intermodal yard, El Salto, Hidalgo.
- Intermodal Yard A. P. I. Lazaro Cardenas.
- Double track to the Z. A. L. , A. P. I. Veracruz.
- Vehicular Bridge J. T. A. P. I Veracruz.
- Vehicular Bridge connectivity Area North Manzanillo, Colima.
- New Tracks connectivity Manzanillo, Colima.
- New Tracks "AMIGO" Veracruz.
- 120 rail crossing rehabilitation and signaling for S. C. T. Construction of new tracks, FenixProject, ICAFluor, Monclova, Coahuila.
- General track Maintenance Cemexplants in Ciudad Valles and Aguascalientes.
- Construction in 1.3 km of new track for ROCLA.
- Design, engineering and construction of the logistics facility in EtilenoXXI.
- Construction of minerals tracks and at the industrial port of Altamira, Tams.
- The new NBA line of Celaya bypass; in the state of Guanajuato.



Our Locations



Pesquería, N.L. - Monterrey, N.L. - Monclova, Coah. - Chihuahua, Chih. - Manuel, Tamps.
Atamira, Tamps. - Valle de México, Edo. de Mex.

DLG
Grupo



Carretera Pesquería - Dulces Nombres km 4 #1000.

Col. Pesquería, Pesquería, NL, MX 66650.

Tel. +52 (81) 8196 - 4200 | 01 800 0000 DLG

contacto@grupodlg.com.mx



EMPRESA 100% MEXICANA



**ASSOCIATION OF
AMERICAN RAILROADS**

AREMA



COBERTURA NACIONAL



SUMMARY REPORT OF VISIT TO THE DESERT LINE FROM AUGUST 9TH TROUGH AUGUST 18TH 2016

Introduction:

On August 9th of 2016 a team composed of the following people initiated a visit to survey "The Desert Line" from Mile Post 59.6 to Mile Post 129.6:

- **Robert Smith (Certified Speeder and Hi-Rail Operator)**
- **Eliot Almada (Project Director for Baja California Railroad)**
- **Fernando Osorio Rodriguez (Senior Rail Engineer DLG)**
- **Fernando Osorio Gallardo (Rail Engineer DLG)**
- **Ulises Uribe Villanueva (Survey Analyst for DLG)**

The purpose of the visit was to evaluate The Desert Line, its railway, bridges and tunnels and present to BJRR a comprehensive Reconstruction Plan including labor and material costs that is to be submitted to PIR and MTS in compliance with section 1.3.1 of the **CALI-BAJA JOINT VENTURE SUBLEASE AND OPERATING AGREEMENT** that was executed by Pacific Imperial Railroad Inc., and BAJA CALIFORNIA RAILROAD INC. on June 9th, 2016.

All proper authorities were advised of the presence of the team in and near The Desert Line, including CBP, MTS and PIR. The proper Right of Entry (ROE) was in place prior to the visit.

Legal entry to the United States was done through the Tecate Port of Entry by team members. To transit the line, a BJRR Hi-Rail was used. The unit has \$1 million dollar Liability Insurance in place and is in full compliance (Blue Card) with FRA.

Track Warrants and Dispatching was done by Mr. J. LEVISH from The San Diego & Arizona Railway. During the length of the visit, operating of the BJRR Hi-Rail was provided by Mr. Robert Smith.

DAY BY DAY SUMMARY REPORT				
Date	Estimated Time spent	Traveling		Survey Evaluation
		From	to	
Tuesday Aug-09/2016	9 hrs	Jacumba MP 92.35	Tunnel No. 4 (USA side) at Division MP 60.00	<ul style="list-style-type: none"> • General rail track conditions. • Bridge MP 66.77 • Tunnel No. 4. • Bridge MP 60.08
Wednesday Aug-10/2016	8 hrs	Jacumba MP 92.35	MP 96.00	<ul style="list-style-type: none"> • General rail track conditions. • Bridge MP 93.68 • Bridge MP 95.08 • Bridge MP 95.88 • Bridge MP 95.86
Thursday Aug-11/2016	5 hrs	Jacumba MP 92.35	Campo 66.00	<ul style="list-style-type: none"> • One-mile rail track inspection from MP 68.00 to MP 69.00.
Friday Aug-12/2016	7 hrs	Ocotillo MP 120	MP 96.00	<ul style="list-style-type: none"> • Tunnel No. 5 • Bridge MP 96.11
Saturday Aug-13/2016	9 hrs	Jacumba MP 92.35	Ocotillo MP 120	<ul style="list-style-type: none"> • Bridge MP 97.33 • Bridge MP 97.39 • Bridge MP 97.68 • Bridge MP 97.89 • Bridge MP 97.94 • Bridge MP 98.31 • Tunnel No. 6 • Bridge MP 98.42
Sunday Aug-14/2016	7 hrs	Jacumba MP 92.35	Ocotillo MP 120	<ul style="list-style-type: none"> • Tunnel No. 8 • Tunnel No. 9 (MP 100.0)
Monday Aug-15/2016	8 hrs	Jacumba MP 92.35	Ocotillo MP 120	<ul style="list-style-type: none"> • Tunnel No. 10 (MP 100.17) • Bridge MP 100.37 • Tunnel No. 11 (MP 100.34) • Tunnel No. 12 (MP 100.95) • Tunnel No. 13 (MP 101.19) • Tunnel No. 14 (MP 101.46) • Tunnel No. 15 (MP 102.20) • Bridge MP 102.29 • Tunnel No. 16 (MP 102.41)
Tuesday Aug-16/2016	7 hrs	Jacumba MP 92.35	Ocotillo MP 120	<ul style="list-style-type: none"> • Tunnel No. 17 (MP 102.80) • Bridge MP 103.05 • Bridge MP 103.35 • Tunnel No. 18 (MP 103.63) • Bridge MP 103.76 • Bridge MP 103.97 • Bridge MP 104.27 • Bridge MP 104.32 • Bridge MP 104.37 • Tunnel No. 19 (MP 104.74) • Tunnel No. 20 (MP 105.55) • Tunnel No. 21 (MP 106.11)
Wednesday Aug-17/2016	8 hrs	Jacumba MP 92.35	Ocotillo MP 120	<ul style="list-style-type: none"> • Bridge MP 107.12 • Bridge MP 108.00 • Bridge MP 108.26 • Bridge MP 109.25 • Bridge MP 115.73 • Bridge MP 117.38 • Bridge MP 118.41 • Bridge MP 118.60 • Bridge MP 118.96 • Bridge MP 119.36 • Bridge MP 119.57 • Bridge MP 119.80 • Bridge MP 119.99 • Bridge MP 120.37

PHOTOGRAPHIC REPORT

Day 1 Tuesday Aug-09/2016



Day 2 Wednesday Aug-10/2016



Day 3 Thursday Aug-11/2016



PHOTOGRAPHIC REPORT

Day 4 Friday Aug-12/2016



Day 5 Saturday Aug-13/2016



Day 6 Sunday Aug-14/2016



PHOTOGRAPHIC REPORT

Day 7 Monday Aug-15/2016



Day 8 Tuesday Aug-16/2016



PHOTOGRAPHIC REPORT

Day 9 Wednesday Aug-17/2016



Additional Comments:

During the entire visit, **there were no major incidents to report.** On day one of the visit, the team was approached by Border Patrol agents near Division for routine inspection. As the team exited The Desert Line through the Tecate Port of Entry, **no materials or assets were brought back to Mexico.**



EXHIBITS

- 1. Email confirmation from CBP of knowledge of the visit**
- 2. BJRR Right of Entry Permit for the Desert Line**
- 3. Picture of Hi-Rail**
- 4. Proof of Liability Insurance of Hi-Rail**
- 5. Hi-Rail Blue Card**
- 6. Registration of Hi-Rail**
- 7. Track Warrant expedited by SAN DIEGO & ARIZONA RAILWAY**

Manuel Hernandez

De: SILVA, CARLOS NMI <CARLOS.NMI.SILVA@cbp.dhs.gov>
Enviado el: Friday, August 5, 2016 9:09 AM
Para: Antonio Otanez
CC: 'romandia'; 'Manuel Hernandez'; ROBLES, CARLOS F; ROMERO, JUAN J
Asunto: RE: RECORRIDO VIA DEL DESIERTO

Lic. Antonio R. Otañez,

Antonio,

Buen día, me da gusto saludarlo y extendiendo me agradecimiento por la información del personal que estará realizando inspecciones de las vías en lado Norteamericano.

Asimismo, estaremos pendientes en dado caso que ocuparan algún permiso inmigratorio durante su estancia en EEUU.

Le daremos aviso a nuestros compañeros de la Patrulla Fronteriza (Border Patrol) para que así estén enterados que habrá movimientos en las próxima dos semanas en esa área que a ellos les corresponde patrullar.

Sin más por el momento, atentamente,

Carlos Silva

Port Director
OFO Chaplain
Customs & Border Protection
Tecate Port of Entry
Tecate, California
(619) 938-8301 Office
(619) 938-8304 Fax

From: Antonio Otanez [mailto:aotanez@bajarr.com]
Sent: Thursday, August 04, 2016 10:15 AM
To: ROBLES, CARLOS F <CARLOS.ROBLES@CBP.DHS.GOV>; ROMERO, JUAN J <JUAN.J.ROMERO@CBP.DHS.GOV>; SILVA, CARLOS NMI

[Número de página]

<CARLOS.NMI.SILVA@cbp.dhs.gov>

Cc: 'rromandia' <rromandia@bajarr.com>; 'Manuel Hernandez' <mhernandez@bajarr.com>

Subject: RECORRIDO VIA DEL DESIERTO

Chief Carlos Robles/ Carlos Silva

Buenos días, por medio del presente les envío un cordial saludo y así mismo les informo que a partir del próximo día Lunes 08 de Agosto, se contara con la presencia de la empresa DLG quienes vendrán a realizar una inspección de dos semanas a la vía del desierto específicamente de División a Plaster City, por lo que me permito informarles los nombres de las personas que estarán realizando la inspección para que tengan conocimiento de esta situación.

Ing.. Ulises Uribe Villanueva -----Inspector de Vía
Ing.. Fernando Osorio Rodríguez---Ingeniero en Jefe del Proyecto
Ing.. Fernando Osorio Gallardo ---- Inspector de Vía
Arq. Eliot Almada Olea. -----Gerente de Proyectos BJRR
Sr. Robert Smith-----Conductor del High Rail
Lic. Antonio Otáñez----- Gerente de Operaciones BJRR

En caso de requerir cualquier tipo de información adicional favor de solicitar por este medio y con todo gusto se las hare llegar a la brevedad posible.

Saludos...



Lic. Antonio R. Otáñez
Gerente de Operaciones
Baja California Railroad Inc.

Office in Tijuana (01152-664-607-5168)
US Line in Tijuana (619) 207-4607
US Office (619) 934-3146
bajarr.com

[Número de página]

METROPOLITAN TRANSIT SYSTEM
AND SAN DIEGO AND ARIZONA EASTERN RAILWAY COMPANY

RIGHT OF ENTRY PERMIT

1. Permission is hereby granted by the San Diego Metropolitan Transit System (MTS), a California Public Agency, and/or the San Diego and Arizona Eastern Railway Company, Inc. (SD&AE) (hereinafter called "Permitter"), to ***Baja California Railroad, Inc.*** or its/their designee (Permittee) to enter upon MTS and/or SD&AE property (as described within Exhibit A site map attached hereto and made a part thereof) for the purpose(s) of ***conducting pre-construction field investigations and survey work under the direction of Pacific Imperial Railroad, Inc. at railroad milepost 59.94 to 130.0.***

This permission is granted with the understanding that the Permittee agrees to release MTS, SD&AE, and its contract operator(s) San Diego Trolley, Inc. (SDTI), and San Diego and Imperial Valley (SD&IV) Railroad from any liability arising out of Permittee's operations under this agreement. Furthermore, Permittee agrees to assume responsibility for any damages caused by reason of Permittee's operations under this agreement and will, at SD&AE's and/or MTS's option, either repair or pay for such damage.

2. Prior to beginning work, Permittee shall have provided MTS with satisfactory certification by a properly qualified representative of the Insurer(s) that the Permittee's insurance complies with this section.

Permittee shall include the MTS Document number and/or brief description of project including type of construction and location on all insurance-related correspondence, i.e., the insurance certificate itself.

All policies required shall be issued by companies who are licensed to do business in the State of California and hold a current policyholder's alphabetic and financial-size category rating of not less than A-VI, in accordance with A.M. Best.

A. COVERAGE REQUIRED - ALL PERMITS

(1) Liability

- (a) Commercial General Liability. At all times during this contract and, with respect to Products and Completed Operations Liability, for 12 months following the acceptance of the work by MTS, Permittee agrees to maintain Commercial General Liability Insurance for bodily injury and property damage in an occurrence form and with insurance companies acceptable to MTS. Commercial General Liability Insurance must include coverage for the following:

- Premises/Operations Liability
- Per Project Aggregate
- Products/Completed Operations Liability
- No Explosion, Collapse, and Underground (XCU) exclusion
- Contractual Liability, with respect to this agreement
- Personal Injury Liability

- Broad Form Property Damage
- Independent Contractors

All such policies shall name in the endorsement as additional insureds the following entities including their directors, officers, agents, and employees as their interests may appear:

- San Diego Metropolitan Transit System (MTS),
- San Diego Trolley, Inc. (SDTI),
- San Diego Vintage Trolley, Inc. (SDVTI)
- San Diego and Arizona Eastern Railway (SD&AE),
- San Diego and Imperial Valley Railroad (SD&IV),
- San Diego Transit Corporation (SDTC),
- Pacific Southwest Railway Museum, Assoc., Inc. (PSRM) and
- Pacific Imperial Railroad (PIR)

- (b) Automobile Liability. At all times during this contract, Permittee agrees to maintain Automobile Liability Insurance for bodily injury and property damage including coverage for all owned, nonowned, and hired vehicles.
- (c) Workers' Compensation/Employer Liability. At all times during this contract, Permittee agrees to maintain Workers' Compensation and Employers' Liability Insurance in compliance with the applicable statutory requirements.

B. ADDITIONAL COVERAGES REQUIRED (AS INDICATED)

☒ (1) Railroad Protective or Equivalent
REQUIRED

Any exclusions relating to performance of operations within the vicinity of any railroad, bridge, trestle, track, roadbed, tunnel, underpass, or crossing must be deleted. Option: purchase separate Railroad Protective Liability Policy as required.

☐ (2) Pollution Liability
REQUIRED

At all times during this contract, and for 24 months following, Permittee agrees to maintain Pollution Legal Liability Insurance with respect to services or operations under this agreement. The extended discovery period must be no less than 24 months.

☒ (3) Primary and Non-Contributory Insurance
REQUIRED

Permittee agrees that all general liability coverages required under this insurance section are PRIMARY insurance and that any insurance of MTS, SDTI, SDVIT, SD&AE, SDTC, PSRM, and PRI shall be excess and noncontributory (endorsement required).

C. MINIMUM POLICY LIMITS REQUIRED

	Combined Single Limit (CSL)
Commercial General Liability (Per Occurrence)	\$2,000,000
General Aggregate	\$4,000,000
Automobile Liability	\$1,000,000
Federal Employers Liability Act (FELA)	\$10,000,000
FELA will be accepted in lieu of Worker's Compensation Employer's Liability	

Additional Coverages (as indicated under Section B, Additional Coverages Required):

<input checked="" type="checkbox"/> B (1) Railroad Protective (Per Occurrence)	\$3,000,000
General Aggregate	\$6,000,000
<input type="checkbox"/> B (2) Pollution Liability	\$

D. POLICY PROVISION REQUIRED

All policies and coverages shall contain a provision for 30 days written notice by the Insurer(s) to MTS Contracts Specialist of any cancellation or material reduction of coverage. A ten-day notice is required for non-payment of premium.

E. SPECIAL PROVISIONS

The foregoing requirements as to the types and limits of insurance coverage to be maintained by Permittee, and any approval of said insurance by MTS, SDTI, SD&AE, PIR, SD&IV, SDTC, CZRY and PSRM or their insurance Contractor(s) are not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by Permittee pursuant to this agreement, including but not limited to the provisions concerning indemnification.

MTS reserves the right to stop Permittee work in the event of material noncompliance with the insurance requirements outlined above.

3. Permittee shall at all times, defend, indemnify, and save harmless Permitter against, and pay in full, all loss, damage, or expense, including attorney's fees, that Permitter may sustain, incur, or become liable for, resulting in any manner from the construction, maintenance, use, state of repair, or presence of Permittee's facilities and all necessary and proper fixtures and equipment for use in connection therewith, including any such loss, damage, or expense arising out of (a) loss of or damage to property and (b) injury to or death of persons, excepting any loss, damage, or expense and claims for loss, damage, or expense resulting from the sole negligence or willful act of the Permitter, its contractors, officers, agents, or employees.

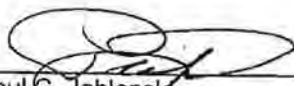
4. The following condition(s) apply if checked:

- A. ☒ Permittee agrees to coordinate on a daily basis a reasonable access to all MTS/SD&AE facilities and with heavy rail operators Pacific Imperial Railroad (PIR), San Diego and Imperial Valley Railroad (SD&IV), and Pacific Southwest Railway Museum (PSRM). Freight and passenger trains operate on varying schedules.
- B. ☒ Permittee agrees to restore all facilities, improvements, landscaping, etc., to their original condition by the completion of work.
- C. ☒ Permittee agrees that no work by itself or its authorized agent will interfere with Railroad operations.
- D. ☒ Permittee shall deposit with Permitter the sum of **zero dollars (\$0.00)** representing the permit fee in connection with said work.
- E. ☒ Permittee shall provide written notice to MTS a minimum of 5 business days prior to the start of work on subject property and within 24 hours after completion of work to schedule and complete inspections.
- F. ☒ Permittee shall provide written notice to MTS of project changes or field plan revision that is related or impacts railroad property to review and accept prior to installing or beginning modified work plan.
- F. ☒ Permittee shall arrange a preconstruction and project progress meetings with MTS Right of Way Services at (619) 557-4501 to review procedure and possible facility conflicts in the vicinity of the proposed work. No work shall begin without holding the preconstruction meeting.
- G. ☒ Permittee shall obtain approval from MTS/SDA&E upon completion of work that all facilities have been restored to original or better condition. Permittee shall submit in writing a notice of completion of work per Section 4.E when work is completed in the right-of-way.
- H. ☒ Permittee shall maintain, at Permittee's expense, competent flagmen to protect and control movement of vehicles and equipment of Permittee while upon Permitter's premises. Work that involves personnel or equipment within 25 feet of the centerline of any active track or as deemed necessary by Trainmaster of operations must have a railway flagperson for the duration of the work. Permittee shall coordinate flagperson with PIR Trainmasters minimum of three (3) business days prior to the beginning of work.
- I. ☒ Permittee shall not store equipment, tools, and materials within 25 feet from the centerline of any operable track. No vehicular crossing over Permitter's tracks shall be installed or used by Permittee without prior written permission of Permitter.

- J. ☒ Permittee shall remove all of Permittee's tools, equipment, and materials from railroad premises promptly upon completion of work, restoring railroad premises to the same state and condition as when Permittee entered thereon.
- K. ☒ Permittee shall reimburse Permitter for all cost and expense incurred by Permitter in connection with said work, plan review and approval, and permit processing including without limitation the expense of furnishing such inspectors, watchmen, and rail flagmen as Permitter deems necessary, and restoration of Permitter's property to the same condition as when Permittee entered thereon, or a condition satisfactory to Permitter's representative.
- L. ☒ Permittee shall perform all work in accordance with applicable California Public Utilities Commission, OSHA regulations, AREMA standard guidelines and MTS/SDIV/PIR operations and safety policies.
- M. ☒ Permittee shall provide MTS updated project progress schedules and notice or subcontractors, construction detail plans, material certificates of compliance from manufactures or suppliers a minimum of 14 days prior to the start of work on subject property for review and acceptance as Permittee deems necessary.
- N. ☒ Permittee shall maintain safe access to all rail and public pedestrian facilities at all times. A minimum five-foot-wide accessible pedestrian path through the construction site shall be maintained at all times. The construction boundary shall consist of OSHA plastic mesh, or approved equal. Yellow caution tape is not acceptable.
- O. ☒ Permittee shall provide MTS upon request with project records, reports and set of as-built plans, to be submitted electronic pdf format, signed by a licensed engineer in the State of California within 30 days of work acceptance by MTS.
- P. ☒ Permittee shall maintain a copy of the executed Right of Entry permit at the site during this work.
- Q. ☒ Permittee shall contact Dig-Alert at (800) 422-4133 and Cable Pipe and Leak ("CPL") at (619) 574-0171 prior to any excavation in the Right-of-Way. (PIR) and or (SD&IV) representative personnel shall accompany CPL for any markout of railway facilities.

5. This permission is non-transferable and shall remain in force for one (1) year from the date signed by MTS if all options to the PIR operation agreement are exercised. MTS reserves the right to suspend and/or terminate this permission at any time.

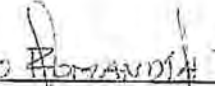
SAN DIEGO AND ARIZONA EASTERN
RAILWAY COMPANY



Paul C. Jablonski
President

Date: 7/12/16

BAJA CALIFORNIA RAILROAD, INC.



Roberto Hernandez
Signature
Name/Title: Manuel Hernandez

Date: 1st JUL 2016

Baja California Railroad, Inc.
3065 Beyer Blvd. Suite B 103
San Diego, CA 92154

Phone Number: (619) 207-4607
Manuel Hernandez

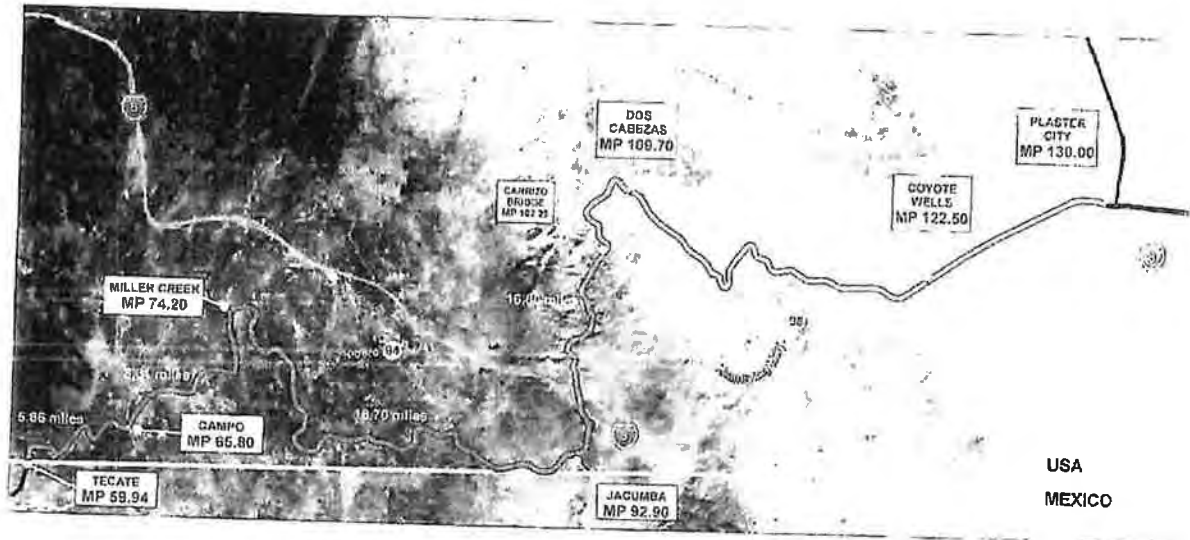
Attachment(s): Exhibit A- Site Map

cc:
Tim Allison (MTS)
Arturo Alemany (PIR)

Exhibit A



DESERT LINE TRACK FROM MP 59.94 TO MP 130.00





Your ID aids

Keep these cards handy—in your wallet or glove compartment—and contact us anytime you have a question or need to report a claim.

If you have a claim, we'll get you back on the road as soon as possible. And while you'll always have a choice where to repair your vehicle, when you use a shop in our preapproved network, we'll guarantee your repair for as long as you own or lease your vehicle.

Thank you for choosing Progressive.

Progressive Customer



PROGRESSIVE

FOLD PAGE ALONG PERFORATION AND TEAR

INSURANCE IDENTIFICATION CARD - California

Policy Number: 03853000-0 NAIC Number: 11770
 Effective Date: 07/14/2016 Expiration Date: 07/14/2017
 Policy Type: Commercial
 Insurer: United Financial Casualty Company 1-800-444-4487
 PO Box 94739 Cleveland, OH 44101
 Named Insured(s):
 BATA CALIFORNIA RAILROAD
 INC.
 Your Agent:
 LINCOLN TRANS INS 1-315-768-6110
 5920 AIRPORT RD
 ORISKANY, NY 13424
 Year: 2008 Make: Chevrolet Model: Silverado C2500 VIN: 1GCHK23K18F225719

THIS CARD LEFT BLANK INTENTIONALLY

VERIFICATION: 1-800-444-4487 2008 1-315-768-6110 1-800-444-4487
 Your policy meets the requirements of Section 16055.

NO 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

FOLD PAGE ALONG PERFORATION AND TEAR

**Annual Hi-Rail Safety Inspection Checklist
FRA § 214.523**

Owner: BAJA CALIFORNIA RAILROAD INC Date: 6-18-2016

Vehicle Make: CHEVROLET Model: 2500 HD Year: 2008

VIN: 1G0K23K18F225719 License Tag - State & Number: (bce) ZJB-866-L Mileage: 94542

Hi-Rail gear installed (Make & Model) Front HARSCO HRO307 SERIES A

Rear HARSCO HRO307 SERIES A

☒ Manufacturers Installation and/or Maintenance Manual (as applicable) Available

☒ Inspect Hi-Rail Assemblies for loose or missing parts.

☒ Inspect guide wheels wear per manufacturer's limits

☒ Inspect Tram or Alignment in accordance with manufacturer's limits & procedures

☒ Guide wheel gage within manufacturer's limits

Gage Front Axle: 56" Gage Rear Axle: 56"

Sat Unsat

 ☒

 ☒

 ☒

 ☒

REQUIRED ON NEW HI-RAIL VEHICLES

FRA § 214.7 Definitions

Hi-Rail vehicle, new means a hi-rail vehicle that is ordered after December 26, 2003 or that is completed after September 26, 2004.

☒ Back up alarm meeting FRA § 214.523 (c)(1) Installed.

☒ Warning light or Beacon meeting FRA § 214.523 (c)(1) Installed

Comments:

Signature: 

1. A copy of this inspection report shall be kept on the hi-rail vehicle.

2. The hi-rail gear of this vehicle shall be inspected for safety at least annually and with no more than 14 months between inspections.

<div>  <div> Estados Unidos Mexicanos Gobierno del Estado de Baja California Secretaría de Planeación y Finanzas Recaudación de Rentas </div>  </div>			<div> SERVICIO PARTICULAR  16497459 </div>	
TARJETA DE CIRCULACIÓN VEHICULAR				
Placas Número ZJB866L		Trámite ALTA		
Oficina Expedidora		Número de Licencia		
REC. AUXILIAR VIA RAPIDA				
Fecha de Expedición 07/07/2016 13:39	Entidad Federativa BAJA CALIFORNIA	Vigencia 31/03/2017		
R.F.C. BCR090209 IE3	Municipio TIJUANA			
Nombre del Propietario o Razón Social BAJA CALIFORNIA RAILROAD SA DE CV				
Tenedor o Usuario BAJA CALIFORNIA RAILROAD SA DE CV				
Localidad, Delegación o Población TIJUANA		Número de REPUVE		
Marca, Línea y Versión CHEVROLET TRUCKS SILVERADO REGULAR C				
Observaciones				
Clase y Tipo CAMION PICKUP				
Modelo 2008	Puertas 4	Cilindros 8	Combustible GASOLINA	
Capacidad 500 KG		Número de Motor 25719		
No. de Identificación Vehicular 1GCHK23K18F225719				
No. de Registro o Certificación de Propiedad 164030516005704				
Color BLANCO		Vehículo Origen FRONTERIZO		
Folio SCT 16497459		El Secretario de Planeación y Finanzas  ANTONIO VALLADOLID RODRIGUEZ		

**SAN DIEGO & ARIZONA RAILWAY
TRACK WARRANT**

NO: 2016-089

DATE: August 9, 2016

TO: MOW - R. SMITH

AT: Miller Creek

1. ☒ TRACK WARRANT NO(S) 2016-088 IS VOID.
2. ☐ PROCEED FROM _____ TO _____
ON _____ TRACK, _____ SUBDIVISION.
3. ☐ WORK BETWEEN _____ TO _____
ON _____ TRACK, _____ SUBDIVISION.
4. ☒ WORK BETWEEN MP-74.0 AND MP-59.9
ON MAIN TRACK, DESERT SUBDIVISION.
5. ☒ NOT IN EFFECT UNTIL 07:00
6. ☒ THIS AUTHORITY EXPIRES AT 19:00
7. ☐ NOT IN EFFECT UNTIL AFTER ARRIVAL OF _____ AT _____
8. ☐ HOLD MAIN TRACK AT LAST NAMED POINT.
9. ☐ DO NOT FOUL LIMITS AHEAD OF _____
10. ☐ CLEAR MAIN TRACK AT LAST NAMED POINT.
11. ☐ BETWEEN _____ AND _____ MAKE ALL MOVEMENTS
AT RESTRICTED SPEED. LIMITS OCCUPIED BY TRAIN.
12. ☐ BETWEEN _____ AND _____ MAKE ALL MOVEMENTS
AT RESTRICTED SPEED. LIMITS OCCUPIED BY MEN OR EQUIPMENT.
13. ☐ DO NOT EXCEED _____ MPH BETWEEN _____ AND _____
14. ☐ DO NOT EXCEED _____ MPH BETWEEN _____ AND _____
15. ☒ FLAG PROTECTION NOT REQUIRED AGAINST FOLLOWING TRAINS ON THE SAME TRACK.
16. ☒ TRACK BULLETINS IN EFFECT: A-080801, , , , , , , ,
17. ☐ OTHER SPECIFIC INSTRUCTIONS: _____
18. ☒ JOINT WITH: MOW - G. ROGERS BETWEEN MP-65.1 AND MP-59.9
BETWEEN _____ AND _____

TRACK WARRANT HAS 7 BOXES MARKED: 1, 4, 5, 6, 15, 16, 18, , , , , , , ,

OK: 06:26 (TIME) DISPATCHER: J. LEVISH - JAL

RELAYED TO: _____ COPIED BY: _____

LIMITS REPORTED CLEAR AT _____ BY: _____

(Mark "X" in box for each item instructed)

Agenda

Item No. 6a

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

October 11, 2016

SUBJECT:

SUMMARY OF SD&AE DOCUMENTS ISSUED SINCE JULY 19, 2016

RECOMMENDATION:

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

Budget Impact

None.

DISCUSSION:

Since the July 19, 2016, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-16-638: Right of Entry Permit to the San Diego Bicycle Coalition for the Bike the Bay bike-ride event.
- S200-17-640: Right of Entry Permit to Like a Shot Entertainment for the filming of a documentary segment at the Goat Canyon Trestle on the Desert Line.
- S200-17-641: Right of Entry Permit to Baja California Railroad for Desert Line reconstruction-related activities.
- S200-17-642: Right of Entry Permit to Flatiron West, Inc. for reconstructing the SR 94 Campo Creek Bridge in Campo.

Agenda

Item No. 6b

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

October 11, 2016

SUBJECT:

LICENSE FOR COMMUNITY DOG PARK IN IMPERIAL BEACH

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors approve issuing a license to the City of Imperial Beach for the portion of the proposed community dog park within SD&AE right-of-way located approximately between the intersection of 11th Street and Cherry Avenue and the intersection of Florida Street and Boulevard Avenue in Imperial Beach, CA.

Budget Impact

MTS expenses would be reimbursed for review, approval, processing, and construction oversight. No annual license fee is proposed.

DISCUSSION:

The attached letter dated September 6, 2016, (Attachment A) from the City of Imperial Beach (City) requests a license agreement for the portion of the proposed community dog park that would be in SD&AE railroad right-of-way. The attached location map (Attachment B) from the City shows the proposed boundary of the dog park, and the portion of the dog park that would be in SD&AE right-of-way is highlighted.

The improvements to the site would include a perimeter fence, park-like features, and landscaping. The existing railroad track within the SD&AE right-of-way in the proposed dog park would be covered and protected in place. There are no permanent structures proposed to be in the SD&AE right-of-way.

Attachments: A. Letter dated 9/6/16 from the City of Imperial Beach
B. Community Dog Park Location Map



City of Imperial Beach, California

OFFICE OF THE CITY MANAGER

825 Imperial Beach Blvd., Imperial Beach, CA 91932 Tel: (619) 423-8615 Fax: (619) 628-1395

Attachment A

September 6, 2016

San Diego Metropolitan Transit System
Attn: Paul C. Jablonski, CEO
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490

Dear Mr. Jablonski:

This City of Imperial Beach has identified a preferred location to establish a Community Dog Park that is on City owned vacant property east of the Imperial Beach Public Works facility at 495 10th Street. This proposed location also includes a section of the right-of-way for the San Diego & Arizona Eastern Railway Company. This letter is to initiate the formal request for a license agreement for the City of Imperial Beach to use this section of the San Diego & Arizona Eastern Railway Company right-of-way for the purpose of a Community Dog Park. Attachment 1 to this letter provides a map of the location for the Community Dog Park.

The proposed Community Dog Park will provide a safe and appropriate location for dog owners to recreate with their pets in a social and neighborhood environment. The establishment of a Dog Park will transform an unmaintained vacant lot into the City's first established neighborhood park facility for pet owners. The improvements to the site will include a perimeter fence, park like features, and landscaping. The existing railroad track on the property will be covered and protected in place. There are no permanent structures proposed for the railway right-of-way.

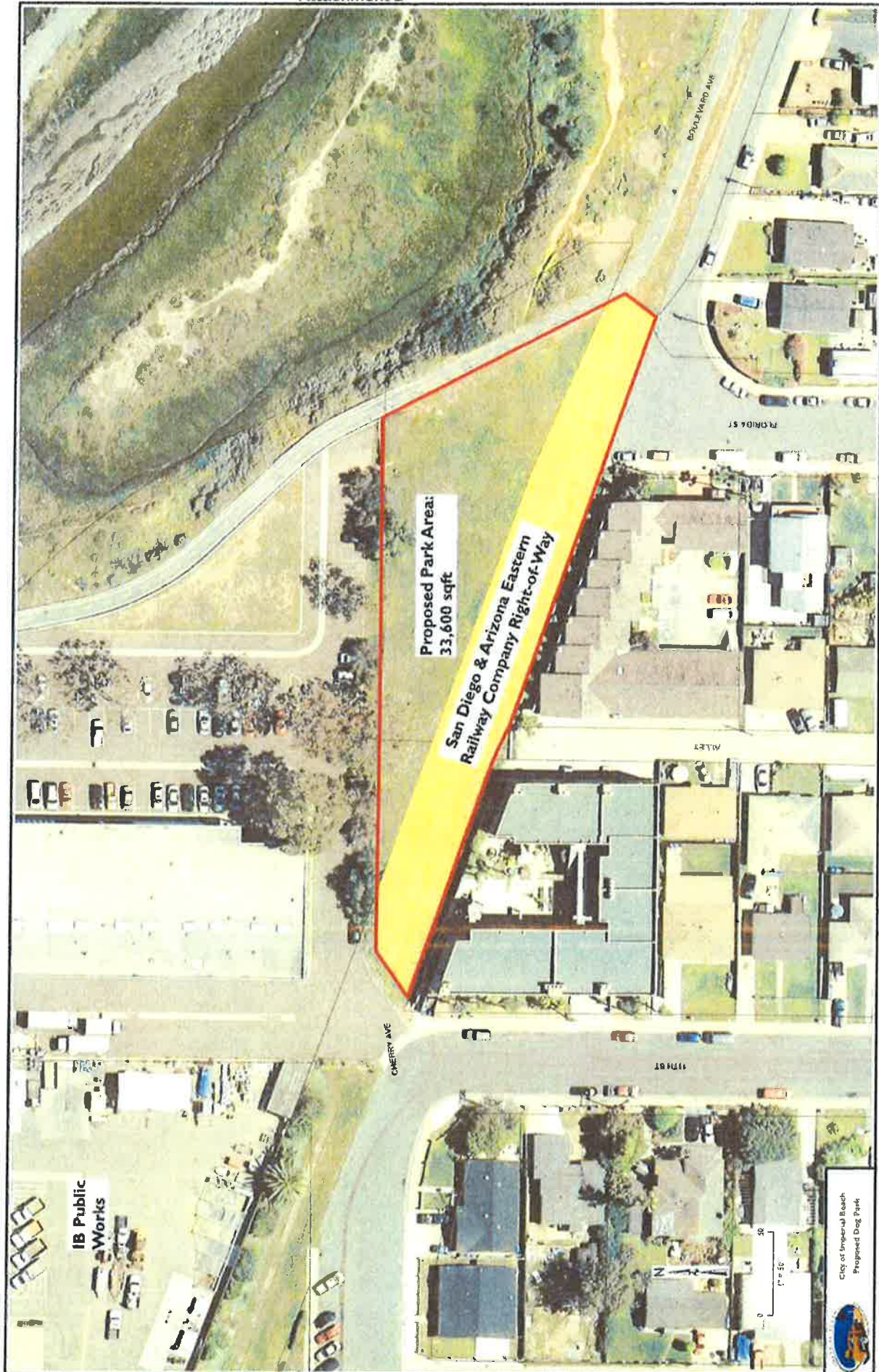
The establishment of a Community Dog Park is a priority for the City and we hope that this request for a license agreement is granted at the October 11, 2016 San Diego & Arizona Eastern (SD&AE) Railway Company Board of Directors meeting. Please let us know if you need additional information to fulfill this request.

Sincerely,

Andy Hall, AICP
Imperial Beach City Manager

Attachment 1: Community Dog Park Location Map

cc. Richard Rose
Tim Allison



Agenda

Item No. 6C

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

October 11, 2016

SUBJECT:

LICENSE AMENDMENT FOR BAYSHORE BIKEWAY BIKE PATH CONNECTION IN
IMPERIAL BEACH

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors approve issuing a license amendment to the City of Imperial Beach for the proposed Bayshore Bikeway bike path connection located northwest of the intersection of 7th Street and Boulevard Avenue in Imperial Beach, CA.

Budget Impact

MTS expenses would be reimbursed for review, approval, processing, and construction oversight. No annual license fee is proposed.

DISCUSSION:

The attached letter with exhibits dated September 21, 2016, (Attachment A) from the City of Imperial Beach (City) requests a license agreement for a Bayshore Bikeway bike path connection to the existing bike path traversing the south side of San Diego Bay on the north side of the City of Imperial Beach. SD&AE previously approved a license for a portion of the Bayshore Bikeway bike path (MTS Doc. No. S200-00-093) dated August 18, 1999 (Attachment B).

The proposed bike path connection will extend from a City-approved, nearby residential project located northeast of State Route 75 and Rainbow Drive, then north to the Bayshore Bikeway located in the SD&AE right-of-way west of 7th Street. The improvements for the bike path connection would be comprised of asphalt concrete pavement and a 42" post and rail fencing.

Staff is proposing an amendment to the existing license to add the connection. The City will pay for all MTS expenses to review, approve, and process plans and the license amendment, and for all construction oversight costs. Consistent with other license agreements issued for the Bayshore Bikeway and consistent with the existing license, no annual license fee is proposed.

Attachments: A. Letter dated September 21, 2016, from the City of Imperial Beach
 B. Existing License Agreement (MTS Doc. No. S200-00-093)

Attachment A



City of Imperial Beach, California

COMMUNITY DEVELOPMENT DEPARTMENT

825 Imperial Beach Blvd., Imperial Beach, CA 91932 Tel: (619) 628-1356 Fax: (619) 424-4093

September 21, 2016

San Diego Metropolitan Transit System
Attn: Paul C. Jablonski, CEO
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490

RE: CITY OF IMPERIAL BEACH REQUEST FOR LICENSE AGREEMENT FOR BAYSHORE BIKEWAY BIKE PATH CONNECTION

Dear Mr. Jablonski:

On December 3, 2014 the City of Imperial Beach City Council adopted Resolution 2014-7529 approving a project application for a Conditional Use Permit, Design Review Case, Site Plan Review, Tentative Map, and Mitigated Negative Declaration for the redevelopment of an existing 124-space adult recreational vehicle park located at 500 Highway 75 into to a residential community of 190 townhomes and 3 detached single-family houses, for a total of 193 dwelling units, and related facilities ("Phase 1"), as well as the construction of a Class I Bike Path ("Bike Path") connecting the San Diego Bayshore Bikeway through the proposed residential community to Highway 75 ("Phase 2"). Phase 1 would feature a 100-foot buffer zone along Pond 10A of the South San Diego Bay Unit of the San Diego Bay National Wildlife Refuge, which would include an outer 50 feet of wetland creation and transition into an inner 50 feet that would contain the proposed Bike Path, bioretention areas, and associated Highway 75 improvements. Phase 2 would extend the Bike Path connection to the Bayshore Bikeway along the eastern boundary of Pond 10A. In addition, on August 13, 2015, the California Coastal Commission approved a coastal development permit for the project, including the Bike Path, although the amount of residential units was reduced from 193 units to 187.

Connecting the Bike Path to the Bayshore Bikeway would require traversing right-of-way owned by the San Diego & Arizona Eastern Railway Company. The City of Imperial Beach requests a license agreement for the railroad right-of-way crossing location. The improvements for the crossing location would be comprised of asphalt concrete pavement and 42" post and rail fencing. We appreciate your attention to the matter. Please contact me with any questions or concerns.

Sincerely,

Steve Dush

Assistant City Manager/Community Development Director
City of Imperial Beach
825 Imperial Beach Blvd.
Imperial Beach, CA 91932
Phone: (619) 628-1354 | E-Mail: sdush@imperialbeachca.gov

Bike Path Connection Exhibits



EXISTING ABANDONED
RAILROAD TRACKS

CONNECT TO
EXISTING BIKE PATH
EX FS 7.7 ±

EXISTING BIKE PATH

EXISTING FENCE ALONG
BIKE PATH



APN 626-010-36

Attachment B

DWhite
MTDB/SD&AE Doc. No. S200-00-093
SDAE 700 (PC 40099)

**LICENSE TO PLACE PERMANENT IMPROVEMENTS
IN MTDB/SD&AE RIGHT-OF-WAY**

THIS LICENSE, made this 18th day of August 1999, between the San Diego and Arizona Eastern Railway Company (hereinafter referred to as "LICENSOR") and City of Imperial Beach (hereinafter referred to as "LICENSEE").

WITNESSETH, that LICENSOR, in consideration of zero dollar(s) (\$0), paid by LICENSEE to LICENSOR, covenant and agree as follows:

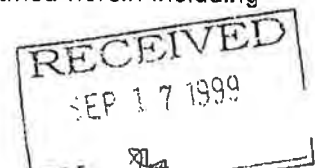
1. Subject to the terms and conditions hereinafter set forth, LICENSOR licenses LICENSEE to construct and maintain the following improvements (hereinafter IMPROVEMENTS) across, under, over, or along the right-of-way of LICENSOR of the type and at the location described below:

A bike path between 7th Street and 13th Street in Imperial Beach.

The exact location and description of the IMPROVEMENTS identified above are shown on the drawing marked Exhibit "A" consisting of 4 pages, attached hereon and part a part hereof, and subject to termination for future railway purposes at no expense or liability to LICENSOR.

2. LICENSEE shall use the IMPROVEMENTS solely for the following purpose:

Operation and maintenance of bike path for recreation and shall not use it for any other purpose whatsoever.
3. LICENSEE shall, at its own cost and subject to the supervision and control of LICENSOR'S appointed representative - engineer, locate, construct, and maintain the IMPROVEMENTS in such a manner and of such material that it will not at any time be a source of danger or interference with the present or future operation of any facilities owned and/or operated by LICENSOR with LICENSOR'S right-of-way.
4. In cases where LICENSEE is permitted under Paragraph 2 hereof to use facilities considered potentially dangerous to facilities owned and operated by LICENSOR, special installation, construction, and maintenance requirements shall followed by LICENSEE as identified on Exhibit "B" attached hereto and made a part hereof. If at any time LICENSEE shall, in the judgment of LICENSOR, fail to perform properly its obligations under this paragraph, LICENSOR may, at its option, itself perform such work as it deems necessary for the safe operation of its facilities, and in such event LICENSEE agrees to pay, within fifteen (15) days after invoicing for such work performed, the cost so incurred by LICENSOR, but failure on the part of LICENSOR to perform the obligations of LICENSEE shall not release LICENSEE from liability hereunder for loss or damage occasioned thereby.
5. LICENSEE shall reimburse LICENSOR for any expenses incurred by LICENSOR during the installation, construction or maintenance of the IMPROVEMENTS identified herein including



but not limited to falsework to support LICENSOR'S tracks and for flagmen to protect its traffic.

6. LICENSEE shall at all times indemnify and hold harmless LICENSOR from any and all losses, damage, expenses, or liabilities that LICENSOR may incur as a result of the installation, construction, maintenance, use, existence, or state of repair of the IMPROVEMENTS identified herein.
7. If at any time LICENSEE fails or refuses to comply with or carry out any or all of the covenants herein, LICENSOR may, at its election, revoke this license in accordance with the provisions of Paragraph 8.
8. THIS LICENSE is given by LICENSOR and accepted by LICENSEE upon the express condition that the same may be terminated at any time by either party upon thirty (30) days notice in writing to be served upon the other party, stating therein the date that such termination shall take place, and that upon the termination of this license in this or any other manner herein provided, LICENSEE, upon demand of LICENSOR, shall abandon the use of the IMPROVEMENTS and remove the same and restore the right-of-way and any other improvements or facilities within said right-of-way whether owned by LICENSOR or others to their original condition in which they were prior to the installation of the IMPROVEMENTS. In case LICENSEE fails to restore LICENSOR'S right-of-way and improvements or facilities as aforementioned within ten (10) days after the effective date of termination, LICENSOR may proceed with such work at the expense of LICENSEE. No termination hereof shall release LICENSEE from any liability or obligation hereunder, whether of indemnity or otherwise, resulting from any acts, omissions, or events happening prior to the date the IMPROVEMENTS are removed and the right-of-way of LICENSOR restored as above provided.
9. In the case of eviction of LICENSEE by anyone owning or obtaining title to the right-of-way on which the IMPROVEMENTS are located, or the sale or abandonment by LICENSOR of said right-of-way, LICENSOR shall not be liable to LICENSEE for any damage of any nature whatsoever or refund any payment made by LICENSEE to LICENSOR hereunder, except the proportionate part of any recurring rental charge which may have been paid hereunder in advance.
10. All notices to be given hereunder shall be given in writing, by depositing same in the United States mail duly registered or certified, with postage prepaid, and addressed to the LICENSEE or LICENSOR as the case may be at the addresses shown on the signature page hereof, or addressed to such other address as the parties hereto may from time to time designate.
11. In the event that two or more parties execute this instrument as LICENSEE, all the covenants and agreements of LICENSEE in this license shall be the joint and several covenants and agreements of such parties.
12. All the covenants and provisions of this instrument shall be binding upon and inure to the benefit of the successors, legal representatives and assigns of the parties to the same extent and effect as the same are binding upon and inure to the benefit of the parties hereto, but no assignment hereof by LICENSEE, its successors, legal representatives or

assigns, or any subsequent assignee, shall be binding upon LICENSOR without the written consent of LICENSOR in each instance.

13. Any work performed on LICENSOR'S right-of-way by LICENSEE or LICENSEE'S contractor shall be done in a satisfactory workmanlike manner and in accordance with plans and specifications approved by LICENSOR, and no work shall be permitted until said plans and specifications have been approved by LICENSOR.
14. LICENSEE shall obtain a valid RIGHT OF ENTRY permit from LICENSOR as a part of this license prior to entering upon LICENSOR'S right-of-way at any time whether to install, inspect, maintain, or remove the IMPROVEMENTS and shall comply with the terms, conditions, and requirements of said permit, including the insurance requirements, as a part of this license.

THIS LICENSE DOES NOT GRANT UNLIMITED ACCESS TO LICENSOR'S RIGHT-OF-WAY. FAILURE TO OBTAIN AND COMPLY WITH THE REQUIREMENTS OF A VALID RIGHT-OF-WAY PERMIT WILL BE SUFFICIENT REASON FOR LICENSOR TO TERMINATE THIS LICENSE.

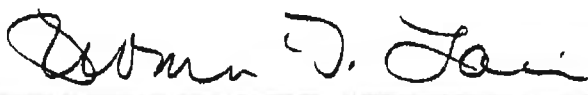
15. Any contractor or subcontractor performing work on or in connection with the IMPROVEMENTS shall for the purpose of this agreement, and particularly for the purposes of Section 6 of this instrument, be conclusively deemed to be the servant and agent of LICENSEE acting on behalf and within the scope of such contractor's or subcontractor's employment for LICENSEE.

IN WITNESS WHEREOF:

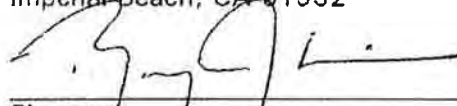
SAN DIEGO AND ARIZONA EASTERN RAILWAY
COMPANY

LICENSEE (Name and Address)
please print

Barry Johnson
City Manager
City of Imperial Beach
825 Imperial Beach Boulevard
Imperial Beach, CA 91932



Date: 8/18/99

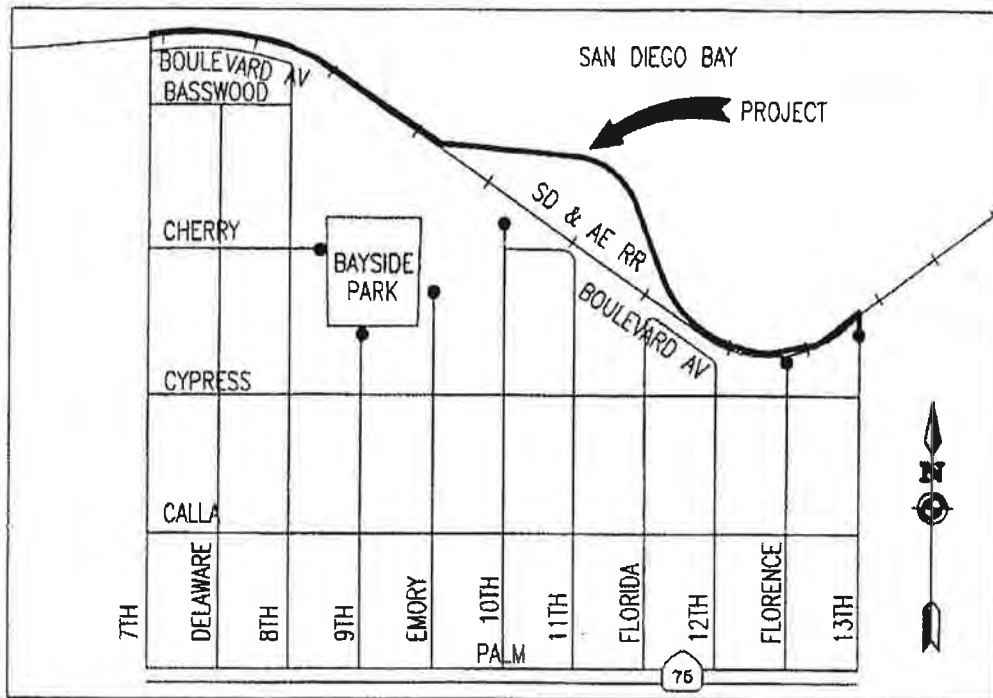


Signature
Date: 9-15-99
Phone: (619) 423-8303

PSmith/LIC-IMPBCH.DWHITE - 8/6/99

Attachments: Engineering Plan Vicinity Map, page 1
Page 2-4 Strip Map

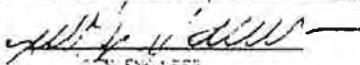
POST



VICINITY MAP
NO SCALE



ON

CITY OF IMPERIAL BEACH, CALIFORNIA ENGINEERING DEPARTMENT SHEET 1 OF 11 SHEETS					W.O. NO. _____
 DATE <u>7/23/96</u>					_____
DESCRIPTION	BY	APPROVED	DATE	FILED	_____
ORIGINAL	B.D.S.				_____
A CHANGE	B.D.S.				_____

CONTRACTOR _____ DATE STARTED _____ INSPECTOR _____ DATE COMPLETED _____					_____ _____ _____ 96-02-1-D

A CHANGE SHEETS 4 & 5

Agenda Item No. 7

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

October 11, 2016

SUBJECT:

APPROVAL OF THE 2017 SD&AE BOARD OF DIRECTORS MEETING SCHEDULE

RECOMMENDATION:

That the SD&AE Board of Directors approve the 2017 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 2017:

Tuesday, January 17, 2017	9:00 a.m.	(Fourth Quarter 2016 Reports)
Tuesday, April 11, 2017	9:00 a.m.	(First Quarter 2017 Reports)
Tuesday, July 18, 2017	9:00 a.m.	(Second Quarter 2017 Reports)
Tuesday, October 10, 2017	9:00 a.m.	(Third Quarter 2017 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 6, 2017
*Thursday, March 30, 2017
Friday, July 7, 2017
Friday, September 29, 2017

Materials Mailed

Wednesday, January 11, 2017
Wednesday, April 5, 2017
Wednesday, July 12, 2017
Wednesday, October 4, 2017

*Day changed due to Cesar Chavez holiday on March 31



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

Agenda Item No. 7

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

INVESTMENT REPORT – SEPTEMBER 2016

INFORMATIONAL ONLY

Budget Impact

None

DISCUSSION:

Attachment A comprises a report of the San Diego Metropolitan Transit System (MTS) investments as of September 30, 2016. The combined total of all investments has increased month to month from \$80.8 million to \$121.1 million. This \$40.3 million increase is attributable to \$52.3 million in Federal Transit Administration (FTA) preventive maintenance funds, partially offset by \$7.3 million in capital expenditures, the retention release of \$4.8 million to Siemens, as well as normal timing differences in other payments and receipts.

The first column provides details about investments restricted for capital improvement projects.

The second column, unrestricted investments, reports the working capital for MTS operations allowing payments for employee payroll and vendors' goods and services.

A handwritten signature in cursive script that reads 'Sharon Cooney for'.

Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Investment Report for September 2016



**San Diego Metropolitan Transit System
Investment Report
September 30, 2016**

	Restricted	Unrestricted	Total	Average rate of return
Cash and Cash Equivalents				
JP Morgan Chase - concentration account	-	16,140,324	16,140,324	0.00%
Total Cash and Cash Equivalents	-	16,140,324	16,140,324	
Cash - Restricted for Capital Support				
San Diego County Investment Pool				
Proposition 1B TSGP grant funds	7,144,851	136,177	7,281,029	
Total Cash - Restricted for Capital Support	7,144,851	136,177	7,281,029	
Investments - Working Capital				
Local Agency Investment Fund (LAIF)	13,963,485	83,667,680	97,631,165	0.634%
Total Investments - Working Capital	13,963,485	83,667,680	97,631,165	
Total cash and investments	\$ 21,108,337	\$ 99,944,181	\$ 121,052,518	



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

Agenda Item No. 8

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

LIGHT RAIL VEHICLE (LRV) REMOTE DIAGNOSTICS SYSTEM AND PUBLIC ADDRESS SYSTEM INTEGRATION WITH VARIABLE MESSAGE SIGN SYSTEM – CONTRACT AWARD

RECOMMENDATION:

That the San Diego Metropolitan Transit System (MTS) Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1966.0-17, a Sole Source agreement, (in substantially the same format as Attachment A) with Davra Networks (Davra), for the integration of the remote diagnostics and telematics information and the public address (PA) system, with the variable message sign (VMS) system located at each of the trolley stations.

Budget Impact

Funding for the project is funded by capital improvement project (CIP) as shown below:

	CIP	Amount
Public Address System	2008101701	\$299,600
LRV Remote Diagnostics System	2008101601	\$299,950
	Total Project	\$599,550

DISCUSSION:

In May 2015, MTS entered into a pilot project with Presidio Networked Solutions Group, LLC (Presidio) as the result of a competitive procurement process for the Next Train Arrival (NTA) project. The goal of MTS's NTA pilot was to develop a solution which would accurately display next train arrival information on the VMS located at each of the train stations. In addition, the system would also let passengers know:



- Route and Destination
- Updates on current travel disruptions
- Emergency messages

The pilot used Global Positioning System (GPS) latitude and longitude coordinates to pinpoint the location of each trolley. This information was used in combination with the train's unique route code to successfully create an algorithm which accurately predicts and displays on the VMS when the train will arrive at each station. Under the pilot project, Presidio engaged sub-contractor Davra for software development services using Davra's RuBAN™ software platform.

In November 2015, upon successful completion of the pilot, MTS entered into a another project with Presidio to implement the NTA solution system wide for all train lines (blue, green, and orange) which successfully went live in September 2016. Presidio used Davra's RuBAN™ platform for the system-wide engagement.

MTS plans to expand the availability of this information to the PA system by leveraging the RuBAN™ software platform upon which the NTA system was created and integrating this platform with the PA system by:

- Building an integration between the NTA and PA systems
- Transforming the NTA data feed for use with the PA system
- Creating a web based management interface for staff so that they can, from a single interface, easily manage both the VMS and PA platforms; including scheduling messages, turning off/on VMS and/or PA, performing remote system diagnostics
- Ensuring ADA compliance

MTS plans to expand the availability of this information to the Remote Diagnostics system by leveraging the RuBAN™ software platform upon which the NTA system was created and integrating this platform with the Remote Diagnostics system including, but not limited to the following:

- Allowing single point of contact and process for the entire LRV Fleet, regardless of vehicle type or technical problem
- Monitoring each LRV remotely by transmitting onboard diagnostic's information to the RuBAN™ database and application at MTS
- Capturing LRV Status and health, building out historic fault data or each vehicle, providing real-time location and condition reporting, trend analysis and reporting and also the potential to automatically create work orders in SAP system
- Efficient trouble fault analysis and troubleshooting by using remote monitoring and diagnostics capabilities
- Helping predict service costs year-over-year by determine recurring equipment and vehicle problems
- Allowing the maintenance schedule to reflect real world environmental data

In order to provide the most cost effective, efficient, and sustainable solution MTS had to work within already established equipment standards. MTS utilizes Daktronics signs at the trolley stations and Cisco technology for its network infrastructure, and Davra's RuBAN™ software as the NTA platform. Therefore, any proposed solution must integrate with the existing equipment and software in use at MTS.

While MTS successfully partnered with Presidio to deliver the desired solution during the pilot, and again for the production project, Presidio in turn sub-contracted the work directly to Davra to create and implement the NTA solution using Davra's RuBAN™ software. In the interest of cost, efficiency, and system knowledge, MTS wishes to engage directly with Davra for the Remote Diagnostics System project and the PA System Integration project as these projects will leverage existing RuBAN™ software implemented at MTS.

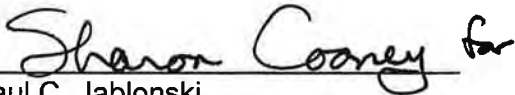
Considering that a significant amount of work has already been done under both the NTA pilot and production systems, and given that codes and programs used during the pilot are exclusive intellectual property, it is not expected that a separate competitive procurement will be of benefit to the agency so this project is recommended as a sole source.

Further, holding a competitive procurement process that could yield a different contractor would be considerably more expensive due to the significant mobilization period needed by the successor to become familiar with MTS's needs and the concepts behind the project. Staff recommends that MTS enters into a contract directly with Davra to facilitate a system-wide integration of MTS's NTA System with MTS's Remote Diagnostics system and MTS' PA system.

The table below shows the negotiated savings by a comparison of Davra's initial proposal and final proposal.

	MTS ICE	Davra's Initial Proposal	Davra's Final Proposal	MTS Negotiated Savings (Initial-Final proposal)
Public address system	\$331,550	\$437,000	\$299,600	\$137,400
LRV remote diagnostics system	\$325,660	\$599,200	\$299,950	\$299,250
Total Project	\$657,210	\$1,036,200	\$599,550	\$436,650

Therefore, staff recommends that the MTS Board of Directors authorize the CEO to execute G1966.0-17, a Sole Source agreement, (in substantially the same format as Attachment A) with Davra Networks for the integration of the remote diagnostics system and the PA platform, with the VMS platform located at each of the trolley stations.


 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 G1966.0-17
 B. Cost Proposal Summary

G1966.0-17
CONTRACT NUMBER

FILE/PO NUMBER(S)

**STANDARD SERVICES AGREEMENT
FOR
LRV REMOTE DIAGNOSTICS SYSTEM & PA SYSTEM
INTEGRATION WITH VMS SYSTEM AT TROLLEY STATIONS**

THIS AGREEMENT is entered into this ____ day of _____, 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: Davra Networks Ltd. Address: 440 North Wolf Road

Form of Business: Corporation Sunnyvale, CA 94085
(Corporation, partnership, sole proprietor, etc.)

Telephone: (925) 918-5166

Telephone: (619) 425-0440 Email Address: brian.mcglynn@davranetworks.com

Authorized person to sign contracts: Brian McGlynn COO
Name Title

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

LRV remote diagnostics system and public address system integration with variable message sign system at trolley stations as specified in the Scope of Work (attached as Exhibit A), Davra Networks' cost proposal dated October 5, 2016 (attached as Exhibit B), and in accordance with the Standard Services Agreement, including Standard Conditions Services (attached as Exhibit C).

Payment terms shall be net 30 days from invoice date. The total cost of this contract shall not exceed \$599,550 without the express written consent of MTS.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM		CONTRACTOR AUTHORIZATION
<p>By: _____ Chief Executive Officer</p> <p>Approved as to form:</p> <p>By: _____ Office of General Counsel</p>	<p>Firm: _____</p> <p>By: _____ Signature</p> <p>Title: _____</p>	
<p>AMOUNT ENCUMBERED</p> <p>\$299,600</p> <p>\$299,950</p> <p>By: _____</p>	<p>BUDGET ITEM</p> <p>2008101701</p> <p>2008101601</p>	<p>FISCAL YEAR</p> <p>FY 17</p> <p>FY 17</p>
<p>_____ Chief Financial Officer</p> <p>(____ total pages, each bearing contract number)</p>		<p>_____ Date</p> <p>SA-SERVICES</p>

**ATTACHMENT B
TASKS AND COST**

Number of Hours/Days	Description of Work	Estimated Cost Per Day	Total Cost
Public Address System			
10 Days (80 Hours)	Load Testing Data Centre Environment	\$1,400	\$14,000
10 Days (80 hours)	DVS Server Integration –Modes switching	\$1,400	\$14,000
11.25 Days (90 hours)	Dynamic Templates	\$1,400	\$15,750
62.5 Days (500 Hours)	Operations PA Ad hoc messages UI	\$1,400	\$87,500
3.75 Days (50 Hours)	Scheduler Interface	\$1,400	\$8,750
3.75 Days (40 Hours)	Station Selection Wizard	\$1,400	\$7,000
3.75 Days (30 Hours)	Volume	\$1,400	\$5,250
3.75 Days (30 Hours)	Live announcements	\$1,400	\$5,250
10 Days (80 Hours)	IP7 Configuration	\$1,400	\$14,000
31.25 Days (250 Hours)	Singlewire Configuration on CUCM	\$1,400	\$43,750
18.75 Days (150 Hours)	RuBAN Singlewire integration – multicast/broadcast	\$1,400	\$26,250
5.6 Days (42 Hours)	Audio message administration	\$1,400	\$7,350
2.5 Days (20 Hours)	Ad hoc message safety	\$1,400	\$3,500
3.75 Days (30 Hours)	Text to Speech	\$1,400	\$5,250
10 Days (70 Hours)	Due train announcement	\$1,400	\$12,250
5 Days (30 Hours)	Active Directory	\$1,400	\$5,250
7.5 Days (60 Hours)	Solution Monitoring	\$1,400	\$10,500
(80 Hours)	Knowledge Transfer and Training	\$1,400	\$14,000
Sub Total Cost (Public Address System)			\$299,600
LRV Remote Diagnostics System			
10 Days (80 Hours)	Commission Data Centre Environment	\$1,400	\$14,000
10 Days (80 hours)	IOX Application	\$1,400	\$14,000
12 Days (100 hours)	Sibas16 Integration	\$1,400	\$17,500
25 Days	Sibas32 Integration	\$1,400	\$35,000

Number of Hours/Days	Description of Work	Estimated Cost Per Day	Total Cost
(200 Hours)			
42 Days (330 Hours)	Incident Management	\$1,400	\$57,750
10 Days (80 Hours)	Active Directory Integration	\$1,400	\$14,000
18 Days (144 Hours)	Web based remote Sibas16/32 troubleshooting	\$1,400	\$25,200
28 Days (230 Hours)	Fault Code Trend Analysis	\$1,400	\$40,250
15 Days (120 Hours)	Application health monitoring	\$1,400	\$21,000
14 Days (110 Hours)	SAP Integration	\$1,400	\$19,250
22 Days (176 Hours)	Timeseries sensor data	Phase 2	Phase 2
15 Days (360 Hours)	Driver Speed Analysis	Phase 2	Phase 2
30 Days (240 Hours)	Knowledge Transfer and Manuals	\$1,400	\$42,000
87.5 Days (700 Hours)	Predictive Maintenance	Phase 2	Phase 2
Sub Total Cost (LRV Remote Diagnostics System)			\$299,950
Grand Total (Public Address System & LRV Remote Diagnostics System)			\$599,550



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

Agenda Item No. 9

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

AUTHORIZATION TO INCREASE LEGAL SERVICE CONTRACT WITH TYSON &
MENDES, LLP TO PAY PROJECTED EXPENSES

RECOMMENDATION:


That the Board of Directors authorize the Chief Executive Officer (CEO) to approve increasing the Tyson & Mendes, LLP contract by \$200,000 to cover anticipated legal expenses.

Budget Impact

Sufficient funding has been programmed to pay these expenses in the FY 2017 operating budget. Payments will be drawn against the Risk Department legal services line item of the operating budget.

DISCUSSION:

MTS has an existing contract with the Tyson & Mendes, LLP law firm to defend MTS in the Calderon v. MTS lawsuit. The Calderon case is currently set for trial in January 2017. Today's action would increase the funding authorization on the Tyson & Mendes, LLP contract by \$200,000 to cover anticipated fees and costs through trial.


Paul C. Jablonski *for*
Chief Executive Officer

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

Attachment: A. Draft MTS Doc. No. G1824.2-15



DRAFT

November 10, 2016

MTS Doc. No. G1824.2-15
LEG 491 (PC 50633)

Tyson & Mendes, LLP
Mr. Robert Tyson, Jr.
Managing Partner
5661 La Jolla Blvd.
San Diego, CA 92037

Dear Mr. Tyson:

Subject: AMENDMENT NO. 2 TO MTS DOC. NO. G1824.0-15; LEGAL SERVICES – SPECIAL
LITIGATION (*CALDERON V MTS, et al*)

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

STATEMENT OF WORK

Continue to represent MTS as attorney of record in the Calderon v MTS, et al (SD case No. 37-2014-00019527-CU-PO-CTL) litigation, including all post-trial or appellate work, if any.

SCHEDULE

There shall be no changes to the contract schedule.

PAYMENT

This contract amendment shall authorize additional costs not to exceed \$200,000 for legal services. The total value of this contract including this amendment shall be in the amount of \$500,000. 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

Robert Tyson, Managing Partner
Tyson & Mendes, LLP

NOV2016.G1824.2-15.TYSON&MENDES.LEGAL.doc

Date: _____

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



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

Agenda Item No. 10

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

WORK ORDER CONTRACT APPROVAL FOR BEECH AND MIDDLETOWN
TRACKWORK AND SIGNALING PRELIMINARY ENGINEERING

RECOMMENDATION:

That the San Diego Metropolitan Transit System (MTS) Board of Directors authorize the Chief Executive Officer (CEO) to execute Work Order 13.05 to MTS Doc. No. G1494.0-13 (in substantially the same format as Attachment A) with Pacific Railway Enterprises, Inc. to perform Design Engineering Services for the Beech and Middletown Double Crossovers project.

Budget Impact

The value of this Work Order will not exceed \$121,198 and will be funded by FY 2017 Capital Improvement Project (CIP) Nos. 2006101101 Middletown Double Crossover, and 2006101201, Beech Street Double Crossover.

DISCUSSION:

MTS currently operates with limited flexibility during emergencies/special operations between Santa Fe Depot and Washington Street due to the manual nature of the double crossover switches located between Beech Street and Ash Street. The Old Town Extension was constructed in the early 1990's and utilizes an automatic block signaling system with only one powered double crossover located just south of Old Town Transit Center Station.

The Mid-Coast Project being constructed by SANDAG will extend the Blue Line from Santa Fe Depot to University Town Center with a goal of operating trolleys at 7.5-minute headways. However, access to the railroad corridor is very constrained and much of the maintenance of the line will be restricted to periods when tracks are taken out of service.



During the 2011 Orange Line and 2013 Blue Line Trolley Renewal projects, MTS and SANDAG designed the track, signaling, and overhead contact system (OCS) systems on the respective lines to facilitate single tracking to increase construction and maintenance work windows. As a result, work windows were extended from approximately 3 hours to 8 hours and the weekend single tracking operations were utilized providing 48 hour work windows.

In October 2012, MTS awarded a general engineering contract (MTS Doc. No. G1494.0-13) to Pacific Railway Enterprises, Inc. (PRE) for on-call environmental planning, engineering, and architectural services for the San Diego Trolley. The objective of this work order is to bring the same single tracking capability that was implemented in 2011 and 2013 to the Orange Line and Blue Lines, respectively, to the Old Town Corridor. This requires design engineering services to power and signal the Beech Street double crossover and construct a new Middletown Double Crossover to provide operating flexibility consistent with the other line segments. The proposed improvements will provide greater operational flexibility to accommodate special events, maintenance and unforeseen track outages to ensure service reliability.

Therefore, staff recommends that the MTS Board of Directors authorize the CEO to approve Work Order 13.05 to MTS Doc. No. G1494.0-13 with PRE to perform Design Engineering Services for the Beech and Middletown Double Crossover project.


Paul C. Jablonski
Chief Executive Officer

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

Attachments: A. Draft Work Order No. 13.05 (MTS Doc. No. G1494.0-13)
B. PRE Fee Proposal

November 10, 2016

MTS Doc. No. G1494.0-13
Work Order No. 13-05

Ms. Jennifer Purcell
President/CEO
Pacific Railway Enterprises, Inc.
3560 University Avenue, Suite F
Riverside, CA 92501

Dear Ms. Purcell:

Subject: MTS DOC. NO. G1494.0-13, WORK ORDER 13-05; BEECH AND MIDDLETOWN
TRACKWORK AND SIGNALING PRELIMINARY ENGINEERING

This letter shall serve as Work Order 13.05 to our agreement MTS Doc. No. G1494.0-13 for professional services under the General Construction Support Consultant Agreement, as further described below.

SCOPE OF SERVICES

Provide preliminary engineering concept documents, a funding estimate to complete improvements, survey data, environmental clearance, and 30% design documents for Beech and Middletown Double Crossovers Project in accordance with the attached Scope of Services (Attachment A and B).

SCHEDULE

The Scope of Services, as described above, shall extend through May 30, 2017, unless otherwise extended through an Amendment to this Work Order Agreement.

PAYMENT

Payment shall be based on actual costs, not to exceed \$121,198 without prior authorization.

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

Sincerely,

Accepted:

Paul C. Jablonski
Chief Executive Officer

Jennifer Purcell
President/CEO

Date: _____

CL-G1494.0-13.WO13.04.PRE.TNGUYEN

Attachments: Attachment A, Scope of Services
Attachment B, Fee Proposal

Task Order Title: Beech and Middletown Trackwork and Signaling Preliminary Engineering

Prime Consultant: Pacific Railway Enterprises, Inc.

Contract No.: 5001913

Task Order No.: TBD

Amendment No.: 0

Project No.:

Table 1 - Tasks Summary

Task Item No	WBS Cost - Code	Tasks Description	Labor Hrs	ODC ¹	Total Costs
1	0690-0255	Task Order Management	144	\$0.00	\$22,991
2	0600-0255	Field Survey and Investigation	60	\$52.00	\$9,875
3	0600-0255	Signaling Concept Development	232	\$0.00	\$28,668
4	0600-0255	Trackwork/OCS Development	310	\$177.00	\$42,714
5	0700-0270	Enviromental Clearance	120	\$225.00	\$16,951
Totals =			866	\$454.00	\$121,198

Table 2 - Consultant/Subconsultant Summary (Costs & Hours)

Select with "x" if applicable					Consultant	Labor Hrs	ODC ¹	Total Costs	% of Task Order
BENCH	DBE	UDBE	SB	OTHER					
x	x	x	x		Pacific Railway Enterprises, Inc.	344	\$0.00	\$45,464	37.5%
					HDR, Inc	494	\$454.00	\$70,671	58.3%
x	x				Agulre & Associates	28	\$0.00	\$5,064	4.2%
Totals =									
						866	\$454.00	\$121,198	100%



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

Agenda Item No. 11

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

HASTUS TIMEKEEPING IMPLEMENTATION FOR NON DRIVING EMPLOYEES

RECOMMENDATION:

That the San Diego Metropolitan Transit System (MTS) Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1883.1-16 (in substantially the same format as Attachment A) with GIRO Inc., for the purchase of additional licensing for Roster and Daily Crew with SignIn/SignOut and FMLA; and the options to exercise Employee Performance Management (EPM) and SelfService modules for non-driving employees.

Budget Impact

The total value of this agreement shall not exceed \$242,000.00 for the purchase and implementation of:

- Roster and Daily Crew with SignIn/SignOut and FMLA Modules
- Employee Performance Management Module (Optional)
- Self Service Module (Optional)

Description	<i>Roster and DailyCrew with SignIn/SignOut and FMLA Modules</i>	<i>Employee Performance Management Module (optional)</i>	<i>SelfService Module (optional)</i>
License - Up to 500 non-driving employees	\$52,200	\$5,760	\$11,520
Professional Services	\$133,110	\$11,595	\$17,335
Travel Expenses	\$5,500	\$2,500	\$2,500
Total	\$190,810	\$19,855	\$31,335



This project is funded by Capital Improvement Project (CIP) No. 1007003101.

DISCUSSION:

Background

MTS currently uses GIRO's HASTUS scheduling system for scheduling, blocking, run-cutting, daily operations, payroll, and bus stop inventory purposes. Since its upgrade from HASTUS 2004 to HASTUS 2014, its functionalities have been expanded to include timekeeping capabilities in SignIn/SignOut, along with tracking FMLA and EPM through additional modules.

In April of 2015, SignIn/SignOut was implemented for all San Diego Transit Corporation (SDTC) and San Diego Trolley, Inc. (SDTI) operators as a timekeeping solution.

In October of 2016, HASTUS EPM and FMLA were implemented to track employee performance (discipline) and FMLA usage for SDTC and SDTI operators.

MTS currently uses Stromberg Enterprise version 4.1 for timekeeping of non-driving employees. Non-driving employees are defined as Light Rail Vehicle (LRV) mechanics, Maintenance of Way (MOW) and Track, MTS Facilities, MTS Revenue, MTS Security, MTS Stores, MTS Bus mechanics, MTS Telephone Information and MTS Bus Servicers.

Over the last decade, Stromberg has been acquired by various companies. The most notable acquisition was when Kronos acquired Stromberg in October 2009. Since then, new development on the Stromberg 4.1 application has been halted, leaving MTS with a legacy product. Stromberg is also running on a Windows Operating System that is no longer supported by Microsoft. Furthermore, Kronos has announced that it will end all support of the ATS Cyber time clocks, which are in use at MTS, on July 31, 2017.

In an effort to consolidate timekeeping systems and maintain a single system to support, MTS Management has collectively agreed to utilize and expand HASTUS timekeeping capabilities for the remaining non-driving employees that still interface with the legacy Stromberg timekeeping application.

Centralizing the management of FMLA is also a driving factor with implementing HASTUS as a timekeeping solution. MTS Human Resources currently maintains FMLA usage via multiple excel spreadsheets, which has proven to be extremely cumbersome and labor intensive.

Other departments such as Payroll would also benefit from implementing HASTUS timekeeping solution of Roster and Daily Crew with SignIn/SignOut. Payroll coordinators would interface with a single system, and generating the payroll files would become much more efficient.

GIRO also offers the SelfService website module of HASTUS, currently in use by SDTC Bus Operators, which allows employees to track their payroll reports, absences, see work calendars, bid for vacations and work, and many other features. If the module is

determined to be beneficial for non-driving employees, MTS would exercise the option to license and configure this module for these employees.

Therefore, staff recommends that the MTS Board of Directors authorize the CEO to execute MTS Doc. No. G1883.1-16 (in substantially the same format as Attachment A) with GIRO Inc., for the purchase of additional licensing for Roster and Daily Crew with SignIn/SignOut and FMLA for non-driving management employees; and the options to exercise Employee Performance Management (EPM) and SelfService modules for non-driving employees.



Paul C. Jablonski
Chief Executive Officer

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

Attachments: A. Draft Amendment No. 1 (G1883.1-16)
B. Giro Proposal

DRAFT

November 10, 2016

Doc. No. G1883.1-16

GIRO, Inc.
François Carignan
75 Rue De Port Royal-East, Suite 500
Montreal Quebec, Canada J3L3T1

Subject: AMENDMENT NO. 1 TO MTS DOC. NO. G1883.0-16; HASTUS

This shall serve as Amendment No. 1 to our agreement for the HASTUS Scheduling System Software as further described below.

SCOPE OF SERVICES

The scope of work is amended to add licensing for modules of the MTS HASTUS suite for use in support of MTS non-driving personnel management, and services to configure the modules as shown in Giro's proposal attached as Exhibit A.

SCHEDULE

There shall be no changes to the schedule provision of this agreement.

PAYMENT

The total cost for this amendment is \$190,810 as shown in Exhibit A.

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

François Carignan
GIRO, Inc.

Date: _____

Typist
DS- G1883.1-16.GIRO

Cc: J.M.Reyes, D. Braun, D. Singleton, Contract File

ATTACHMENT B

G1883.1-16

November 10, 2016

Cost summary

Table 4 outlines the cost summary for the processing of MTS agencies non-driving personnel in **HASTUS** using the modules as indicated.

Description	<i>Roster and DailyCrew with SignIn/SignOut and FMLA</i>	<i>EPM (optional)</i>	<i>SelfService (optional)</i>
License (Up to 500 non-driving employees)	\$ 52,200	\$ 5,760	\$11,520
Work and services	\$133,110	\$11,595	\$17,335
Expenses	\$ 5,500	\$ 2,500	\$ 2,500
Total	\$190,810	\$19,855	\$31,335

Table 4 – Cost summary – Addition of up to 500 non-driving personnel to HASTUS (year 2016).

Expenses include air fare, transportation, hotel, meals, and incidentals for on-site visits.



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

Agenda Item No. 12

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

JANITORIAL SERVICES FOR SAN DIEGO TROLLEY, INC. (SDTI) & SAN DIEGO
TRANSIT CORPORATION (SDTC) BUILDINGS AND LIGHT RAIL VEHICLE (LRV)
FLEET – CONTRACT AWARD

RECOMMENDATION:

That the San Diego Metropolitan Transit System (MTS) Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1931.0-16 (in substantially the same format as Attachment A) with NMS Management, Inc. (NMS), a Disadvantaged Business Enterprise (DBE), for the provision of janitorial services for SDTI & SDTC buildings and the LRV fleet for three (3) base years with three (3) 1-year options, exercisable at MTS's sole discretion.

Budget Impact

The amount for the base years is \$3,990,618.63 and the optional years is \$4,111,539.10, exercisable at MTS's sole discretion, for a not to exceed total of \$8,102,157.73.

The project will be funded as follows:

See chart on next page.



		BASE YEARS			TOTAL PER CATERGORY
	COST CENTER	YEAR 1	YEAR 2	YEAR 3	
LRV Fleet	350016-536150	\$1,084,636.23	\$1,095,482.59	\$1,106,437.45	\$3,286,556.27
SDTI Buildings	350016-571210	\$67,754.82	\$68,432.22	\$69,116.94	\$205,303.98
IAD Buildings	331014-536400	\$95,473.52	\$96,429.44	\$97,393.76	\$289,296.72
KMD Buildings	331014-536400	\$69,127.06	\$69,818.22	\$70,516.38	\$209,461.66
TOTAL		\$1,316,991.63	\$1,330,162.47	\$1,343,464.53	\$3,990,618.63

		OPTION YEARS			TOTAL PER CATERGORY
	COST CENTER	YEAR 4	YEAR 5	YEAR 6	
LRV Fleet	350016-536150	\$1,117,501.54	\$1,128,676.80	\$1,139,963.68	\$3,386,142.02
SDTI Buildings	350016-571210	\$69,807.66	\$70,505.90	\$71,211.00	\$211,524.56
IAD Buildings	331014-536400	\$98,367.64	\$99,351.32	\$100,344.92	\$298,063.88
KMD Buildings	331014-536400	\$71,221.62	\$71,933.80	\$72,653.22	\$215,808.64
TOTAL		\$1,356,898.46	\$1,370,467.82	\$1,384,172.82	\$4,111,539.10

OVERALL TOTAL FOR 6 YEARS **\$8,102,157.73**

DISCUSSION:

MTS requires regular janitorial services for the following properties and LRV fleet:

SDTC:

- Imperial Avenue Division (IAD)
- Kearny Mesa Division (KMD)

SDTI:

- Buildings A, B, C, LRV Maintenance Trailer and Trolley Yard Tower
- Entire Light Rail Vehicle Fleet (including PCC cars)
- 12th and Imperial Station (LRVs only)
- Santa Fe Depot Station (LRVs only)
- San Ysidro Station (LRVs only)

Janitorial services are provided seven days a week, every calendar day, with many buildings receiving multiple cleanings per day.

LRV fleet cleaning includes an average of 60 cleaned each daytime and an average of 110 cleaned each night.

The 12th and Imperial Station, Santa Fe Depot Station and San Ysidro Station will each have one individual to clean LRVs as they layover, for cleaning duties such as trash removal, liquid spill cleanup or mop floors on rainy days, as vehicles wait for extended periods (minutes) in between schedules.

MTS Policy No. 52, "Procurement of Goods and Services", requires a formal competitive process for procurements and service contracts over \$100,000. On July 22, 2016, MTS

issued a Request for Proposals for janitorial services. Five proposals were received by the due date of September 6, 2016 from the following:

1. Aztec Janitorial Services, Lemon Grove, CA 91915
2. NMS Management, Inc, (DBE), National City, CA 91950
3. Nova Commercial Co., Inc, National City, CA 91950
4. Pride Industries, Roseville, CA 95747
5. T&T Janitorial, Inc, (DBE), San Diego, CA 92196

All five proposals were deemed responsive and responsible and were evaluated by a committee comprised of representatives from MTS Finance, SDTC and SDTI. On September 16, 2016 the proposals were evaluated on the following:

- | | |
|--|-------------|
| 1. Qualifications of the Firm or Individual | 15% |
| 2. Staffing, Organization, and Management Plan | 20% |
| 3. Work Plan | 35% |
| 4. Cost/Price | <u>30%</u> |
| Total | 100% |

The following table illustrates the total scores and ranking of each:

Proposer	Total Avg. Tech. Score	Initial Price Proposal	Cost Score	Total Avg Score Total Possible:100	Ranking
NMS (DBE)	63.00	\$8,102,157.73	30.00	93.00	1
Nova	45.00	\$9,514,605.87	25.55	70.55	2
Aztec	40.40	\$8,526,321.21	28.51	68.91	3
Pride Industries	44.00	\$12,180,671.68	19.95	63.95	4
T&T Janitorial (DBE)	28.80	\$8,506,836.00	28.57	57.37	5

The evaluation committee unanimously decided that NMS's proposal presented the best overall value to MTS. Therefore, based on the superior initial scoring, the evaluation committee invited NMS for oral presentations, interviews and discussions. On October 11, 2016, NMS submitted a revised proposal with confirmation on adherence to minimum wage requirements.

By comparison of the initial proposal to MTS's Independent Cost Estimate (ICE), the table below shows MTS savings:

Year	MTS ICE	NMS	MTS Savings
Year 1	\$1,350,513.13	\$1,316,991.63	\$33,521.50
Year 2	\$1,394,699.16	\$1,330,162.47	\$64,536.69
Year 3	\$1,440,394.27	\$1,343,464.53	\$96,929.74
Year 4	\$1,487,652.97	\$1,356,898.46	\$130,754.51
Year 5	\$1,536,531.78	\$1,370,467.82	\$166,063.96
Year 6	\$1,587,089.42	\$1,384,172.82	\$202,916.60
Total	\$8,796,880.74	\$8,102,157.73	\$694,723.01

Based on the objectives of this procurement, consideration of the evaluation criteria and NMS's technical and price proposals, the evaluation team determined that NMS presented the best overall value to MTS.

Therefore, staff recommends that the MTS Board of Directors authorize the CEO to execute MTS Doc. No. G1931.0-16 (in substantially the same format as Attachment A) with NMS Management, Inc. (NMS), a DBE, for the provision of Janitorial Services for SDTI/SDTC buildings and Light Rail Vehicle (LRV) fleet for three (3) base years with three (3) 1-year options, exercisable at MTS's sole discretion.

A handwritten signature in cursive script that reads "Sharon Cooney" followed by a small flourish.

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 G1931.0-16
B. Cost Proposal Summary

G1931.0-16 CONTRACT NUMBER

FILE/PO NUMBER(S)

**STANDARD SERVICES AGREEMENT
FOR
JANITORIAL SERVICES FOR SDTI & SDTC BUILDINGS
AND LRV FLEET**

THIS AGREEMENT is entered into this 1st day of January 2017, 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: NMS Management, Inc Address: 155 West 35th Street, Suite A

Form of Business: Corporation National City, CA 91950
(Corporation, partnership, sole proprietor, etc.)

Telephone: (858) 336-8837

Telephone: (619) 425-0440 Email Address: nmsmanagement@msn.com

Authorized person to sign contracts: David Guaderrama President
Name Title

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

Janitorial services for SDTI & SDTC buildings and LRV fleet as specified in the Scope of Work (attached as Exhibit A), NMS Management's cost proposal dated September 6, 2016 (attached as Exhibit B), and in accordance with the Standard Services Agreement, including Standard Conditions Services (attached as Exhibit C) and Federal Requirements (attached as Exhibit D).

The contract term is for up to a three (3)-year base period and three (3) 1-year option terms, exercisable at MTS' sole discretion, for a total of six years. Base period shall be effective January 1, 2017 through December 31, 2019, and option years shall be January 1, 2020 through December 31, 2022, if exercised by MTS.

Payment terms shall be net 30 days from invoice date. The total cost of this contract shall not exceed \$3,990,618.63 for the base years and \$4,111,539.10 for the option years, for a total not to exceed \$8,102,157.73 without the express written consent of MTS.

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

AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
\$3,286,556.27	350016-536150	FY 17-FY 19
\$205,303.98	350016-571210	FY 17-FY 19
\$498,758.38	331014-536400	FY 17-FY 19
By: _____		

Chief Financial Officer Date
(___ total pages, each bearing contract number) SA-SERVICES

Attachment B

JANITORIAL SERVICES (SDTI, SDTC & LRVs)

G1931.0-16

TOTAL COST SUMMARY

ADDENDUM NO. 2

	BASE YEARS			OPTION YEARS		
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6
LRV's	\$ 1,084,636.23	\$ 1,095,482.59	\$ 1,106,437.45	\$ 1,117,501.54	\$ 1,128,676.80	\$ 1,139,963.68
SDTI BUILDINGS	\$ 67,754.82	\$ 68,432.22	\$ 69,116.94	\$ 69,807.66	\$ 70,505.90	\$ 71,211.00
IAD BUILDINGS	\$ 95,473.52	\$ 96,429.44	\$ 97,393.76	\$ 98,367.64	\$ 99,351.32	\$ 100,344.92
KMD BUILDINGS	\$ 69,127.06	\$ 69,818.22	\$ 70,516.38	\$ 71,221.62	\$ 71,933.80	\$ 72,653.22
TOTAL PER YEAR	\$ 1,316,991.63	\$ 1,330,162.47	\$ 1,343,464.53	\$ 1,356,898.46	\$ 1,370,467.82	\$ 1,384,172.82
TOTAL FOR 3 YEARS	\$	3,990,618.63		\$		4,111,539.10

OVERALL TOTAL 6 YEARS

\$ 8,102,157.73

PROPOSER'S NAME:

NMS Management, Inc



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

Agenda Item No. 13

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

CENTRALIZED TRAIN CONTROL SYSTEM MAINTENANCE SERVICES

RECOMMENDATION:

That the San Diego Metropolitan Transit System (MTS) Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G0930.17-04.29.2, (in substantially the same format as Attachment A) with San Diego Association of Governments (SANDAG), for the provision of preventative maintenance services on software and equipment for the Centralized Train Control (CTC) System.

Budget Impact

The funding for this maintenance agreement is budgeted in the Information Technology operations budget and will not exceed \$1,246,419.00 for calendar years 2017 through 2021.

Description	Cost
Calendar Year 2017 - Base Contract	\$ 220,021.00
Calendar Year 2018 - Base Contract	\$ 225,340.00
Calendar Year 2019 - Base Contract	\$ 230,663.00
Calendar Year 2020 - Base Contract	\$ 237,018.00
Calendar Year 2021 - Base Contract	\$ 243,377.00
Total Base Contract 5 year Cost	\$1,156,419.00

Administration Expenses	
SANDAG Administration Hours 2017	\$ 18,000.00
SANDAG Administration Hours 2018	\$ 18,000.00
SANDAG Administration Hours 2019	\$ 18,000.00
SANDAG Administration Hours 2020	\$ 18,000.00



SANDAG Administration Hours 2021	\$ 18,000.00
Total Administration Expenses 5 year Cost	\$90,000.00
Grand Total	\$1,246,419.00

DISCUSSION:

In December 2007, SANDAG awarded ARINC a contract to design and install a new CTC system for light rail transit operations in greater San Diego for the MTS Rail Operations of San Diego Trolley, Inc.

ARINC implemented a new CTC system with centralized train control, routing and tracking, monitoring and controlling of 53 miles of track, substations, feeders and overhead catenary. The project was accepted and signed off in 2012. As the system was under warranty for that calendar year, a maintenance agreement was not required until 2013.

Under the master memorandum of understanding (MOU) with SANDAG (MTS Doc. No. G0930.17-04, SANDAG Addendum 17), in June 2014 MTS entered into MTS Doc. No. G0930.17-04.29 for CTC maintenance, (performed by ARINC as SANDAG's contractor), for calendar years 2013 – 2015, in an amount, not to exceed \$1,152,229.00.

In July 2016, MTS executed amendment MTS Doc. No. G0930.17-04.29.1, CTC System and Customer Information System (CIS) in the amount of \$353,467.00 for calendar year 2016.

An agreement with SANDAG for calendar year 2017 through 2021 is now required to reimburse SANDAG for the full and actual cost for maintenance services performed by ARINC. MTS Doc. No. G0930.17-04.29.2 will cover the services below:

Scope of Work to be Performed by SANDAG:

SANDAG will provide overall project management and procurement services for the ARINC contract.

Scope of Work to be Performed by ARINC:

ARINC will provide the following:

1. Maintenance of the system software (including operating system, networking software, and software utilities).
2. Third-party software package updates.
3. Software version support.
4. Phone and on-site support.

MTS agrees to reimburse SANDAG for the full and actual cost for maintenance services in an amount not to exceed \$1,246,419.00 over the term of the agreement. This amount shall include eligible costs for the software and hardware maintenance, quality

assurance/control, testing and update services available from ARINC. In the event that this amount will be exceeded, MTS will meet with SANDAG to discuss the need for additional hours. In no event shall MTS have the responsibility to move forward until the parties are able to identify sufficient funding for hours associated with out of scope tasks.

Therefore, staff recommends that the Board of Directors authorize the CEO to execute MTS Doc. No. G0930.17-04.29.2, (in substantially the same format as Attachment A), for the provision of preventative maintenance services on software and equipment for the Centralized Train Control (CTC) System for calendar year 2017 through 2021.



Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Addendum 17 Project Scope of Work

ATTACHMENT A
Addendum 17 Project Scope of Work

MTS File No.	G0930.17-04.29.2	SANDAG Reference No.	5000710 SOW 6_
CIP Title:	Centralized Train Control Maintenance		
CIP No.	1142500	Project Managers:	MTS – Sandra Bobek SANDAG – Francine Jimenez
Lead Agency:	MTS	Operating Agency:	MTS
Estimated Start Date:	January 1, 2017	Original SOW ____ Budget	\$1,246,419
Estimated Completion Date:	December 31, 2021	Additional SOW ____ Budget (this amendment)	N/A
Total CIP Budget	\$1,246,419	Total SOW Budget (value of work to be invoiced between SANDAG/MTS):	\$1,246,419

Intended Source of Funds: (Describe types and amounts of local, state and/or federal funding and attach any unique pass-through requirements): MTS will be utilizing local MTS operations funding

Describe Any Necessary Transfers of Project Funds Between the Parties:

MTS shall transfer \$\$1,246,419 in funding to SANDAG for services described herein.

Project Description:

This project is for the productive and preventative maintenance services of software and hardware equipment through the end of Calendar Year (CY) 2021 for the Centralized Train Control (CTC) System. SANDAG will confirm with MTS annually that MTS desires to renew the agreement for that calendar year and upon receipt of confirmation, SANDAG will issue a task order to the vendor for that calendar year only.

Scope of Work to be Performed by MTS:

MTS agrees to reimburse SANDAG for the full and actual cost for maintenance services in an amount not to exceed \$1,246,419. This amount shall include eligible costs for the software and hardware maintenance, quality assurance & control, testing, and system update services available from the SANDAG vendor (ARINC) and annual SANDAG Administration in an amount not to exceed 120 hours. In the event that SANDAG notifies MTS that this will be exceeded, MTS will meet with SANDAG to discuss the need for additional hours. In no event shall SANDAG have the responsibility to move forward until the parties are able to identify sufficient funding for hours associated with out of scope tasks.

Scope of Work to be Performed by SANDAG Consultant (ARINC):

1. Maintenance and upgrading of the system software including operating system, networking software and software utilities.
2. Third-party software package updates (such as database managers).
3. Software version support (as described above).
4. Development of new application software (estimated time and material, with minimum service charge).
5. Phone and on-site support for system installation of new revision level software (including parts and labor).

The estimated cost for services can be found in Attachment 1.

Scope of Work to be Performed by SANDAG:

SANDAG will provide overall project management services for the Project maintenance and provide funding as approved by the SANDAG Board of Directors.

Any Additional Project-Specific Conditions:

None

APPROVED BY:
SANDAG

METROPOLITAN TRANSIT SYSTEM

Jim Linthicum
Director of Mobility Management and
Project Implementation

Date

Paul Jablonski
Chief Executive Officer

Date

Attachment 1

Additional Services to be provided by ARINC

Description	Cost
Calendar Year 2017 - Base Contract	\$ 220,021.00
Calendar Year 2018 - Base Contract	\$ 225,340.00
Calendar Year 2019 - Base Contract	\$ 230,663.00
Calendar Year 2020 - Base Contract	\$ 237,018.00
Calendar Year 2021 - Base Contract	\$ 243,377.00
Total Base Contract 5 year Cost	\$1,156,419.00

Administration Expenses	
SANDAG Administration Hours 2017	\$ 18,000.00
SANDAG Administration Hours 2018	\$ 18,000.00
SANDAG Administration Hours 2019	\$ 18,000.00
SANDAG Administration Hours 2020	\$ 18,000.00
SANDAG Administration Hours 2021	\$ 18,000.00
Total Administration Expenses 5 year Cost	\$90,000.00

Grand Total	\$1,246,419.00
--------------------	-----------------------

The tasks and/or elements corresponding to this amount are listed in the table.



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

Agenda Item No. 14

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

ADDITIONAL FUNDING FOR THE CATENARY IMPROVEMENTS TO THE ORANGE
LINE FROM 12th & IMPERIAL TO MAIN STREET EL CAJON, BROADWAY WYE

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to approve additional funding of \$2,950,000 for the installation of catch cable for Orange Line and Broadway Wye.

Budget Impact

This funding requested does not impact the current Fiscal Year 2017 budget; the added funds will be included in the upcoming FY18 Capital Improvement Program (CIP). The total estimate construction cost for installation of catch cable for the Orange Line and Broadway Wye is \$6,380,000, with \$3,430,000 currently available in SANDAG CIP # 1129200 – OCS Catch Cable & Broadway Wye, an additional \$2,950,000 will need to be funded in MTS's FY18 CIP.

DISCUSSION:

The catenary improvements project is funded by MTS's CIP and implemented by SANDAG. The purpose of the project is for the installation of catch cables at all balance weight locations to comply with General Order 95 and resetting of balance weight heights along the Orange Line from 12th and Imperial to Main Street in El Cajon. The project also includes improvements to the catenary at the Broadway Wye which will add additional supports to the current system.

SANDAG is the lead on this project. A full cost estimate for the project (\$6,380,000) was recently provided by SANDAG and its contractor, HMS (Attachment A). MTS staff had



previously allocated \$3,430,000 to this project in FY11 – FY15 CIP, with the understanding that additional funds would be allocated once the scope and budget were more certain. Today's action would authorize the remaining \$2,950,000 in CIP funding and the execution of SOW 27.2 with SANDAG to complete the project (Attachment B).

A handwritten signature in cursive script that reads "Sharon Cooney for". The signature is written in black ink and is positioned above a horizontal line.

Paul C. Jablonski
Chief Executive Officer

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

Attachments: A. Cost Summary
B. SANDAG Addendum 17, 5000710 SOW 27.2

SANDAG Project - 112900 OCS Insulator/Catch Cable Replacement

	OCS - Orange Line Cost to Complete	Broadway Wye Cost to Complete
Administration	141,490	14,853
Communications	25,000	-
DSDC	70,745	24,000
Flagging	142,454	17,313
CM	778,196	37,133
Baltimore Junction Rent (3K per mo	54,000	
Professional Services	1,123	-
Construction	3,537,253	371,332
Construction Contingency	530,588	55,700
Project Contingency	528,085	52,033
Total Cost	5,808,934	572,364
Remaining Budget	3,150,000	280,484
	2,658,934	291,880

FY18 Total Request**2,950,814**

Addendum 17 Project Scope of Work

MTS File No.	G0930.17-04.27	SANDAG Reference No.	5000710 SOW 27.2
CIP Title:	OCS Insulator & Catch Cable Replacement		
CIP No.	1129200	Project Managers:	MTS – Thang Nguyen SANDAG - Dale Neuzil
Lead Agency:	SANDAG	Operating Agency:	MTS
Estimated Start Date:	July 2013	Original SOW 27.1 Budget:	\$375,000
Estimated Completion Date:	July 2019	Additional SOW 27.2 Budget (this amendment):	\$2,950,000
Total CIP Budget:	\$4,321,000 (\$7,646,000)	Total SOW Budget (value of work to be invoiced between SANDAG/MTS):	\$3,325,000

Intended Source of Funds:

FTA Section 5307, FTA Section 5309, and Transportation Development Act (TDA) funds

Describe Any Necessary Transfers of Project Funds Between the Parties:

MTS shall reimburse SANDAG via purchase order(s) for services described herein.

Project Description:

Provides for the installation of catch cables at all balance weight locations to comply with General Order 95 and the resetting of balance weight heights along the Orange Line from 12th and Imperial to Main Street in El Cajon. This project also provides funds to support design and construction of Broadway Wye.

Scope of Work to be Performed by MTS:

- Flagging services by San Diego Trolley, Inc. (SDTI) personnel in the MTS right-of-way during construction. Any work which involves personnel or equipment within 15 feet of the center line of any active track must have at least 2 SDTI supplied flagpersons per location for the duration of the work.
- Maintenance of Way (MOW) services to de-energize and re-energize substation and catenary around the work to be performed. Work typically includes, but is not limited to, opening electrical vault, operating disconnect switches, coordinating with SDG&E, and running feeder cables.
- Reimbursement of costs associated with SANDAG's award and management of Catenary and Broadway Wye Improvements Project.

Scope of Work to be Performed by SANDAG:

Provide project management from award through completion, construction, construction management, design services during construction, and claims management.

Any Additional Project-Specific Conditions:

None

APPROVED BY:
SANDAG

METROPOLITAN TRANSIT SYSTEM

Jim Linthicum
Director of Mobility Management
and Project Implementation

Date

Paul Jablonski
Chief Executive Officer

Date



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

Agenda Item No. 15

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

PROPOSED REVISIONS TO MTS BOARD POLICY NO. 59, "NATURAL GAS AND ENERGY COMMODITY HEDGE POLICY"

RECOMMENDATION:

That the Board of Directors approve the proposed revisions to MTS Board Policy No. 59, "Natural Gas and Energy Commodity Hedge Policy" (Attachment A).

Budget Impact

None.

DISCUSSION:

MTS Board Policy No. 59 governs MTS's Natural Gas and Energy Commodity Hedge Policy. This policy allows MTS to purchase energy commodities on the direct market, allowing MTS to better manage its energy costs.

The proposed revisions are intended to address a gap in express authority related to the sale of energy credits. Most of the energy credits generated by MTS are covered by formal contracts for the purchase of energy commodities – the purchase of the commodity and the transfer of any credits generated by that transaction are governed by the same contract. However, from time to time, MTS generates energy credits that are not governed by an existing contract.

Because the market for the sale of energy credits fluctuates substantially on a day-to-day, month-to-month and year-to-year basis, new section 59.5 authorizes the Chief Executive Officer (CEO) to sell any unallocated energy credits on the open market, using his discretion. This will allow MTS to capture the best price in a fluctuating market.

Any sales under this new provision will be reported at the next applicable Board meeting as part of the monthly Operations Budget Status Report.



This proposal was discussed and recommended by the Budget Development Committee at its meeting on October 27, 2016.

A handwritten signature in cursive script that reads "Sharon Cooney" followed by a small "for" in a similar script.

Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Proposed Revisions to MTS Board Policy No. 59



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

Policies and Procedures

No. 59

SUBJECT:

Board Approval: ~~2/18/2010~~ 11/10/2016

Natural Gas and Energy Commodity Hedge Policy

PURPOSE

The purpose of this policy (the "Policy") is to establish guidelines for the execution and management of the Metropolitan Transit System's ("MTS") use of hedging instruments and related transactions in connection with the purchase of natural gas and electrical energy for MTS's transit operations.

Specific objectives of the Policy are as follows:

1. Achieve a high degree of budget certainty in the purchase of natural gas and energy commodities.
2. Maintain a high degree of fuel and energy supply reliability.
3. Ensure no adverse operational impacts.
4. Ensure no adverse impacts on MTS's credit rating.
5. Ensure that all hedging instruments are acquired through competitive bidding with credit-worthy counterparties.

This policy confirms the commitment of MTS management to adhere to sound financial and risk management practices. The Policy shall govern the execution and management of all hedging instruments and activities carried out in connection with natural gas and energy purchases for MTS's transit operations.

59.1 AUTHORIZATIONS AND APPROVALS

The Chief Executive Officer and Chief Financial Officer are the designated administrators of the Policy ("Hedge Administrators") and are authorized to execute hedges in accordance with this Policy without further approval of the Board.



59.2 CONDITIONS FOR THE USE OF HEDGING PRODUCTS

59.2.1 General Usage

Financial commodity swaps may be used to lock in a fixed price for natural gas and energy commodities in accordance with the conditions and restrictions set forth below. Should MTS elect to purchase gas or electricity from a qualified energy services provider ("ESP"), MTS may accomplish its commodity hedging objectives by converting the price of an ESP-provided energy supply from a variable market price to a fixed price so long as the competitive bidding and other provisions of this Policy are met.

59.2.2 Maximum Transaction Volume

The maximum aggregate transaction volume for all financial commodity swaps entered into for any budget year shall be equal to the volume of natural gas or energy forecast to be used in connection with the transit fleet during that year. If, at any time prior to or during the fiscal year being hedged, the projected volumes change by more than 10% below or above the amount hedged, additional hedges may be entered into, or termination of existing hedges may be executed in order to account for the change in projected volume.

59.2.3 Hedge Frequency

The number of hedge transactions for any fiscal year shall be no greater than four as determined by the Hedge Administrators except as may be required in response to a change in the volume of fuel or energy projected as provided in Section 59.1 above.

59.2.4 Hedge Timing

Hedging instruments shall be entered into no sooner than 30 months in advance of the first business day of the fiscal year being hedged. All hedges for any fiscal year will be in place in advance of the annual budget submission to the Board of Directors for that fiscal year.

59.2.5 Hedge Termination

The Hedge Administrators may terminate any and all hedges in whole or in part in response to changes in the projected volume of fuel or energy in any fiscal year as provided in Section 59.1 above or if required due to any action by the California Public Utilities Commission or the San Diego Gas and Electric Company, which impacts the effectiveness of the hedge. Under no circumstance will hedges be terminated for the sole purpose of generating a profit.

59.2.6 Hedge Term

All hedging instruments will be limited in term to 24 months.

59.2.7 Prohibited Commodity Swap Features

The MTS will not use commodity swaps that: (i) involve any purpose other than hedging natural gas or energy commodity prices as set forth in this Policy; (ii) lack adequate liquidity to terminate without incurring a significant bid/ask spread; (iii) provide insufficient price transparency to allow reasonable valuation; or (iv) are used as investments.

59.3 HEDGE INSTRUMENT FEATURES

59.3.1 Hedge Agreement

The International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement shall be used as the basis for the documentation of commodity swaps. The swap agreement between the MTS and each counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions, provisions and safeguards as MTS, in consultation with its legal counsel, and/or hedge advisor deems necessary or desirable.

If MTS takes part in SDG&E's CAT Program for natural gas purchases, or becomes a Direct Access customer for electric energy purchases, the hedging objectives of this policy may be met by execution of an appropriate amendment to the relevant Purchase and Sale Agreement entered into with a qualified ESP.

59.3.2 Commodity Swap Counterparty Credit Criteria

Qualified commodity swap counterparties will be those having, at the time of execution, a general credit rating not lower than "A3" or "A-" by at least two of the nationally recognized rating agencies, unless such party provides a guaranty from a parent or other guarantor rated "A3" or "A-". The nationally recognized rating agencies are Moody's Investors Services, Inc., Standard and Poor's, and Fitch Ratings.

59.3.3 Collateral Requirements

Threshold collateral amounts shall generally be established in accordance with the guidelines set forth below.

Counterparty Credit Rating	Threshold
Aa3/AA- or better	Unlimited
A3/A- to A1/A+	\$25 million
Baa1/BBB+	\$15 million
Baa2/BBB	\$10 million
Baa3/BBB-	\$2.5 million

Collateral shall be deposited with a third-party custodian or as mutually agreed upon between MTS and the counterparty. A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the swap agreement with each swap counterparty. Once collateral has been posted, the market value of the collateral shall be determined at

least weekly.

59.3.4 Security and Source of Repayment

Commodity swaps will be payable from any lawfully available funds of MTS. Whenever possible, language will be included in the swap agreement specifying that with respect to farebox revenues, swap obligations of the MTS are payable on a basis subordinate to the payment of MTS taxable pension obligation bonds, certificates of participation, or any other obligation secured on a parity therewith.

59.4 SELECTING AND PROCURING COMMODITY SWAPS

59.4.1 Counterparty Selection

Commodity swap counterparties will be selected by the Hedge Administrators consistent with the credit and performance criteria set forth in this Policy.

59.4.2 Competitive Bidding

All hedge instruments will be procured through a competitive bidding process that will provide the lowest commodity price. The nature and timing of the bidding process will be determined by the Hedge Administrators.

59.5 SALE OF ENERGY CREDITS

59.5.1 Energy Credit Sales on Open Market

MTS's use of energy sometimes results in the generation of energy credits such as California Air Resources Board (CARB) Low Carbon Fuel Standard (LCFS) credits, federal Renewable Fuel Standards credits and other existing or future credit programs. The disposition and sale of such credits is often the subject of a formal contract for the purchase of energy commodities (e.g., electric, diesel, gas). However, from time to time, MTS may be in possession of credits that are not the subject of an existing agreement. The market for energy credits fluctuates substantially on a day-to-day, month-to-month and year-to-year basis.

In order to capture the best price in a fluctuating market, the CEO has the authority and discretion to sell unallocated energy credits on the open market.

59.6 MONITORING, REPORTING, AND DISCLOSURE

59.6.1 Quarterly Reporting

The hedge program will be monitored to ensure consistency with this Policy. Annual and quarterly reports will be provided to the MTS Board of Directors in written form which shall include, but not be limited to, the following:

- (a) A description of all outstanding commodity swaps, including terms, rates paid and received, and current termination value.
- (b) Current counterparty credit ratings.
- (c) Collateral required and posted by MTS and each commodity swap counterparty, if any.
- (d) Any material event involving outstanding swap agreements, including a default by a commodity swap counterparty, counterparty downgrade, or termination.
- (e) Updated projection of the volume of fuel or energy expected to be required for operational purposes and compared to the volume hedged.
- (f) Description of any regulatory changes, including changes in the energy-pricing methodology of the California Independent Systems Operator (CAISO) or changes to San Diego Gas and Electric's hedging practices, which may impact the hedge program.

59.56.2 Disclosure and Financial Reporting

Steps will be taken to ensure that there is full and complete disclosure of all commodity swaps to the Board. With respect to its financial statements, MTS adheres to the guidelines for the financial reporting of commodity swaps as set forth by the Government Accounting Standards Board.

59.6.3 Disclosure of Energy Credit Sales

Any sale of energy credits by the CEO under the authority granted in Section 59.5 shall be reported as part of the monthly Operations Budget Status Report at the next applicable Board of Directors meeting.



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

Agenda Item No. 16

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

TRUST FUND ADMINISTRATOR POSITION

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to add one (1) Trust Fund Administrator position to the FY17 budget, increasing the total Full Time Equivalent (FTE) position from 0 to 1.

Budget Impact

None. Salary, benefits and overhead for this position will be paid by the Health and Welfare Trusts ("Trust") for the Amalgamated Transit Union, Local 1309 ("ATU") and the International Brotherhood of Electrical Workers, Local 465 ("IBEW").

DISCUSSION:

San Diego Transit Corporation ("SDTC") jointly manages two Health and Welfare Trusts, one with the ATU and with the IBEW to provide health, dental and vision insurance for the Bus Operators, Mechanics and other positions they represent.

The trust funds have contracted out day-to-day administration to a private company, Associated Third Party Administrators ("ATPA") for many years. Unfortunately, ATPA has been experiencing challenges that cause the Trustees to question whether they can meet the Trust's needs in the future. The firm has recently been sold, they have eliminated the local staff servicing our account, and they have struggled to meet our expectations on customer service issues.

The ATU and IBEW trustees have asked SDTC to take over the administration of the Trust and have agreed to pay SDTC for all costs associated with this work. Due to the volume of work, SDTC needs to hire a dedicated Trust Fund Administrator, who would



be responsible for conducting open enrollment, counseling employees on benefits issues, processing benefits transactions and payment, and ensuring compliance with the Affordable Care Act. The Trust Fund Administrator will also keep records of meeting minutes, financial statements, among other duties.

The proposed position will report to the Human Resources Supervisor and will be in Salary Grade #7 (\$50,383 to \$79,879).

Hiring an in-house Trust Fund Administrator is recommended to improve overall management of the Trust and customer service to our employees.

A handwritten signature in black ink that reads "Sharon Cooney" followed by a small flourish.

Paul C. Jablonski
Chief Executive Officer

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



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

Agenda Item No. 17

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

SD8 PROCUREMENT PROJECT – FUNDING TRANSFER

RECOMMENDATION:

That the Board of Directors approve the transfer of \$4,550,000 from the SD100 Light Rail Vehicle (LRV) Replacement project (MTS CIP No. 20020027) to the SD8 Procurement project (MTS CIP No. 20021029).

Budget Impact

The SD100 Replacement (MTS CIP No. 20020027) currently has a budget of \$32,935,562. Of this available amount, \$4,550,000 will be transferred to the SD8 Procurement project (MTS CIP No. 20021029).

DISCUSSION:

MTS recently issued a Notice to Proceed to Siemens for the procurement of 45 SD8 LRVs, of which 36 are being funded by the SANDAG Mid-Coast project and nine are being funded by MTS as part of the SD8 Procurement project. Of the nine LRVs being funded by MTS, only eight are currently funded through two Cap and Trade grants.

Staff recommends transferring \$4,550,000 from the SD100 Replacement project (MTS CIP No. 20020027) to the SD8 Procurement project (MTS CIP No. 20021029) to fund the ninth MTS funded vehicle.


Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4515, Sharon.Cooney@sdmts.com





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

Agenda Item No. 18

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

PROPOSED REVISIONS TO MTS BOARD POLICY NO. 22

RECOMMENDATION:

That the Board of Directors approve the proposed revisions to MTS Board Policy No. 22, "Rules of Procedure for the San Diego Metropolitan Transit System (MTS) Board of Directors" related to the Audit Oversight Committee (Section 22.9).

Audit Oversight Committee Recommendation

At its meeting on November 3, 2016, the Audit Oversight Committee voted 6 to 0 (AOC Chair Ewin and Board Members Bragg, Gloria, Mathis, McClellan and Roberts in favor) to recommend that the Board approve the staff recommendation.

Budget Impact

None.

DISCUSSION:

These revisions pertain to section 22.9 of Board Policy 22, which delineates the structure, role, and procedures of the Audit Oversight Committee (AOC). The proposed changes define or clarify terms such as "internal auditor" and "external auditor", eliminate redundant language, improve conciseness, or decompose compound questions, and clarify communications between internal auditors and the AOC and Executive Committee.

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. Proposed Revisions to Policy No. 22 (red-line version)





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

Policies and Procedures No. 22

Board Approval: 2/12/15 11/10/16

SUBJECT:

RULES OF PROCEDURE FOR THE SAN DIEGO METROPOLITAN TRANSIT
SYSTEM (MTS) BOARD OF DIRECTORS

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. The Board is established and governed by the Mills-Deddeh Transit Development Act, set forth in the Sections 120000 through 120702 of the California Public Utilities Code ("MTS Enabling Legislation"). Section 120101 requires to the Board to "establish rules for its proceedings." In the event the rules of procedure set forth herein conflict with the MTS Enabling Legislation, or other applicable law, the applicable law shall supersede these rules.

22.1 Membership and Organization

- 22.1.1 Membership in this Board is established by Sections 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.
 - 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 schedule of the meetings shall be published in the local newspaper of general circulation prior to the next regular meeting. The schedule of meetings shall also be published on the MTS website and posted at the MTS Executive Offices.

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 at other than a regular meeting or at an adjourned regular meeting. However, an urgency ordinance may be passed at a 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 Consistent with Section 120109 of the MTS Enabling Legislation, 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 22.4.4, 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.

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 by the City of San Diego 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 22.8.2 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 and such other individuals as the Board may appoint at the first MTS Board meeting each calendar year. The Chairman of the Audit Oversight Committee shall be a voting member. The Chairman of the Audit Oversight Committee shall not be the member who serves as the Executive Committee Chairman. The Board may also 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 voting members who are appointed to serve on the Audit Oversight Committee. 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-uncovered in the course of the audit are properly reported and 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 financial statement audit and any other audits the committee feels is appropriate. The financial statement or CAFR audit should be conducted by an external, independent, public accounting firm experienced in municipal financial audits (external auditor).
- b. Review the appropriate purpose and scope of any nonaudit services to be performed by the independent external auditor.
- c. Oversee the procurement of outside the external auditor and any related advisory 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 the external auditor using an appropriate degree of professional skepticism.
- e. Assess the performance of the external auditors.
- f. Provide a forum for MTS internal auditors to report findings during committee meetings. Internal auditors are MTS employees who report to management and primarily perform operational and compliance audits. In unusual circumstances involving significant fraud, waste, or abuse, the internal auditors must contact the chairman of the Executive Committee and the chairman of the Audit Oversight Committee.

g. Provide at least an annual written and oral report to the Board on how the committee discharged its duties and responsibilities.

h.g. Establish a procedure for receipt, retention, and treatment of complaints regarding accounting, internal controls, or auditing matters.

22.9.5

The Audit Oversight Committee shall perform the following tasks each year and, to the extent possible, adhere to this timetable:

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 external 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 and review and/or amend the list of audit questions in Section 22.9.6 as appropriate.

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, including asking the questions listed in Section 22.9.6, as modified by the Audit Oversight Committee pursuant to Section 22.9.5(d).

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~~ 22.9.6

At a minimum, and no later than the final MTS Board meeting for the CAFR final adoption meeting, the Audit Oversight Committee shall publically ask the following questions of MTS Staff, ~~the Internal Auditor management~~ and/or the independent external 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) and/or generally accepted government auditing standards (GAO GAGAS)? If not, why?~~
- c. ~~Has the independent external auditor(s) prepared an unqualified opinion regarding the financial statements? If not, what type of opinion was issued and why?~~
- d. ~~Did the external auditor issue a management letter?~~
- e. ~~Did the external auditor find any nonmaterial weaknesses or reportable conditions?~~
- b.f. ~~Was the audit performed independently? The Audit Oversight Committee should ask how~~ How did the external audit firm maintained its independence during the course of the audit?.
- g. ~~The Audit Oversight Committee should have the independent auditor(s) d~~ Describe, in general, the audit procedures performed.
- c.h. ~~Were any new accounting principles adopted? If so, what was their effect?~~
- d.i. ~~The Does the external auditor recommend any changes in the accounting policies used or their application? Did management apply the best accounting principles or merely permitted ones? 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.

- e.l. ~~The Audit Oversight Committee should have the independent auditor(s) d~~Describe any significant accounting adjustments affecting the financial statements (prior year as well as current year).
- k. Did the ~~independent external~~ auditor(s) encounter any difficulties in dealing with management in performing the audit?
- l. ~~, including whether there w~~Were there any disagreements with management regarding any accruals, estimates, reserves, or accounting principles?
- f.m. Did the ~~independent external~~ auditor(s) have the full cooperation of MTS management and staff?
- g.n. ~~The Audit Oversight Committee should ask the audit firm about the~~Assess 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?
- h.o. Were there any accounting issues on which the audit firm sought the advice of other audit firms or regulatory bodies?
- i.p. Are there new pronouncements and/or risks affecting future financial statements which the Audit Oversight Committee should be aware of?~~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 any applicable laws or regulations (including, but not limited to, the Brown Act, Government Code section 1090 and the Political Reform Act) and is not intended to supersede 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.

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.

Policy revised 2/12/15.

Policy revised 11/10/16.



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

Agenda Item No. 19

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

CONSTRUCTION SUPPORT SERVICES FOR ROADWAY WORKER PROTECTION
SAFETY TRAINING

RECOMMENDATION:

That the Board of Directors ratify previous actions and authorize the Chief Executive Officer (CEO) to execute Work Order No. 11.04.03 to MTS Doc. No. G1386.0-11 with PGH Wong Engineering, Inc.

Budget Impact

A total of \$100,000 would be expended from the Land Management Department Professional Services. Most costs under this Work Order are reimbursed by third party contractors and/or individual MTS or SANDAG capital projects.

DISCUSSION:

MTS requires Construction Management on-call services for various land management issues, including right of entry permit inspections and other related services.

On March 24, 2011, the Board accepted an assignment of \$500,000 in capacity for an On-Call Engineering Services Contract with PGH Wong Engineering, Inc. from SANDAG.

Under this contract, MTS staff issues individual work orders to PGH Wong to support various departments and/or projects. Depending on the individual services provided, costs are billed to the Land Management Department budget and/or Capital Improvement Project budgets. Costs associated with non-MTS projects are recovered by the payment of right-of entry permit fees or cost-recovery design-review deposits.

MTS Policy No. 52 (Procurement of Goods and Services) gives the CEO the authority to enter into contracts up to \$100,000 on behalf of MTS. For on-call/as-needed engineering contracts, work orders for specific categories of services are issued by the



CEO. Once a work order exceeds \$100,000 in spending, Board ratification and authority for additional spending under that work order is needed.

Currently, there are 6 open work orders with PGH Wong:

<u>WORK ORDER</u>	<u>CURRENT AMOUNT</u>	<u>PROPOSED INCREASE</u>
Work Order 1 (General Construction Support – MTS-owned Right of Way)	\$75,000	
Work Order 2 (General Construction Support – SD&AE-owned Right of Way)	\$150,000	
Work Order 3 (Labor Compliance Support Services)	\$25,000	
Work Order 4 (Roadway Worker Safety Protection Training)	\$100,000	\$100,000
Work Order 5 (Construction Management Services – Building C Back Up Generator Project)	\$29,000	
Work Order 6 (Construction Management Services – Substation Rehab Project)	CANCELLED	
Work Order 7 (Construction Management Services – Transit Store Project)	\$12,900	
Total Outstanding Work Orders:	\$391,900	\$491,900

Today's action would ratify the existing spending on Work Order 4 and increase the authority from \$100,000 to \$200,000 (Attachment A).

Work Order 4 provides specialized training to third party contractors and their employees related to operational and regulatory safety procedures for construction work in or near an active railroad right-of-way. All individuals working in or near the MTS right-of-way are required to complete a roadway worker safety protection training course before work can begin. PGH Wong provides the training courses to meet this requirement. Most costs associated with this Work Order are reimbursed by the third party contractor and/or an applicable MTS or SANDG capital project. The amount billed against the Work Order depends on the volume of construction projects that are scheduled near the right-of-way. Staff estimates that the proposed increase will cover all outstanding invoices and estimated costs through Fiscal Year 2017.

Staff is concurrently working to develop and procure an outside roadway worker safety protection training vendor/certification program, which would not require MTS to manage the classes, scheduling and billing/reconciliation through MTS's as-needed construction management services contracts. The future program would simply require workers to obtain the approved certification from the outside program vendor (to be solicited) before work can begin.

A handwritten signature in cursive script that reads "Sharon Cooney" followed by a small "for" written in a similar style.

Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Work Order No. 11.04.03 to MTS Doc. No. G1386.0-11

October 28, 2016

MTS Doc. No. G1386.0-11
Work Order No. 11.04.03

Mr. Clifford S. M. Wong
Contract Project Manager
PGH Wong Engineering, Inc.
182 2nd Street, Suite 500
San Francisco, CA 94105

**Subject: MTS DOC. NO. G1386.0-11, AMENDMENT NO.3, TO WORK ORDER 11.04; ROADWAY
WORKER PROTECTION SAFETY TRAINING CONSTRUCTION SUPPORT SERVICES**

This letter shall serve as Amendment No. 3 to our agreement for professional services under the General Construction Support Consultant Agreement, as further described below.

SCOPE OF SERVICES

Provide roadway worker protection safety training construction support services in accordance with the attached Scope of Services (Attachment A and B).

SCHEDULE

The Scope of Services, as described above, shall extend through April 30, 2017.

PAYMENT

Payment shall be based on actual costs. The original work order amount was \$25,000, the value of Amendments 1 and 2 were \$50,000 and \$25,000 respectively, for a combined value of \$100,000. Amendment 3 shall increase the Work Order amount by \$100,000, for a new Work Order total not to exceed \$200,000 without prior authorization.

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

Sincerely,

Accepted:

Paul C. Jablonski
Chief Executive Officer

Clifford
PGH Wong Engineering, Inc.

LMARQUIS-CL
CL-G1386.0-11.WO11.04.03.PGHWONG.MCORIA.102816

Date: _____

Attachments: Attachment A-Scope of Services
Attachment B-Fee Proposal



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

Agenda Item No. 20

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

CUBIC CORPORATION: FARE SYSTEM SOFTWARE UPDATES

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to issue a purchase order to Cubic Transportation Systems, Inc. (Cubic), on a sole source basis, for the provision of professional services to program fare system software updates in an amount not to exceed \$350,000.

Budget Impact

Software programming will be charged on a time and material basis. The project is estimated to require up to 1000 hours at an average rate of \$350 per hour. These costs will be paid for from the Miscellaneous Capital account (1009004203).

DISCUSSION:

Through a competitive procurement in 2003, MTS, the San Diego Association of Governments (SANDAG) and North County Transit District (NCTD) selected Cubic as the region's fare system technology provider. The Cubic fare system, Compass Card, was rolled out starting in 2009. The fare system software requires regular maintenance and upgrades to remain functional.

Staff is recommending that the Board authorizes MTS to contract with Cubic on a sole source basis, for the provision of professional services to upgrade the fare system software. The scope of this Cubic software upgrade consists of the creation and integration of updated pages to the web component and the integration of newer and more robust back end software modules. The upgrade would also provide MTS with a new online payment front end to capture the additional fields required for validation,



customer name, address and CVV in addition to the existing credit card number and expiration date.

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

Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Cubic Service Rate Sheet

FY 16
Contracted Rates

Labor Description / Category	Base Rate ¹	Full Time ²	Part Time ³
Device Software Engineer	\$310	\$205	\$260
Software Systems Engineer	\$370	\$245	\$310
Systems Technical Staff	\$415	\$275	\$345
Test and Training Engineer	\$285	\$190	\$240
Sys Adm/DBA Engineer/Business Analyst	\$295	\$195	\$245
Mechanical/Electrical Engineer	\$285	\$190	\$240
Depot Repair Technician	\$145	\$95	\$120
Field Service Supervisor	\$285	\$190	\$240
Sr. Field Service Engineer	\$210	\$140	\$175
Field Service Engineer	\$150	\$100	\$125
Program Management	\$390	\$260	\$325
Contracts Manager	\$390	\$260	\$325

1. Base rate for non-contracted support. If travel is involved charges will be portal to portal, plus reasonable actual travel expenses. If an urgent response is required a 20% premium will be applied to the base rate.
2. Contracted rate: for 2,000 or more hour commitment within a one year period, in a single labor category.
3. Contracted rate: for commitment of more than 500 hours but less than 2,000 hours within a one year period in a labor category.

***Commitments in excess of 5 full time people, (10,000 hours),
will be quoted on an individual basis.***

These rates are valid October 2015 through September 2016.
Subject to change without notice.



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

Agenda Item No. 25

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

PUBLIC HEARING FOR ROUTE 950 MAJOR SERVICE CHANGES (DENIS
DESMOND)

RECOMMENDATION:

That the Board of Directors:

- 1) Receive public testimony; and
- 2) Provide direction to staff for any changes prior to approval at a later Board of Directors meeting

Budget Impact

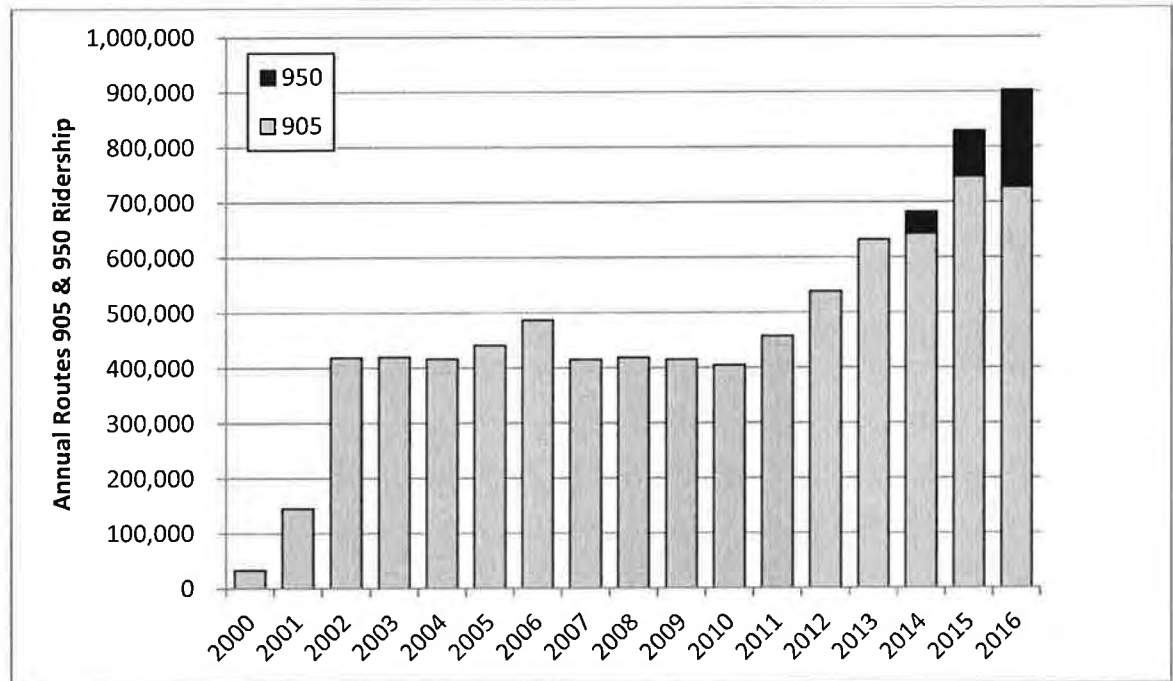
MTS has piloted changes to the Route 950 service levels since January 2016. This public hearing is to consider making those service enhancements permanent. The increase of \$101,000 for the service enhancements is already budgeted in the Fiscal Year 2017 operating budget.

DISCUSSION:

In 1999, MTS began operating Route 905 to connect the business parks of the East Otay Mesa area with the Otay Mesa Port of Entry (POE) and the Iris Avenue Transit Center (IATC). Over the past 17 years, this route has created a significant new market that has opened the Otay Mesa POE to transit riders and enabled workers in the mostly industrial East Otay Mesa area to access new employment opportunities. While transit ridership has plateaued or contracted in many areas over the past two years, growth in the Otay Mesa area has been climbing steeply upward for several years, doubling in the past five years.

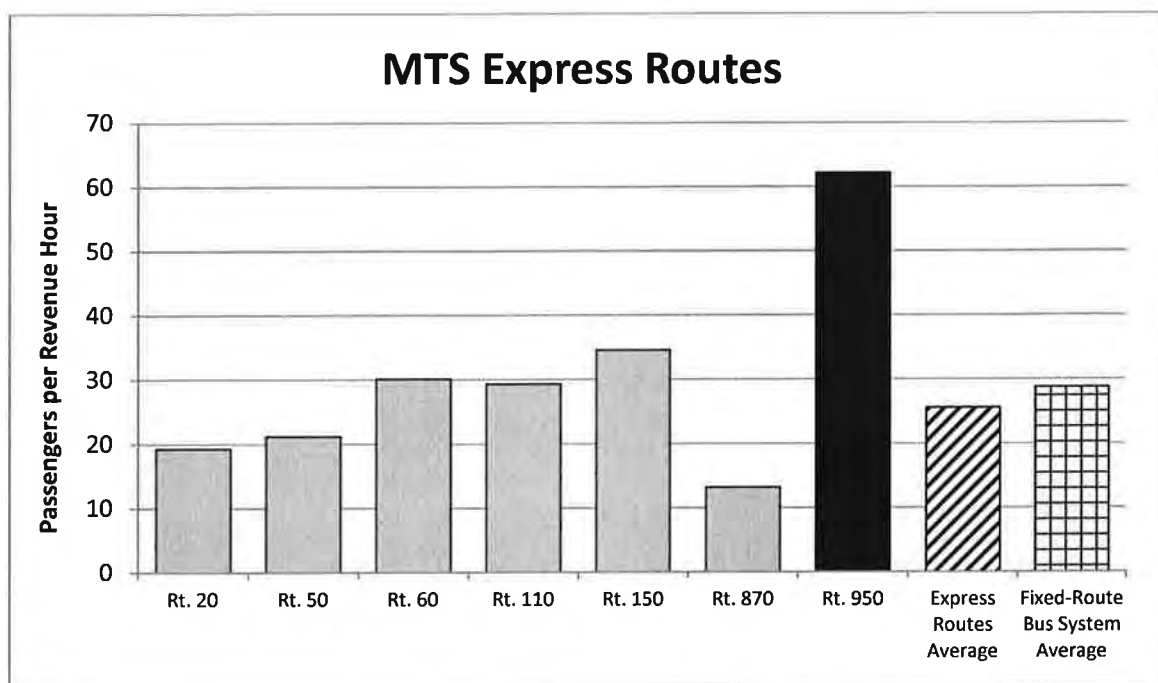


Most of this new ridership is generated by border crossers using the Otay Mesa Port of Entry as an alternative to San Ysidro, and then continuing onward in the MTS network. Since Route 905 offers a slower, local service through the business parks, new Express Route 950 was implemented in September 2013 to specifically serve the nonstop market between the POE and IATC, utilizing the newly opened State Route 125 freeway. Following Route 950 implementation, trips were incrementally added through 2014 and 2015 to meet ridership increases.



However, the level of service on Route 950 was not keeping pace with the volume of demand, and we were experiencing full buses and an inability to accommodate all riders. Additionally, MTS's contractor, Transdev, was adding a significant amount of ad-hoc tripper service in an attempt to serve as many riders as possible. To address this capacity shortfall, a trial major expansion of Route 950 was implemented in January 2016, adding nonstop trips between the Otay Mesa POE and IATC throughout the weekday, plus new all-day weekend service. Response to this new service had been overwhelmingly positive. Passengers gravitate towards the Route 950 express service over the local Route 905, and have consistently asked for greater frequency and span.

MTS Board Policy 42 requires that new services, including a significant route expansion, be implemented on a trial basis for a year during which the new service should perform to equal or better than the system average. For all of Fiscal Year 2016, including five months of the expanded service, Route 950 achieved over 62 passengers per revenue hour, above other peer express routes and above MTS's system-wide total.



Route 950 (FY2016)	Average Weekday Passengers	Passengers/ Revenue Hour	Subsidy/ Passenger
July 1, 2015-January 30, 2016 (Before Trial Service Changes)	344	64.0	\$1.24
January 31, 2016-June 30, 2016 (During Trial Period)	1,022	58.4	\$1.30
MTS Fixed-Route Bus FY2016 System Average	175,606	28.8	\$1.95

The proposed major service changes increase Route 950 weekly in-service miles by 233.9% and weekly revenue hours by 255.5%. MTS Board Policy 42 considers changes of either metric by more than 25% to be major, requiring Board action to continue beyond a one-year trial period. The success of these Route 950 changes leads staff to recommend that the major service increase be made permanent, effective with the January 2017 service change date.

Title VI

For compliance with Title VI guidance, FTA requires that transit agencies have a policy for major service changes, including a definition of what constitutes a major service change, and a process for evaluating such changes to determine any adverse potential impacts to minority communities that would result from the permanent implementation of the changes. MTS Board Policy 42 provides a definition of a major service change and outlines the process for the Title VI analysis.

The Title VI analysis of the proposed major changes to Route 950 does not reveal any potentially adverse impacts, and in fact represents a net benefit to the affected communities, which are predominantly both low-income and minority. The Title VI analysis is included as Attachment A.

California Environmental Quality Act (CEQA)

The requirements of CEQA specifically exempt the implementation of or increases in transit services on existing roads and highways (Public Resource Code § 21080 (6)(10)). Even considering the net effect including the minor reductions in Route 905 service, this change would still be an increase of 540 annual revenue hours of transit service along existing highway and road rights-of-way, thereby exempting the elements of the proposal from further examination under CEQA.

Staff will make adjustments to this proposal as necessary based on Board member and public comment at this Public Hearing. Final recommendations will be brought to the Board of Directors in December 2016 for approval. All approved changes would be considered "permanent" effective January 2017.



Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Route 950 Major Service Change Title VI Analysis



Title VI Analysis

Route 950

Prepared by the Metropolitan Transit System
October 2016

Executive Summary

The San Diego Metropolitan Transit System (MTS) has conducted a Title VI analysis of the 2016 proposed bus service change to Route 950, as required by the Federal Transit Administration (FTA). Title VI is a Federal statute and provides that no person shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance. The purpose of this analysis is to ensure that MTS is in compliance with Title VI requirements. MTS has followed FTA's guidelines, published in FTA Circular 4702.1B on October 1, 2012.

The critical elements of this analysis involve a determination of whether or not disparate impacts to minority populations or disproportionate burdens to low-income populations would result from the change. As defined in MTS Policy 42:

A disparate impact is found when there is a difference in adverse effects between minority and non-minority populations such that: the adversely affected population is 10 percent or greater minority than the total MTS service area average; or, the benefitting population is 10 percent or more non-minority than the total MTS service area average.

A disproportionate burden is found when there is a difference in adverse effects between low-income and non-low-income populations such that: the adversely affected population is 10 percent or more "low-income" than the total MTS service area average; or, the benefitting population is 10 percent or greater "non-low-income" by percentage of total population than the total MTS service area average.

The study found that there is no disparate impact and no disproportionate burden resulting from the changes to Route 950.

Introduction

The San Diego Metropolitan Transit System (MTS) is proposing making permanent a service change to Route 950 which began its pilot period in January 2016. The extent of the changes involves an increase in express bidirectional service between the Otay Mesa Port of Entry and the MTS Iris Avenue Transit Center, including the addition of weekend service, with a decrease in Route 905 local service levels. This change was piloted due to staff observations that a significant amount of passenger activity on Route 905 outside of the peak periods when Route 950 was not in operation was continuing to travel directly between the route's two terminals, indicating a continued demand for express service.

The change to Route 950 is considered to be a major service change under MTS Policy 42.5B, and as a result the Federal Transit Administration (FTA) requires the execution of a Title VI analysis (FTA C 4702.1B). The change to Route 905 has been minimal and falls below the threshold to be considered a major service change under MTS Policy 42.5B, therefore requiring no analysis. This Title VI analysis involves the evaluation of the Route 950 major service change to determine whether or not it will have a disparate impact on both minority and low-income groups. If disparate impacts or disproportionate burdens are found, this analysis will identify the available service alternatives and mitigation strategies that can be used to minimize them.

Background

Qualification as Major Service Change

The definition of a major service change, as used within MTS Policy 42, was developed with public input as part of a public engagement process during June 2013 when MTS held a public hearing to solicit feedback from stakeholders. According to the policy, MTS will conduct a Title VI analysis on any of the following changes before a final implementation decision is made:

- A change that is greater than 25 percent of a route's weekly in-service miles or hours.
- An increase or reduction in the average weekly span-of service of more than 25 percent.
- The implementation of a new route or the discontinuation of an existing route.
- A routing change that affects more than 25 percent of a route's Directional Route Miles and more than 25 percent of the route's bus stops.

Because this change is greater than 25 percent of Route 950's weekly in-service miles and hours, it qualifies under MTS Policy 42 as a major service change. The following table shows the percent change in the proposed weekly revenue hours and miles from the September 2015 booking (prior to the pilot implementation) to the January 2016 booking (when the pilot was implemented), and the resulting sums which qualify the service change as a major service change.

Table 1: Current and Proposed Major Service Change

Route	Description of Change	September 2015		January 2016			
		Weekly Revenue Hours	Weekly Revenue Miles	Weekly Revenue Hours	Percent Change	Weekly Revenue Miles	Percent Change
950	Increase service	26.5	586.5	94.2	255%	1958.1	234%

Purpose of MTS Service Changes

Due to consistently high passenger demand, it is proposed that expanded Route 950 service currently being operated as a one-year pilot be made permanent.

Definition of Low-income and Minority Groups

FTA Circular 4702.1B encourages recipients to use a locally developed threshold for low-income person that is "at least as inclusive as the HHS poverty guidelines." In coordination with SANDAG, MTS defines a low-income person as an individual whose household income is at or below 200 percent of the poverty level as defined by the United States Census Bureau. The FTA defines minority persons as the following: American Indian and Alaska Native, Asian, African American, Hispanic or Latino, and Native Hawaiian or other Pacific Islander.

Disparate Impact and Disproportionate Burden to Low-income and Minority Populations

This analysis considers the percentage of minority and low income persons by route in each census block group that the route serves. It identifies which route changes could potentially have a disparate impact or disproportionate burden. In order to provide the standard for the analysis, this section defines the criteria that MTS considers to be qualifications for a disparate impact or disproportionate burden.

The FTA defines a disparate impact as "a facially neutral policy or practice that disproportionately affects members of a group identified by race, color, or national origin, where the recipient's policy or practice lacks a substantial legitimate justification and where there exists one or more alternatives that would serve the same legitimate objectives but with less disproportionate effect on the basis of race, color, or national origin (FTA C 4702.1B Chapter I-2)."

MTS Policy 42.6b uses the phrase, "disparate impact," when speaking of minorities, and the phrase, "disproportionate burden," when speaking of low-income impacts. This report uses these phrases to differentiate the two. Both are defined as follows:

A disparate impact is found when there is a difference in adverse effects between minority and non-minority populations such that: the adversely affected population is 10 percent or greater minority by percentage of total population than the total MTS service area average; or, the benefitting population is 10 percent or more non-minority than the total MTS service area average. *For example, if the total MTS service area average is 55% minority, then a proposed service change that adversely affects a population that is 65% minority or greater would be defined as a disparate impact.* If MTS chooses to implement a proposed major service change despite a finding of a disparate impact, MTS may only do so if there is a substantial justification for the change, and there are no alternatives that would have a less disparate impact and still accomplish the goals of the change (MTS Policy 42.6b).

A disproportionate burden is found when there is a difference in adverse effects between low-income and non-low-income populations such that: the adversely affected population is 10 percent or more "low-income" than the total MTS service area average; or, the benefitting population is 10 percent or greater "non-low-income" by percentage of total population than the total MTS service area average. *For example, if the total MTS service area average is 20% "low-income," then a proposed service change that benefits a population that is 90% or greater "non-low-income" would be defined as a disproportionate burden.* If MTS chooses to implement a proposed change despite a finding of disproportionate burden, MTS may only do so if steps are taken to avoid or minimize impacts where practicable, and MTS provides a description of alternatives available to affected low-income populations (MTS Policy 42.6b).

Table 2 shows the total MTS service area averages for minority and low-income populations, based on the data from the 2014 American Community Survey 5 year estimates, 2010-2014:

Table 2: Service Area Averages

Population	Service Area Average
Minority	55.6%
Low-income	32.9%

Proposed Service Changes

The following section provides a profile of Route 950 with two maps of the proposed route: one with percentage of low-income population census block groups, and one with percentage of minority census block groups.

Figure 1: Route 950 and MTS Low-Income Population by Census Block Group

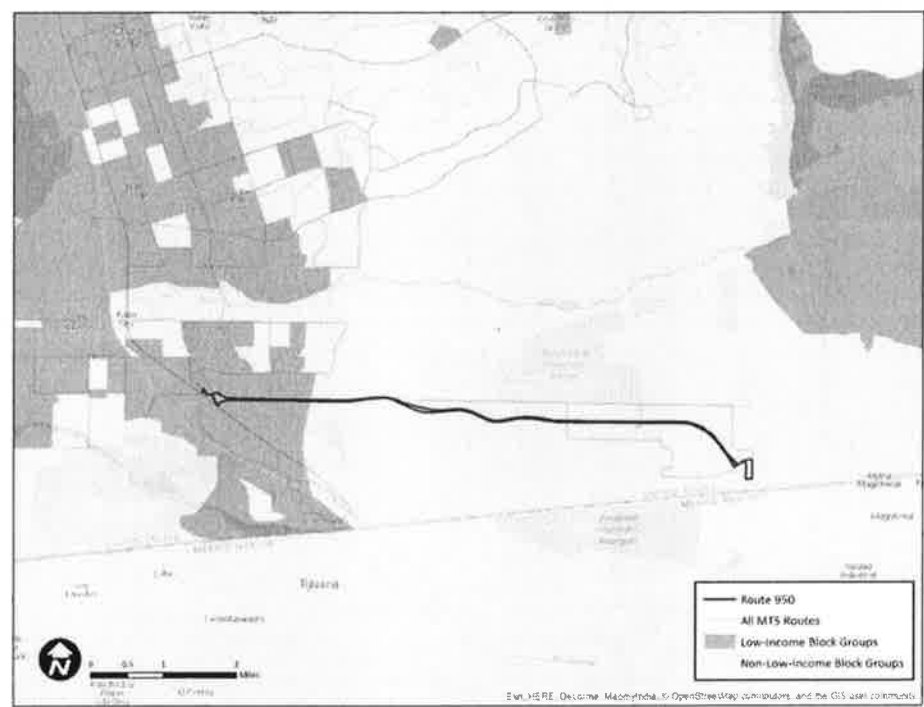
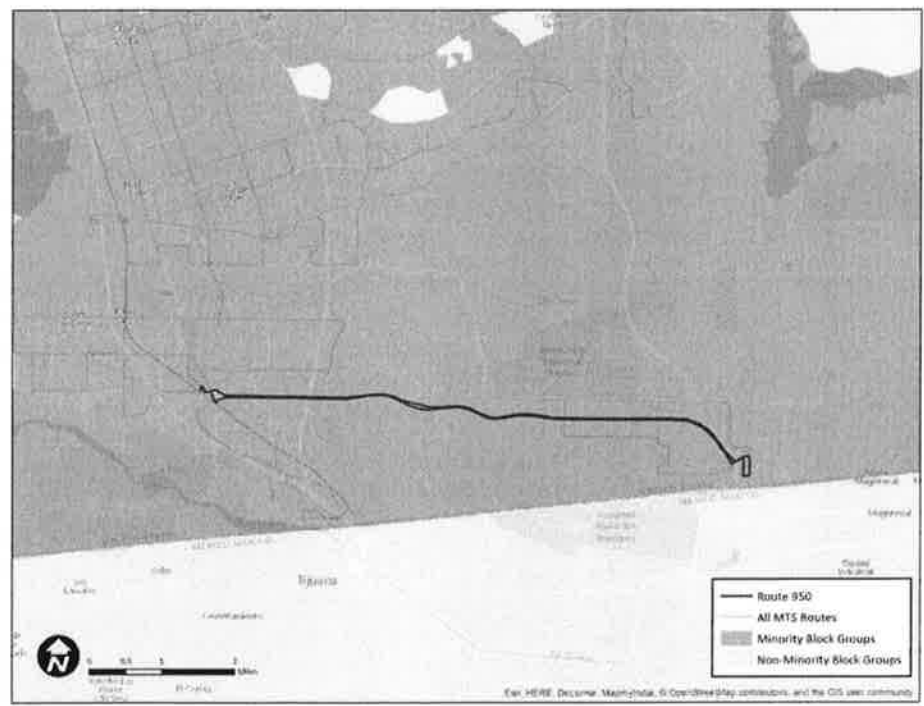


Figure 2: Route 950 and MTS Minority Population by Census Block Group



Title VI Methodology

The FTA guidelines allow transit agencies to use either ridership or population as a basis to determine disparate impacts and disproportionate burdens. Whichever basis is selected should be used throughout the analysis. MTS has selected population as the basis to ensure consistency with past analyses.

The analysis compares the population in Census block groups affected by the proposed change (defined as within 1/4 mile of an affected route) with the population in the service area. The data source is the 2010-2014 5 year estimates from the American Community Survey.

The definitions of disparate impact and disproportionate burden included in MTS Policy 42 are used in this analysis. The definitions require that the percentage of adversely affected minority or low-income populations be no more than 10 percent higher than the percentage of minority or low-income populations within the MTS service area for a service reduction. Conversely, for a service improvement or new service, the percentage of benefitted non-minority or non-low-income populations cannot be more than 10 percent higher than the percentage of non-minority and non-low-income populations within the service area.

This analysis uses the definition of low-income persons included in FTA Circular 4702.1B. The Circular encourages recipients to use a locally developed threshold for low-income persons that are "at least as inclusive as the HHS poverty guidelines." This analysis defines low-income persons as individuals whose household income is at or below 200 percent of the poverty level as defined by the United States Census Bureau.

The formats provided in Tables 1 and 2 in Appendix K of FTA Circular 4702.1B are used to present the results of the analysis, as recommended by FTA.

Title VI Evaluation Results

Table 3 presents minority and low-income population data within the MTS service area.

Table 3: Population Data within the MTS Service Area

Service Area Population	Minority Population	Percent Minority	Low Income Population	Percent Low Income
2,225,382	1,237,074	55.6%	732,930	32.9%

Table 4 presents minority and low-income population data for census block groups affected by proposed route discontinuations.

Table 4: Census Block Group Population Affected by New Service on Route 950

# Census Block Groups	Total Population Race/Ethnicity	Minority Population Affected	Percent Minority	Total Population Low Income/ Non-Low Income	Low Income Population Affected	Percent Low Income Affected
13	42,453	38,135	89.9%	38,000	14,355	37.8%
		Non-Minority Population Affected	Percent Non-Minority		Non-Low Income Population Affected	Percent Non-Low Income
		4,318	10.1%		23,645	62.2%

The proposed changes to Route 950 can be defined as a service improvement, as they meet a great ridership demand, introduce no material new negative impacts, and MTS has received no complaints about the additional service provided during the pilot period. Therefore, the analysis must consider whether non-minority and non-low income populations receive a greater benefit. The percent non-minority population in Table 4 is much lower than the percent non-minority population within the MTS service area (10.1 percent versus 44.4 percent). Since the percentage of benefitted non-minority populations is not more than 10 percent higher than the percentage of non-minority populations within the MTS service area, there is no disparate impact from proposed new service. The percent non-low-income population in Table 4 is also lower than the percent non-low-income population within the MTS service area (62.2 percent versus 67.1 percent). Since the percentage of benefitted non-low-income populations is not more than 10 percent higher than the percentage of non-low-income populations within the MTS service area there is no disproportionate burden from proposed new service.



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 10, 2016

SUBJECT:

FISCAL YEAR 2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT (ERIN DUNN AND LARRY MARINESI; KENNETH PUN AND GARY CAPORICCI OF THE PUN GROUP)

RECOMMENDATION:

That the Board of Directors receive the Fiscal Year (FY) 2016 Comprehensive Annual Financial Report (CAFR).

Budget Impact

None.

DISCUSSION:

The San Diego Metropolitan Transit System (MTS) staff and external auditors, The Pun Group, will present the FY 2016 CAFR and discuss the FY 2016 Audit.

A draft of the FY 2016 CAFR was presented to the Audit Oversight Committee on November 3, 2016 as well as a review of the FY 2016 Independent Audit by Ken Pun and Gary Caporicci from The Pun Group. The Committee unanimously received the report. During the presentation, it was noted that they are issuing an "Unmodified Opinion" and that our financial statements are presented fairly in all material respects.

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. FY16 Comprehensive Annual Financial Report (Board Only Due to Volume)





Comprehensive Annual Financial Report

for the Fiscal Years Ended
June 30, 2016 and 2015

San Diego, California



San Diego Metropolitan Transit System



CEO. Once a work order exceeds \$100,000 in spending, Board ratification and authority for additional spending under that work order is needed.

Currently, there are 6 open work orders with PGH Wong:

<u>WORK ORDER</u>	<u>CURRENT AMOUNT</u>	<u>PROPOSED INCREASE</u>
Work Order 1 (General Construction Support – MTS-owned Right of Way)	\$75,000	
Work Order 2 (General Construction Support – SD&AE-owned Right of Way)	\$150,000	
Work Order 3 (Labor Compliance Support Services)	\$25,000	
Work Order 4 (Roadway Worker Safety Protection Training)	\$100,000	\$100,000
Work Order 5 (Construction Management Services – Building C Back Up Generator Project)	\$29,000	
Work Order 6 (Construction Management Services – Substation Rehab Project)	CANCELLED	
Work Order 7 (Construction Management Services – Transit Store Project)	\$12,900	
Total Outstanding Work Orders:	\$391,900	\$491,900

Today's action would ratify the existing spending on Work Order 4 and increase the authority from \$100,000 to \$200,000 (Attachment A).

Work Order 4 provides specialized training to third party contractors and their employees related to operational and regulatory safety procedures for construction work in or near an active railroad right-of-way. All individuals working in or near the MTS right-of-way are required to complete a roadway worker safety protection training course before work can begin. PGH Wong provides the training courses to meet this requirement. Most costs associated with this Work Order are reimbursed by the third party contractor and/or an applicable MTS or SANDG capital project. The amount billed against the Work Order depends on the volume of construction projects that are scheduled near the right-of-way. Staff estimates that the proposed increase will cover all outstanding invoices and estimated costs through Fiscal Year 2017.

Staff is concurrently working to develop and procure an outside roadway worker safety protection training vendor/certification program, which would not require MTS to manage the classes, scheduling and billing/reconciliation through MTS's as-needed construction management services contracts. The future program would simply require workers to obtain the approved certification from the outside program vendor (to be solicited) before work can begin.

A handwritten signature in cursive script that reads "Sharon Cooney" followed by a small "for" in a different script.

Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Work Order No. 11.04.03 to MTS Doc. No. G1386.0-11

October 28, 2016

MTS Doc. No. G1386.0-11
Work Order No. 11.04.03

Mr. Clifford S. M. Wong
Contract Project Manager
PGH Wong Engineering, Inc.
182 2nd Street, Suite 500
San Francisco, CA 94105

Subject: MTS DOC. NO. G1386.0-11, AMENDMENT NO.3, TO WORK ORDER 11.04; ROADWAY
WORKER PROTECTION SAFETY TRAINING CONSTRUCTION SUPPORT SERVICES

This letter shall serve as Amendment No. 3 to our agreement for professional services under the
General Construction Support Consultant Agreement, as further described below.

SCOPE OF SERVICES

Provide roadway worker protection safety training construction support services in accordance with the
attached Scope of Services (Attachment A and B).

SCHEDULE

The Scope of Services, as described above, shall extend through April 30, 2017.

PAYMENT

Payment shall be based on actual costs. The original work order amount was \$25,000, the value of
Amendments 1 and 2 were \$50,000 and \$25,000 respectively, for a combined value of \$100,000.
Amendment 3 shall increase the Work Order amount by \$100,000, for a new Work Order total not to exceed
\$200,000 without prior authorization.

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

Sincerely,

Accepted:

Paul C. Jablonski
Chief Executive Officer

Clifford
PGH Wong Engineering, Inc.

LMARQUIS-CL
CL-G1386.0-11.WO11.04.03.PGHWONG.MCORIA.102816

Date: _____

Attachments: Attachment A-Scope of Services
Attachment B-Fee Proposal

San Diego Metropolitan Transit System

San Diego, California

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

For the Years Ended June 30, 2016 and 2015

PREPARED BY SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINANCE DEPARTMENT

San Diego Metropolitan Transit System

Table of Contents

	Page
Introductory Section (Unaudited):	
Letter of Transmittal	i
Listing of Board of Directors and Management	v
Executive Level Organization Chart.....	vii
Certificate of Achievement for Excellence in Financial Reporting – GFOA	viii
Financial Section:	
Independent Auditors' Report.....	1
Management's Discussion and Analysis (Required Supplementary Information) (Unaudited)	5
Basic Financial Statements:	
Statements of Net Position.....	10
Statements of Revenues, Expenses and Changes in Net Position.....	13
Statements of Cash Flows.....	14
Notes to Basic Financial Statements.....	17
Required Supplementary Information (Unaudited):	
Schedule of Proportionate Share of the Net Pension Liability	76
Schedule of Changes in Net Pension Liability and Related Ratios	77
Schedule of Contributions.....	80
Schedule of Funding Progress of Other Postemployment Healthcare Plan	85
Supplementary Information:	
Combining Schedule of Net Position.....	88
Combining Schedule of Revenues, Expenses, and Changes in Net Position.....	92
Combining Schedule of Cash Flows.....	94
Schedules of Revenues, Expenses and Changes in Net Position - Budget and Actual:	
Combined Operations	96
General Operations:	
General Fund.....	98
Taxicab Administration	100
San Diego & Arizona Eastern Railway.....	101
Contracted Services	102
San Diego Transit Corporation	104
San Diego Trolley, Inc.	106

San Diego Metropolitan Transit System

Table of Contents (Continued)

	Page
Statistical Section (Unaudited):	
Financial Trends:	
Net Position by Component	111
Changes in Net Position	112
Revenue Capacity:	
Operating Revenue by Source	116
Fare Structure	117
Farebox Recovery Percentages	118
Debt Capacity:	
Ratio of Outstanding Debt by Type	120
Demographic and Economic Statistics:	
Regional Population and Personal Income Statistics	122
Full-time and Part-time Employees by Function	123
Ten Largest Employers in San Diego County	124
Operating Information:	
Operating Indicators by Function	126
Service Performance Data	127
Capital Asset Statistics by Function	128
Ridership	129
Operating Subsidy	130
Independent Auditors' Report on Compliance and on Internal Control	
Over Financial Reporting Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i>	131

INTRODUCTORY SECTION

This page intentionally left blank.



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

**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, 2016 and 2015 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 Pun Group LLP, Accountants and Advisors, 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, 2016 and 2015 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 unmodified opinion that MTS's financial statements for the fiscal years ended June 30, 2016 and 2015 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 27 routes with an active fleet of 273 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 accounting 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 additional bus routes. MTS contracts with outside parties for the operation of 74 fixed-route bus lines and paratransit services with an active fleet of 520 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 6 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 7% of gross freight revenue. In June 2016, MTS approved a sublease of the Desert Line's first 60 miles to Baja California Railroad (BJRR), which operates the connecting railroad in Mexico and has a direct relationship with the prospective shippers in the Tijuana-Tecate maquiladora region. BJRR is in the process of finalizing repair plans and anticipates repair work to be completed between late 2016 and late 2018. Under the sublease, BJRR has the right to cure any default by PIR. PIR retains the obligation to repair and the right to operate on the last 10 miles of right-of-way between Coyote Wells and Plaster City. PIR also retained the right to negotiate a connection to the Desert Line for an intermodal facility along the right-of-way, which could be an additional source of revenue to MTS and SD&AE.

MTS is financially accountable for the operation of Taxicab Administration and currently has contracts with the following cities through June 30, 2019: San Diego, El Cajon, Imperial Beach, La Mesa, Lemon Grove, Poway, and Santee. The agreements include licensing and regulating taxicabs, jitneys, nonemergency medical, charter, low speed vehicle, and sightseeing for-hire vehicles.

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 economy is projected to stay strong at least through the end of 2016. San Diego's gross domestic product (GDP), the total value of the region's economy, has been forecasted to reach \$213.7 billion in 2015 and \$221.8 billion in 2016, increasing from the \$206.8 billion earned in 2014. Industries contributing the most to GDP growth are manufacturing, professional and business services, followed by wholesale/retail trade, health care, accommodations and food services. Unemployment is projected to further decrease to an annual average of 4.8 percent in 2016, and compares favorably to the unemployment rate in California and the national average.

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 sixth consecutive year and sales tax receipts have finally exceeded the fiscal year 2007 high on a cash basis. MTS continues to monitor its costs and initiate additional revenue programs. As directed by the MTS Board of Directors, MTS has brought its contingency reserve balance from 10.0% of the operating budget up to 12.5% as of June 30, 2016.

Major Initiatives

MTS continues to focus on keeping the system's capital infrastructure in a state of good repair. MTS and SANDAG are nearing the completion of the expanded East County operations and maintenance facilities. The original site was 3.3-acres and accommodated 67 older model diesel transit buses. The final layout of the new site, through the consolidation of three parcels, expands to 5.2 acres and will be able to accommodate up to 120 buses and 120 employee/support/visitor vehicles. The new building facility opened in October 2016 and the total project is expected to be completed by April 2017.

The Mid-Coast extension of the trolley system is another regional project. It will extend the UC San Diego Blue Line from Santa Fe Depot to the University City community, serving major activity centers such as Old Town, UC San Diego, the VA Hospital and the Westfield UTC mall. The Federal Transit Administration (FTA) recently signed a Full Funding Grant Agreement between SANDAG and the FTA to pay for half the cost of the Mid-Coast Trolley extension. The Mid-Coast Trolley extension is the largest public transit project in the history of the region. It will cost \$2.1 billion to build, including 36 additional light rail vehicles for the fleet. It is anticipated to open for revenue service in calendar year 2021.

MTS continues to fund a capital reserve for the replacement of 52 SD100 light rail vehicles that are 20 years old. To date, MTS has funded \$18 million for this reserve, and has budgeted an additional \$15 million with the FY 2017 Capital Improvement Plan.

MTS was awarded \$31.9 million from the Transit and Intercity Rail Capital Program (TIRCP). The MTS grant is one of only 14 projects in the state funded by the State of California's 2015 and 2016 cap-and-trade budget. A total of \$224 million is being allocated for the TIRCP. The grant will be used for a new trolley station serving the 22-story San Diego Central Courthouse being built on C Street between State and Union streets, and to purchase eight new light rail vehicles to increase capacity on the MTS Trolley system. The proximity of the new station will provide convenient access to the 44,500 jobs expected to be within a one-half mile walk by 2020.

MTS has implemented a new Enterprise Resource Planning (ERP) and Transit Asset Management (TAM) software application called SAP. It is designed to be a one stop shop to track our purchasing, materials management, financials, vehicle maintenance programs, grants management and more. The new system replaces many existing systems, all of which had reached the end of their useful lives. The implementation of the ERP/TAM project brought significant change to the way business is conducted at MTS, and more than 450 employees spent thousands of hours training on the new system in November and December. The system will stream line many processes, move MTS away from paper-based processes, all while providing greater access to the information contained within the system.

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, 2015. This was the tenth consecutive year and the twentieth 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 CAFR 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.



Paul Jablonski
Chief Executive Officer



Larry Marinesi
Chief Financial Officer

October 31, 2016

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 12/94
Ron Roberts	Vice Chairman, since 1/11; Board Member since 11/89 (Supervisor, County Board of Supervisors)
David Alvarez	Board Member, since 1/12 (Councilmember, City of San Diego)
Lorie Bragg	Board Member, since 1/12 (Councilmember, 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)
George Gastil	Board Member, since 11/12 (Councilmember, City of Lemon Grove)
Todd Gloria	Chair Pro Tem, since 1/15, Board Member, since 1/09 (Councilmember, City of San Diego)
Bob McClellan	Board Member, since 4/08 (Councilmember, City of El Cajon)
Guy McWhirter	Board Member, since 1/15 (Councilmember, City of La Mesa)
John Minto	Board Member, since 1/11 (Councilmember, City of Santee)
Mona Rios	Board Member, since 9/11 (Councilmember, National City)
Mary Salas	Board Member, since 2/13 (Councilmember, City of Chula Vista)
Mike Woivode	Board Member, since 12/14 (Councilmember, City of Coronado)
Lorie Zapf	Board Member, since 12/14 (Councilmember, City of San Diego)

BOARD COMMITTEE MEMBERSHIP

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

San Diego Metropolitan Transit System

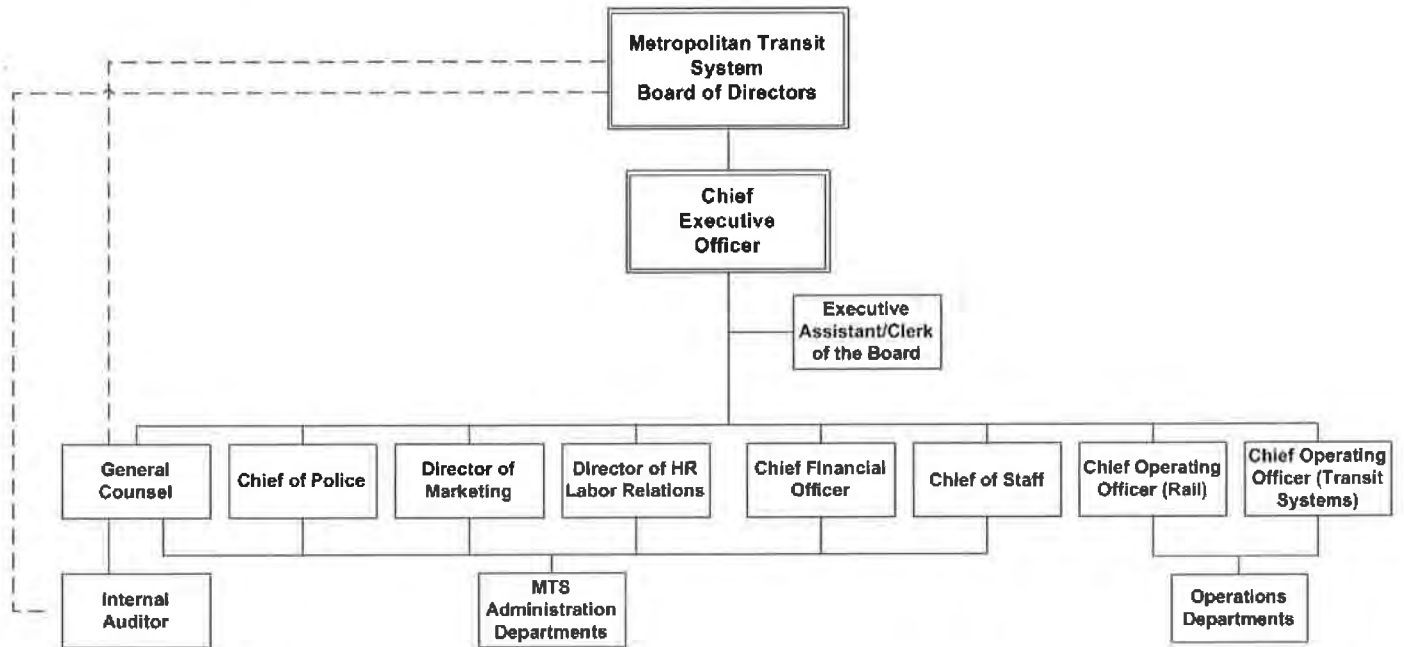
Listing of Board of Directors and Management (Continued)

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
Manuel Guaderrama	Chief of Police

San Diego Metropolitan Transit System

Executive Level Organization 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, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan".

Executive Director/CEO

FINANCIAL SECTION

This page intentionally left blank.



INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying basic financial statements of the San Diego Metropolitan Transit System (MTS), which comprise the statements of net position as of June 30, 2016 and 2015 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.

Management's 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MTS, as of June 30, 2016 and 2015, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

6265 Greenwich Drive, Suite 220, San Diego, California 92122

Tel: 858-242-5100 • Fax: 858-242-5150

www.pungroup.com

Emphasis of Matters

Net Pension Liability

As discussed in Note 12 to the basic financial statements, MTS implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*, and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* on July 1, 2014. Aggregate Net Pension Liability is reported in the Statements of Net Position in the amount of \$129,525,888 and \$110,610,221 as of the measurement dates of June 30, 2015 and 2014, respectively. The Net Pension Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2014 and 2013, were then rolled-forward by the actuaries to June 30, 2015 and 2014, the measurement dates. 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, Schedule of Proportionate Share of the Net Pension Liability, Schedules of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions, and Schedule of Funding Progress of the Other Postemployment Health Benefits 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 audits were conducted for the purpose of forming opinions 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
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, 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.

A handwritten signature in black ink that reads "The Pun Group, LLP". The signature is written in a cursive, flowing style.

The Pun Group, LLP
Certified Public Accountants
San Diego, California
October 31, 2016

This page intentionally left blank.

San Diego Metropolitan Transit System

Management's Discussion and Analysis

June 30, 2016 and 2015

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, 2016 and 2015. 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 \$1,738 million as of June 30, 2016, \$1,673 million as of June 30, 2015, and \$1,583 million as of June 30, 2014. Of this amount, \$(36) million was unrestricted deficit as of June 30, 2016, \$(32) million was unrestricted deficit as of June 30, 2015, and \$181 million was unrestricted as of June 30, 2014. Total net position increased by \$65 million in the current year and increased by \$90 million in the prior year. The current year increase is attributable to an increase operating revenues, federal funding, and *TransNet* funds, partially offset by increases in operating expenses and a decrease in other state revenues. With the implementation of GASB 68, the beginning net position as of July 1, 2014, was reduced by \$137 million, resulting in a restated beginning net position of \$1,446 million.
- For the year ended June 30, 2016, 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 38.99% compared to 40.52% for the year ended June 30, 2015, and 41.11% for the year ended June 30, 2014. The current year decrease is due primarily to an increase in personnel costs and outside services, partially offset by a decrease in energy costs. The prior year decrease is due primarily to an increase in outside services related to increased rates for purchased transportation, partially offset by 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. The 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.

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, 2016 and 2015

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 \$1,738 million at the close of the most recent fiscal year and \$1,673 million at the end of FY2015.

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 \$41 million, of which the largest project under construction is the Regional Transportation Management System, \$11.5 million. This project will expand our communication system to the contracted bus operations. Prior year construction-in-progress totaled \$20 million, of which the largest project under construction was the Regional Transportation Management System, \$8 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 FY2016, MTS transferred completed projects worth \$47 million to SDTC, SDTI and Other Contracted Services compared to \$64 million in FY2015.

The balance in the unrestricted component of net position decreased by \$5 million during the current year and decreased \$213 million in the prior year. Total assets increased by \$52 million primarily due to capital assets increasing by \$42 million. In FY2015, total assets increased by \$93 million. In the current fiscal year, total liabilities increased by \$5 million primarily due to the increase in net pension liability of \$19 million, partially offset by the reduction in long term debt for the LRV Lease of \$18 million. In the previous year, total liabilities increased by \$7 million.

	June 30, 2016	June 30, 2015	Change	June 30, 2014	Change
Current and other assets	\$ 203,688,348	\$ 194,475,830	\$ 9,212,518	\$ 308,583,122	\$ (114,107,292)
Capital assets	1,762,821,219	1,720,337,305	42,483,914	1,512,774,675	207,562,630
Total assets	1,966,509,567	1,914,813,135	51,696,432	1,821,357,797	93,455,338
Deferred outflows of resources	35,443,795	17,417,561	18,026,234	-	17,417,561
Long-term liabilities outstanding	181,882,411	163,147,079	18,735,332	152,721,866	10,425,213
Other liabilities	67,960,531	81,837,558	(13,877,027)	85,076,529	(3,238,971)
Total liabilities	249,842,942	244,984,637	4,858,305	237,798,395	7,186,242
Deferred inflows of resources	14,601,102	14,614,264	(13,162)	497,449	14,116,815
Net position:					
Net investment in capital assets	1,760,427,432	1,699,222,253	61,205,179	1,395,206,075	304,016,178
Restricted	13,508,715	5,309,440	8,199,275	6,741,898	(1,432,458)
Unrestricted (deficit)	(36,426,829)	(31,899,898)	(4,526,931)	181,113,980	(213,013,878)
Total net position	\$ 1,737,509,318	\$ 1,672,631,795	\$ 64,877,523	\$ 1,583,061,953	\$ 89,569,842

San Diego Metropolitan Transit System
Management's Discussion and Analysis (Continued)
June 30, 2016 and 2015

Increases in operating revenue are attributable to an increase in Compressed Natural Gas (CNG) credits totaling \$5 million. Variances between FY2016 and FY2015 nonoperating revenues are attributable to significant increases in Federal and *TransNet* operations funding, partially offset by a decrease in other state revenues. 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 personnel costs and outside services.

	June 30, 2016	June 30, 2015	Change	June 30, 2014	Change
Revenues:					
Operating revenues:					
Charges for services	\$ 97,913,890	\$ 97,620,664	\$ 293,226	\$ 94,024,708	\$ 3,595,956
Other operating revenue	16,749,300	10,165,340	6,583,960	10,400,773	(235,433)
Nonoperating revenues:					
Federal revenue	81,901,246	60,474,595	21,426,651	60,851,717	(377,122)
Transportation Development Act	90,869,756	87,358,869	3,510,887	82,565,009	4,793,860
State Transit Assistance	14,720,378	18,787,817	(4,067,439)	17,870,768	917,049
State revenue - other	5,724,586	42,953,271	(37,228,685)	4,211,454	38,741,817
<i>TransNet</i> funds	35,898,669	21,625,551	14,273,118	42,694,815	(21,069,264)
Other nonoperating revenue	9,373,662	7,687,264	1,686,398	9,138,116	(1,450,852)
Total revenues	<u>353,151,487</u>	<u>346,673,371</u>	<u>6,478,116</u>	<u>321,757,360</u>	<u>24,916,011</u>
Expenses:					
Operating expenses	380,821,790	358,901,485	21,920,305	343,566,429	15,335,056
Nonoperating expenses	1,070,914	6,882,602	(5,811,688)	6,994,987	(112,385)
Total expenses	<u>381,892,704</u>	<u>365,784,087</u>	<u>16,108,617</u>	<u>350,561,416</u>	<u>15,222,671</u>
Increase (decrease) in net position before capital contributions	(28,741,217)	(19,110,716)	(9,630,501)	(28,804,056)	9,693,340
Capital contributions	<u>93,618,740</u>	<u>245,716,854</u>	<u>(152,098,114)</u>	<u>118,768,399</u>	<u>126,948,455</u>
Changes in net position	64,877,523	226,606,138	(161,728,615)	89,964,343	136,641,795
Net Position:					
Beginning of year, as originally reported	1,672,631,795	1,583,061,953	89,569,842	1,493,097,610	89,964,343
Restatements due to implementation of GASB 68	-	(137,036,296)	137,036,296	-	(137,036,296)
Beginning of year, as restated	<u>1,672,631,795</u>	<u>1,446,025,657</u>	<u>226,606,138</u>	<u>1,493,097,610</u>	<u>(47,071,953)</u>
End of year	<u>\$1,737,509,318</u>	<u>\$1,672,631,795</u>	<u>\$ 64,877,523</u>	<u>\$1,583,061,953</u>	<u>\$ 89,569,842</u>

San Diego Metropolitan Transit System
Management's Discussion and Analysis (Continued)
June 30, 2016 and 2015

Capital Asset and Debt Administration

Capital assets. MTS's investment in capital assets net of depreciation as of June 30, 2016 and 2015 amounted to \$1,763 million and \$1,720 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 continues to modernize the bus fleet. In FY2016, 63 buses were placed into service for a total cost of \$37 million, compared to FY2015, 75 buses were placed into service for a total cost of \$27 million as well as 57 new ADA buses for a total cost of \$4 million.
- In FY2015, MTS completed its multi-year program to acquire 65 light rail vehicle for a total cost of \$266 million.
- Completed capital projects totaling \$94 million were transferred from SANDAG to MTS and its component units during FY2016, compared to FY 2015, \$245 million completed capital projects were transferred from SANDAG to MTS and its component units.

CAPITAL ASSETS
(Net of Accumulated Depreciation)

	2016	2015	2014
Land	\$ 256,922,883	\$ 256,922,883	\$ 256,922,883
Buildings	975,414,607	945,992,877	740,075,249
Vehicles	441,587,804	447,072,544	449,499,941
Equipment & other	47,623,748	50,102,873	53,132,094
Construction-in-progress	41,272,177	20,246,128	13,144,508
Total	<u>\$ 1,762,821,219</u>	<u>\$ 1,720,337,305</u>	<u>\$ 1,512,774,675</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 \$2.4 million. In addition, MTS has one finance obligation outstanding relating to Pension Obligation Bonds issued in fiscal year 2005 for a total obligation of \$20 million. During FY2016, the finance obligation relating to the lease/leaseback transaction was retired.

Additional information about MTS's long-term debt can be found in Note 8 to the financial statements.

Bond Ratings

Standard & Poor's Ratings Services provided an underlying rating for the Pension Obligation Bonds at "AA-Positive" in 2015, an improvement from the "AA-" MTS received in 2014. Additional information on MTS's long-term debt can be found in Note 8 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, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 77,394,644	\$ 66,381,529
Investments restricted for debt service payable within one year	-	18,109,712
Cash restricted for capital support	13,508,715	9,799,597
Accounts and other receivables	7,935,944	4,877,084
Due from other governments	82,789,378	74,512,894
Inventory	19,596,426	18,376,748
Prepaid items and other current assets	2,463,241	2,418,266
Total current assets	203,688,348	194,475,830
Noncurrent assets:		
Capital assets, net of accumulated depreciation	1,762,821,219	1,720,337,305
Total noncurrent assets	1,762,821,219	1,720,337,305
Total assets	1,966,509,567	1,914,813,135
DEFERRED OUTFLOWS OF RESOURCES		
Differences between projected and actual earnings on pension plan investments	18,194,912	-
Contributions made after the measurement date	15,496,003	15,479,359
Differences between expected and actual experience	1,610,468	1,937,128
Adjustments due to differences in proportions	142,412	1,074
Total deferred outflows of resources	35,443,795	17,417,561

San Diego Metropolitan Transit System
Statements of Net Position (Continued)
June 30, 2016 and 2015

	2016	2015
LIABILITIES		
Current liabilities:		
Accounts payable	20,357,013	12,657,289
Due to other governments	19,543,938	20,615,743
Unearned revenue	6,588,988	3,113,367
Accrued expenses	2,425,171	7,469,527
Retentions payable	90,042	602,421
Retentions payable from restricted assets	4,758,582	4,758,582
Due within one year:		
Compensated absences payable	6,968,657	7,242,413
Accrued damage, injury, and employee claims	4,377,066	4,556,951
Long-term debt	2,851,074	2,712,942
Long-term debt payable from restricted assets	-	18,108,323
Total current liabilities	67,960,531	81,837,558
Noncurrent liabilities:		
Due in more than one year:		
Compensated absences payable	4,215,464	4,216,302
Accrued damage, injury, and employee claims	11,218,084	9,651,799
Aggregate net pension liability	129,525,888	110,610,221
Net other post employment benefits obligation	17,520,262	16,414,970
Long-term debt	19,402,713	22,253,787
Total noncurrent liabilities	181,882,411	163,147,079
Total liabilities	249,842,942	244,984,637
DEFERRED INFLOWS OF RESOURCES		
Differences between projected and actual earnings on pension plan investments	10,326,835	13,769,114
Adjustments due to differences in proportions	421,843	439,538
Difference between actual and proportionate shares of employer contributions	323,386	-
Difference between expected and actual experience	415,807	-
Changes in assumptions	2,799,456	-
Deferred gain on refunding	313,775	405,612
Total deferred inflows of resources	14,601,102	14,614,264
NET POSITION		
Net investment in capital assets	1,760,427,432	1,699,222,253
Restricted for:		
Capital projects	13,508,715	5,041,015
Debt services	-	268,425
Total restricted	13,508,715	5,309,440
Unrestricted (Deficit)	(36,426,829)	(31,899,898)
Total net position	\$ 1,737,509,318	\$ 1,672,631,795

See Accompanying Notes to Basic Financial Statements.

This page intentionally left blank.

San Diego Metropolitan Transit System
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Passenger revenue	\$ 97,913,890	\$ 97,614,714
Advertising	968,078	815,944
Charter	-	5,950
Miscellaneous	15,781,222	9,349,396
Total operating revenues	114,663,190	107,786,004
Operating expenses:		
Personnel costs	121,921,667	114,574,758
Outside services	94,801,673	84,302,285
Transit operations funding	490,882	2,691,551
Materials and supplies	9,714,608	10,307,131
Energy costs	24,530,708	28,002,524
Risk management	4,864,496	5,849,167
Miscellaneous	4,978,102	4,975,418
Depreciation	119,519,654	108,198,651
Total operating expenses	380,821,790	358,901,485
Operating (loss)	(266,158,600)	(251,115,481)
Public support and nonoperating revenues (expenses):		
Federal revenue	81,901,246	60,474,595
Transportation Development Act (TDA) funds	90,869,756	87,358,869
State Transit Assistance (STA) funds	14,720,378	18,787,817
State revenue - other	5,724,586	42,953,271
<i>TransNet</i> funds	35,898,669	21,625,551
Other local subsidies	6,648,825	4,555,281
Investment earnings	291,659	3,064,756
Interest expense	(1,070,914)	(6,882,602)
Gain on disposal of assets	2,433,178	67,227
Total public support and nonoperating revenues (expenses)	237,417,383	232,004,765
(Loss) before contributed capital	(28,741,217)	(19,110,716)
Contributed capital, net	93,618,740	245,716,854
Changes in net position	64,877,523	226,606,138
Net Position:		
Beginning of year, as restated (Note 14)	1,672,631,795	1,446,025,657
End of year	\$ 1,737,509,318	\$ 1,672,631,795

See Accompanying Notes to Basic Financial Statements.

San Diego Metropolitan Transit System
Statements of Cash Flows
For the Year Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Receipts from customers and users	\$ 113,469,672	\$ 110,304,627
Payments to suppliers	(137,265,125)	(136,142,038)
Payments to employees	(120,413,427)	(115,127,890)
Payments for damage and injury	(2,659,753)	(2,308,664)
Net cash (used in) operating activities	<u>(146,868,633)</u>	<u>(143,273,965)</u>
Cash flows from noncapital financing activities:		
Public support funds received	<u>225,891,606</u>	<u>230,050,473</u>
Net cash provided by noncapital financing activities	<u>225,891,606</u>	<u>230,050,473</u>
Cash flows from capital and related financing activities:		
Debt service costs	(3,756,970)	(3,805,400)
Property acquisition	(63,541,905)	(74,322,604)
Proceeds from disposal of assets	<u>2,733,363</u>	<u>93,457</u>
Net cash (used in) capital and related financing activities	<u>(64,565,512)</u>	<u>(78,034,547)</u>
Cash flows from investing activities:		
Interest received on investments	<u>264,773</u>	<u>139,674</u>
Net cash provided (used) by investing activities	<u>264,773</u>	<u>139,674</u>
Net increase in cash and cash equivalents	14,722,234	8,881,635
Cash and cash equivalents:		
Beginning of year	<u>76,181,126</u>	<u>67,299,491</u>
End of year	<u><u>\$ 90,903,359</u></u>	<u><u>\$ 76,181,126</u></u>
Cash and cash equivalents:		
Cash and cash equivalents	\$ 77,394,644	\$ 66,381,529
Cash restricted for capital support	<u>13,508,715</u>	<u>9,799,597</u>
Total cash and cash equivalents	<u><u>\$ 90,903,359</u></u>	<u><u>\$ 76,181,126</u></u>

See Accompanying Notes to Basic Financial Statements.

San Diego Metropolitan Transit System
Statements of Cash Flows (Continued)
For the Year Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating (Loss) to net cash (used in) operating activities		
Operating (loss)	\$ (266,158,600)	\$ (251,115,481)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	119,519,654	108,198,651
(Increase) decrease in:		
Accounts and other receivables	(3,016,854)	3,212,124
Due from other governments	(1,652,285)	(118,913)
Inventory	(1,219,678)	652,792
Prepaid items and other current assets	(44,975)	(58,253)
Increase (decrease) in:		
Accounts payable	7,187,345	(1,576,847)
Due to other governments	657,841	(39,391)
Accrued expenses	(5,044,356)	(941,318)
Unearned revenue	3,475,621	(574,588)
Aggregate net pension liability	(16,644)	402,376
Net other postemployment benefits obligation	1,105,292	1,355,285
Compensated absences payable	(274,594)	(152,908)
Accrued damage, injury and employee claims	(1,386,400)	(2,517,494)
Total adjustments	<u>119,289,967</u>	<u>107,841,516</u>
Net cash (used in) operating activities	<u><u>\$ (146,868,633)</u></u>	<u><u>\$ (143,273,965)</u></u>
Noncash investing, capital, and financing activities:		
Contributions of capital assets from SANDAG	\$ 94,038,740	\$ 245,234,709
Contributions/adjustments of capital assets from outside parties	(420,000)	482,145
Total contributions of capital assets	<u><u>\$ 93,618,740</u></u>	<u><u>\$ 245,716,854</u></u>
Increase in fair value of investments	<u><u>\$ 35,127</u></u>	<u><u>\$ 78,505</u></u>

See Accompanying Notes to Basic Financial Statements.

This page intentionally left blank.

NOTES TO BASIC FINANCIAL STATEMENTS

San Diego Metropolitan Transit System
Notes to Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

Table of Contents

	Page
Note 1 – Summary of Significant Accounting Policies	19
A. Reporting Entity	19
B. Financial Statements.....	20
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	20
D. Use of Restricted/Unrestricted Assets	22
E. Cash, Cash Equivalents, and Investments	23
F. Inventory	23
G. Prepaid Items and Other Assets.....	24
H. Capital Assets	24
I. Construction-in-Progress	24
J. Compensated Absences	24
K. Long-Term Obligations	25
L. Refunding of Debt	25
M. Pension	25
N. Net Position	25
O. Use of Estimates	25
P. Implementation of New GASB Pronouncements for the Year Ended June 30, 2016	26
Q. Upcoming Government Accounting Standards Implementation.....	26
Note 2 – Cash, Cash Equivalents, and Investments.....	28
Note 3 – Accounts Receivable.....	32
A. Accounts and Other Receivables	32
B. Due from Other Governments	32
Note 4 – Inventory	32
Note 5 – Capital Assets.....	33
Note 6 – Due to Other Governments.....	35
Note 7 – Unearned Revenue.....	35
Note 8 – Long-Term Debt	36
A. Summary	36
B. Capital Lease	38
C. 1995 LRV Lease/Leaseback	39
D. Pension Obligation Bonds.....	39
Note 9 – Risk Management.....	40
Note 10 – Contingencies	41
Note 11 – Post-Employment Health Care Benefits.....	41
Note 12 – Employee Retirement Systems	45
A. Summary	45
B. MTS	48
C. SDTI	57
D. SDTC	68
Note 13 – Other Required Individual Fund Disclosures.....	74
Note 14 – Restatement of Net Position.....	74

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

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 MTS 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

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

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 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. The statement of revenues, expenses, and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Financial Statements are reported using the "economic resources" measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

In 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 (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, 2016 and 2015

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 37 percent and 39 percent of MTS's \$265.0 million and \$252.4 million operating budget for FY2016 and FY2015 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. Moving Ahead for Progress in the 21st Century (MAP-21) was reauthorized on a short-term basis multiple times before being replaced by the Fixing America's Surface Transportation (FAST) Act, signed into law on December 4, 2015. The FAST Act reauthorized surface transportation programs through September 30, 2020. Under the FAST Act, MTS receives Section 5307 and Section 5337 grants which are earmarked for capital assistance and preventive maintenance. Under MAP-21, transit agencies were not eligible to be direct recipients of Section 5339 Bus and Bus Facilities Funding. However, under FAST Act, MTS is now an eligible direct recipient of Section 5339 formula funds. 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 received the last of the remaining JARC funding from previously awarded grants in FY2016.

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

Alternative fuel credits are issued by the IRS to MTS for utilizing compressed natural gas to power its vehicles. This rebate program is reviewed annually as part of the federal tax code, and was approved again for calendar year 2016.

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.

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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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.

Low Carbon Transit Operations Program (LCTOP):

The Low Carbon Transit Operations Program (LCTOP) is one of several programs that are part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, with a priority on serving disadvantaged communities. Approved projects in LCTOP will support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions. Senate Bill 862 continuously appropriates five percent of the annual auction proceeds in the Greenhouse Gas Reduction Fund for LCTOP, beginning in 2015-16.

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 since 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 NCTD based on the proportion of the population within the area of each jurisdiction. *TransNet* funds are also apportioned by SANDAG.

Other Local Subsidies

MTS 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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Cash, Cash Equivalents, and Investments

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

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

MTS participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and 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

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

F. Inventory

Inventories are valued at the weighted average unit cost.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Prepaid Items and Other Assets

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

H. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital asset improvements are recorded as assets. SDTC has recorded assets received from the City of San Diego and the County Transit System at net book value in order to reflect SDTC's custodial accountability for the assets.

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

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

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. 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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

K. 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.

L. Refunding of Debt

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

M. Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of MTS, SDTC and SDTI's pension plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

N. 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.

O. 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, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Implementation of New GASB Pronouncements for the Year Ended June 30, 2016

During fiscal year ended June 30, 2016, MTS has implemented the following new GASB Pronouncements:

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. Application of this statement is effective for MTS's fiscal year ending June 30, 2016.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for MTS's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for MTS's fiscal year ending June 30, 2016.

Q. Upcoming Government Accounting Standards Implementation

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses reporting by postemployment benefits other than pensions (OPEB) plans that administer benefits on behalf of governments. This statement basically parallels GASB Statement 67 and replaces GASB Statement 43. Application of this statement is effective for MTS's fiscal year ending June 30, 2017.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. Application of this statement is effective for MTS's fiscal year ending June 30, 2018.

GASB Statement No. 77 – In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Application of this statement is effective for MTS's fiscal year ending June 30, 2017.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Upcoming Government Accounting Standards Implementation (Continued)

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Application of this statement is effective for MTS's fiscal year ending June 30, 2017.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Application of this statement is effective for MTS's fiscal year ending June 30, 2017.

GASB Statement No. 80 – In December 2015, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Application of this statement is effective for MTS's fiscal year ending June 30, 2017.

GASB Statement No. 81 – In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement is effective for MTS's fiscal year ending June 30, 2018.

GASB Statement No. 82 – In December 2015, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Application of this statement is effective for MTS's fiscal year ending June 30, 2018.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 2 – Cash, Cash Equivalents, and Investments

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

	2016	2015
Cash and cash equivalents	\$ 77,394,644	\$ 66,381,529
Cash and cash equivalents restricted for capital support	13,508,715	9,799,597
Investments restricted for debt service and capital projects - Current	-	18,109,712
Total cash and investments	\$ 90,903,359	\$ 94,290,838

Cash, cash equivalents, and investments consisted as follows on June 30, 2016 and 2015:

Investment Type	Measurement Input	Fair Value	
		2016	2015
Cash and cash equivalents:			
Demand Deposits	N/A	\$ 20,815,206	\$ 29,028,684
Retention Trust Account	N/A	4,758,582	4,758,582
San Diego County Investment Pool	Level 2	8,750,133	5,041,015
State of California - Local Agency Investment Fund	Level 2	56,579,438	37,352,845
Total cash and cash equivalents		90,903,359	76,181,126
Investments:			
U.S. Treasuries	Level 2	-	18,109,712
Total investments		-	18,109,712
Total cash, cash equivalents, and investments		\$ 90,903,359	\$ 94,290,838

Demand Deposits

As of June 30, 2016, the carrying amount of demand deposits was \$20,815,206 and the bank balance was \$29,643,147 compared to \$29,028,684 and \$32,342,484 at June 30, 2015, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in MTS's name as discussed under Disclosures Relating to Custodial Credit Risk.

All cash accounts 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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

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

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

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. They are issued by corporations and by government-sponsored enterprises.
- Asset-Backed Securities - entitle their purchaser 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), small business loans 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, 2016, MTS had \$56,579,438 invested in LAIF, which had invested 2.81% of the pool investment funds in structured notes and asset-backed securities compared to \$37,352,845 and 2.08% at June 30, 2015.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

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 4.72% and 6.83% of the Investment Pool as of June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, the fair value of our position in the pool is 99.99% and 99.93%, 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.

MTS's investments with the County Treasurer's Office include a portion of the pool funds invested in asset-backed securities as defined in the preceding section for LAIF investments. As of June 30, 2016, MTS had \$8,750,133 invested with the San Diego County Investment Pool, which had invested 0.55% of the pool investment funds in asset-backed securities compared to \$5,041,015 and 0% at June 30, 2015.

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.

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; and U.S. Government taxable bonds, are not rated and do not require ratings.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

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

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, 2016 and 2015, are shown below:

<u>Maturity</u>	<u>2016</u>	<u>2015</u>
Current to one year	\$ 90,903,359	\$ 94,290,838
Total	<u>\$ 90,903,359</u>	<u>\$ 94,290,838</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 3 – Accounts Receivable

A. Accounts and Other Receivables

At June 30, 2016 and 2015, the net realizable accounts and other receivables consisted of the following:

	2016	2015
Passenger revenue - General Public	\$ 4,243,919	\$ 2,081,329
Other trade receivables	2,224,916	1,370,652
Pension plan receivable	1,467,109	1,425,103
Total accounts and other receivables	<u>\$ 7,935,944</u>	<u>\$ 4,877,084</u>

B. Due From Other Governments

At June 30, 2016 and 2015, amounts due from other governments consisted of the following:

	2016	2015
FTA Grant Funds	\$ 60,138,136	\$ 53,569,291
STA Funds	8,144,367	5,007,667
SANDAG- TransNet	4,445,843	3,307,458
County of San Diego	2,937,874	2,960,120
North County Transit District - shared costs	2,514,319	789,663
Passenger Revenue - Other Governments	1,652,285	1,772,600
State of California	1,549,949	56,013
SANDAG- project/route reimbursement	687,063	6,437,045
Department of Homeland Security	476,283	343,427
City of San Diego	196,836	269,610
Other Local Governments	46,423	-
Total due from other governments	<u>\$ 82,789,378</u>	<u>\$ 74,512,894</u>

Note 4 – Inventory

At June 30, 2016 and 2015, inventory consists of the following repair and maintenance parts and administrative supplies:

	2016	2015
San Diego Transit Corp.	\$ 2,431,515	\$ 2,232,776
San Diego Trolley, Inc.	17,164,911	16,143,972
Total inventory	<u>\$ 19,596,426</u>	<u>\$ 18,376,748</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 5 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not depreciated				
Land and right-of-way	\$ 256,922,883	\$ -	\$ -	\$ 256,922,883
Construction-in-progress	20,246,128	68,222,804	(47,196,755)	41,272,177
Total capital assets, not depreciated	277,169,011	68,222,804	(47,196,755)	298,195,060
Capital assets, depreciated:				
Buildings and structures	1,749,446,736	94,558,044	(705,847)	1,843,298,933
Buses and vehicles	781,227,339	37,340,001	(40,464,195)	778,103,145
Equipment and other	116,366,380	9,337,450	(2,095,566)	123,608,264
Capital lease property	12,091,981	-	-	12,091,981
Total capital assets, depreciated	2,659,132,436	141,235,495	(43,265,608)	2,757,102,323
Less accumulated depreciation for:				
Buildings and structures	(803,453,859)	(65,232,353)	801,886	(867,884,326)
Buses and vehicles	(334,154,795)	(42,717,663)	40,357,117	(336,515,341)
Equipment and other	(68,341,817)	(11,191,762)	1,848,629	(77,684,950)
Capital lease property	(10,013,671)	(377,876)	-	(10,391,547)
Total accumulated depreciation	(1,215,964,142)	(119,519,654)	43,007,632	(1,292,476,164)
Total capital assets, depreciated, net	1,443,168,294	21,715,841	(257,976)	1,464,626,159
Total capital assets, net	\$ 1,720,337,305	\$ 89,938,645	\$ (47,454,731)	\$ 1,762,821,219

A summary of changes in capital assets for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets, not depreciated				
Land and right-of-way	\$ 256,922,883	\$ -	\$ -	\$ 256,922,883
Construction-in-progress	13,144,508	71,130,646	(64,029,026)	20,246,128
Total capital assets, not depreciated	270,067,391	71,130,646	(64,029,026)	277,169,011
Capital assets, depreciated:				
Buildings and structures	1,485,731,298	263,715,438	-	1,749,446,736
Buses and vehicles	755,187,407	37,159,413	(11,119,481)	781,227,339
Equipment and other	108,513,421	8,239,380	(386,421)	116,366,380
Capital lease property	12,091,981	-	-	12,091,981
Total capital assets, depreciated	2,361,524,107	309,114,231	(11,505,902)	2,659,132,436
Less accumulated depreciation for:				
Buildings and structures	(745,656,049)	(57,797,810)	-	(803,453,859)
Buses and vehicles	(305,687,466)	(39,164,882)	10,697,553	(334,154,795)
Equipment and other	(57,837,511)	(10,858,085)	353,779	(68,341,817)
Capital lease property	(9,635,797)	(377,874)	-	(10,013,671)
Total accumulated depreciation	(1,118,816,823)	(108,198,651)	11,051,332	(1,215,964,142)
Total capital assets, depreciated, net	1,242,707,284	200,915,580	(454,570)	1,443,168,294
Total capital assets, net	\$ 1,512,774,675	\$ 272,046,226	\$ (64,483,596)	\$ 1,720,337,305

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 5 – Capital Assets (Continued)

Contributed Capital

MTS converted \$47 million in capital assets from CIP to assets in service compared to \$64 million in FY2015. A summary of capital asset additions contributed by MTS is as follows:

	2016	2015
General operations	\$ 3,411,258	\$ 2,747,029
Other contracted services	15,267,146	26,798,421
San Diego Transit Corporation	25,425,706	6,277,666
San Diego Trolley, Inc.	3,092,645	28,205,910
Total	<u>\$ 47,196,755</u>	<u>\$ 64,029,026</u>

Capital asset additions totaling \$94 million were contributed by SANDAG compared to \$245 million in FY2015. A summary of capital asset additions contributed by SANDAG is as follows:

	2016	2015
Other contracted services	\$ 136,228	\$ 40,358,672
San Diego Transit Corporation	7,041,137	42,430,059
San Diego Trolley, Inc.	86,861,375	162,445,978
Total	<u>\$ 94,038,740</u>	<u>\$ 245,234,709</u>

MTS contributed \$420,000 in capital assets to the City of La Mesa in FY2016 compared to \$171,232 in FY2015. A summary of contributed capital is as follows:

	2016	2015
Contributed capital:		
From SANDAG to MTS	\$ 94,038,740	\$ 245,234,709
From City of Chula Vista to MTS	-	653,377
From MTS to City of La Mesa	(420,000)	(171,232)
Total	<u>\$ 93,618,740</u>	<u>\$ 245,716,854</u>

Depreciation

Depreciation expense for capital assets for the years ended June 30, 2016 and 2015 were comprised of the following:

	2016	2015
General operations	\$ 2,454,052	\$ 1,843,765
Other contracted services	16,001,781	12,927,189
San Diego Transit Corporation	24,278,346	20,346,856
San Diego Trolley, Inc.	76,785,475	73,080,841
Total	<u>\$ 119,519,654</u>	<u>\$ 108,198,651</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 6 – Due To Other Governments

At June 30, 2016 and 2015, amounts due to other governments consisted of the following:

	2016	2015
SANDAG- Subsidy revenue for construction projects in process	\$ 15,576,914	\$ 18,745,588
SANDAG- Project/Route Reimbursements	1,740,255	222,245
City of San Diego	745,245	149,949
State of California	545,515	567,499
North County Transit District	505,130	490,235
City of Lemon Grove - TDA Funds	121,170	121,170
County of San Diego	92,223	44,730
City of El Cajon - TDA Funds	90,883	101,325
City of La Mesa - TDA Funds	51,500	56,500
City of Coronado - TDA Funds	36,434	20,600
Miscellaneous Other Governments	22,141	-
City of Chula Vista	9,633	84,561
City of Poway - TDA Funds	6,895	11,341
Total due to other governments	<u>\$ 19,543,938</u>	<u>\$ 20,615,743</u>

Note 7 – Unearned Revenue

At June 30, 2016 and 2015, unearned revenue consisted of the following:

	2016	2015
Caltrans LCTOP Payment for Trolley LRVs	\$ 3,663,014	\$ -
Fare media payments received in advance	2,359,820	2,666,819
Lease payments received in advance	566,154	446,548
Total unearned revenue	<u>\$ 6,588,988</u>	<u>\$ 3,113,367</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Long-Term Debt

A. Summary

A summary of changes in long-term obligations for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts due within one year	Amounts due in more than one year
MTS:						
Capital lease obligations	\$ 3,006,729	\$ -	\$ (612,942)	\$ 2,393,787	\$ 646,074	\$ 1,747,713
Finance obligation	18,108,323	-	(18,108,323)	-	-	-
Compensated absences payable	997,083	1,111,907	(1,055,376)	1,053,614	972,455	81,159
Accrued damage, injury, and employee claims	489,890	137,167	(167,000)	460,057	183,616	276,441
Aggregate net pension liability	8,261,547	7,357,876	(5,912,126)	9,707,297	-	9,707,297
Net other postemployment benefits	4,335,345	376,296	-	4,711,641	-	4,711,641
Total MTS	35,198,917	8,983,246	(25,855,767)	18,326,396	1,802,145	16,524,251
San Diego Transit Corporation:						
Pension Obligation Bonds	21,960,000	-	(2,100,000)	19,860,000	2,205,000	17,655,000
Compensated absences payable	7,801,088	3,396,875	(3,558,892)	7,639,071	3,675,916	3,963,155
Accrued damage, injury, and employee claims	11,183,577	5,381,585	(4,500,000)	12,065,162	3,088,291	8,976,871
Aggregate net pension liability	85,694,264	25,119,593	(12,715,720)	98,098,137	-	98,098,137
Net other postemployment benefits	4,952,228	299,220	-	5,251,448	-	5,251,448
Total San Diego Transit Corporation	131,591,157	34,197,273	(22,874,612)	142,913,818	8,969,207	133,944,611
San Diego Trolley, Inc.:						
Compensated absences payable	2,660,544	2,145,208	(2,314,316)	2,491,436	2,320,286	171,150
Accrued damage, injury, and employee claims	2,535,283	1,436,648	(902,000)	3,069,931	1,105,159	1,964,772
Aggregate net pension liability	16,654,410	15,166,913	(10,100,869)	21,720,454	-	21,720,454
Net other postemployment benefits	7,127,397	429,776	-	7,557,173	-	7,557,173
Total San Diego Trolley, Inc.	28,977,634	19,178,545	(13,317,185)	34,838,994	3,425,445	31,413,549
Total	\$ 195,767,708	\$ 62,359,064	\$ (62,047,564)	\$ 196,079,208	\$ 14,196,797	\$ 181,882,411

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Long-Term Debt (Continued)

A. Summary (Continued)

A summary of changes in long-term obligations for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014 (As Restated)	Additions	Reductions	Balance June 30, 2015	Amounts due within one year	Amounts due in more than one year
MTS:						
Capital lease obligations	\$ 3,614,149	\$ -	\$ (607,420)	\$ 3,006,729	\$ 612,942	\$ 2,393,787
Finance obligation	113,457,002	-	(95,348,679)	18,108,323	18,108,323	-
Compensated absences payable	923,899	923,986	(850,802)	997,083	850,802	146,281
Accrued damage, injury, and employee claims	402,817	344,073	(257,000)	489,890	489,890	-
Aggregate net pension liability	10,209,377	4,295,621	(6,243,451)	8,261,547	-	8,261,547
Net other postemployment benefits	3,938,925	665,200	(268,780)	4,335,345	-	4,335,345
Total MTS	132,546,169	6,228,880	(103,576,132)	35,198,917	20,061,957	15,136,960
San Diego Transit Corporation:						
Pension Obligation Bonds	23,965,000	-	(2,005,000)	21,960,000	2,100,000	19,860,000
Compensated absences payable	7,985,875	3,678,530	(3,863,317)	7,801,088	3,863,318	3,937,770
Accrued damage, injury, and employee claims	8,839,917	5,043,660	(2,700,000)	11,183,577	3,138,989	8,044,588
Aggregate net pension liability	92,754,495	24,627,047	(31,687,278)	85,694,264	-	85,694,264
Net other postemployment benefits	4,458,327	1,567,600	(1,073,699)	4,952,228	-	4,952,228
Total San Diego Transit Corporation	138,003,614	34,916,837	(41,329,294)	131,591,157	9,102,307	122,488,850
San Diego Trolley, Inc.:						
Compensated absences payable	2,701,849	3,199,175	(3,240,480)	2,660,544	2,528,293	132,251
Accrued damage, injury, and employee claims	2,448,522	969,761	(883,000)	2,535,283	928,072	1,607,211
Aggregate net pension liability	24,043,491	11,704,564	(19,093,645)	16,654,410	-	16,654,410
Net other postemployment benefits	6,662,433	923,800	(458,836)	7,127,397	-	7,127,397
Total San Diego Trolley, Inc.	35,856,295	16,797,300	(23,675,961)	28,977,634	3,456,365	25,521,269
Total	\$ 306,406,078	\$ 57,943,017	\$ (168,581,387)	\$ 195,767,708	\$ 32,620,629	\$ 163,147,079

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

	2016		2015	
	Due Within One Year	Noncurrent Liabilities	Due Within One Year	Noncurrent Liabilities
Liabilities:				
Compensated absences payable	\$ 6,968,657	\$ 4,215,464	\$ 7,242,413	\$ 4,216,302
Accrued damage, injury, and employee claims	4,377,066	11,218,084	4,556,951	9,651,799
Long-term debt	2,851,074	19,402,713	2,712,942	22,253,787
Long-term debt payable from restricted assets	-	-	18,108,323	-
Aggregate net pension liability	-	129,525,888	-	110,610,221
Net other postemployment benefits	-	17,520,262	-	16,414,970
	\$ 14,196,797	\$ 181,882,411	\$ 32,620,629	\$ 163,147,079

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Long-Term Debt (Continued)

B. Capital Lease (Continued)

The County of San Diego (the County) has a master lease agreement with the MTS Joint Powers Agency (Agency) for the lease of the MTS Tower building. MTS entered into a sublease agreement with the County for a portion (27.61%) of the MTS Tower building. The sublease is classified as a capital lease because 27.61% of the title transfers to MTS at the end of the County's master lease. The master lease terminates on November 1, 2086; however, the County has the option to terminate the agreement on November 1, 2041 and each tenth anniversary thereafter. In May 2011, San Diego County refunded the underlying debt obligation in order to secure a more favorable interest rate, which will result in a \$1.3 million reduction in future principal and interest payments under the terms of the lease agreement. A \$788,266 net economic 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:

	2016	2015
Building – MTS Tower	\$ 12,091,981	\$ 12,091,981
Less accumulated depreciation	(10,391,547)	(10,013,672)
Total	<u>\$ 1,700,434</u>	<u>\$ 2,078,309</u>

The following is a summary of future minimum payments under the capital lease as of June 30, 2016:

Year ending June 30:	Tower Lease Payments
2017	\$ 739,617
2018	743,537
2019	744,055
2020	<u>372,148</u>
Total minimum lease payments	2,599,357
Less amount representing interest	<u>(205,570)</u>
Present value of minimum lease payments	<u>\$ 2,393,787</u>

At June 30, 2016 and 2015, the future minimum payments were \$2,393,787 and \$3,006,729, respectively.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Long-Term Debt (Continued)

C. 1995 LRV Lease/Leaseback

In FY96, 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 would 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, were sufficient to cover the amounts due under the finance obligation. In FY2015, MTS exercised their option to purchase the Head Lease Rights to these vehicles. The predetermined purchase option required principal payments totaling \$18,108,323 in FY2016 and \$95,348,679 in FY2015.

As of June 30, 2016 and 2015, the remaining future obligations total \$0 and \$18,108,323, respectively.

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, 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, originally issued at \$38,800,000, were retired in December 2012.

At June 30, 2016 and 2015, the outstanding balance of the Pension Obligation Bonds is \$19,860,000 and \$21,960,000, respectively.

Year ending June 30	Principal	Interest	Total
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	2,555,000	599,074	3,154,074
2021	2,690,000	464,015	3,154,015
2022-2024	7,665,000	541,136	8,206,136
Total	<u>\$ 19,860,000</u>	<u>\$ 4,114,280</u>	<u>\$ 23,974,280</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 9 - 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. MTS, SDTC, and SDTI all finance their respective unemployment insurance liabilities. MTS, SDTC and SDTI have policies for crime coverage through commercial insurance as well as cyber liability insurance to protect the agencies from third party claims alleging computer security breaches. The crime coverage policy has a limit of \$1,000,000 subject to a \$25,000 deductible and the cyber liability policy has a limit of \$2,000,000 subject to a \$100,000 deductible. These policies protect against theft, loss or unauthorized disclosure of personally identifiable information.

Claim 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 risk management 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
2014	\$ 12,248,963	\$ 4,417,293	\$ (4,975,000)	\$ 11,691,256
2015	11,691,256	6,357,494	(3,840,000)	14,208,750
2016	14,208,750	6,955,400	(5,569,000)	15,595,150

Following is summary of accrued damage injury, and employee claims for fiscal years 2016 and 2015:

	2016	2015
Current portion	\$ 4,377,066	\$ 4,556,951
Non-current portion	11,218,084	9,651,799
Total	<u>\$ 15,595,150</u>	<u>\$ 14,208,750</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 \$15,595,150 at June 30, 2016 and \$14,208,750 at June 30, 2015.

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

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 10 – Contingencies

Pending legal actions. MTS, SDTC and SDTI have been named in certain legal actions pending at June 30, 2016. 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 Component Unit. MTS learned in FY2007 that the freight operator who has managed SD&AE operations in the past filed federal and state corporate tax returns through calendar year 2005, which 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. SD&AE was formally recognized as an exempt organization by the Franchise Tax Board in FY2015 and expects formal recognition by the IRS in FY2017. Although it is anticipated that SD&AE will be granted exemption under federal 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 FY2011 through FY2015 pending formal recognition of SD&AE's exempt status.

Note 11 – Other Postemployment Health Care Benefits

Plan Description

Effective January 1, 2016, MTS contracts with a third party to provide MTS, SDTI, and SDTC Management and SDTI Union retirees a nationwide private health care exchange. The third party also provides non-commissioned benefits advisors to assist retirees in determining the health plan that best suits their needs. MTS funds a Health Reimbursement Arrangement (HRA) account for each eligible retiree to offset the cost of the healthcare they purchase through the exchange. Prior to January 1, 2016 all employees at MTS, SDTI and all management employees at SDTC, 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, 2016, total MTS payments were \$108,990 for 18 retirees, total SDTI payments were \$195,117 for 42 retirees, and total SDTC payments were \$430,350 for 48 management retirees plus \$357,048 for 163 union retirees currently receiving postemployment health care benefits.

For the year ended June 30, 2015, total MTS payments were \$99,980 for 14 retirees, total SDTI payments were \$173,436 for 30 retirees, and total SDTC payments were \$432,134 for 47 management retirees plus \$450,565 for 169 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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 11 – Other Postemployment Health Care Benefits (Continued)

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 changes in NOO for fiscal years 2016 and 2015 is as follows:

Net OPEB Obligation (NOO):	MTS	SDTI	SDTC	Total
NOO at June 30, 2014	\$ 3,938,925	\$ 6,662,433	\$ 4,458,327	\$ 15,059,685
Benefit payments paid outside of a trust	(99,980)	(173,436)	(882,699)	(1,156,115)
Estimated contributions to a trust	-	-	-	-
Annual required contribution	487,900	624,000	1,367,000	2,478,900
Accrued interest on June 30, 2014 NOO	177,300	299,800	200,600	677,700
Amortization of June 30, 2014 NOO	(168,800)	(285,400)	(191,000)	(645,200)
NOO at June 30, 2015	4,335,345	7,127,397	4,952,228	16,414,970
Benefit payments paid outside of a trust	(116,864)	(172,789)	(1,019,791)	(1,309,444)
Estimated contributions to a trust	-	-	-	-
Annual required contribution	482,855	585,625	1,307,241	2,375,721
Accrued interest on June 30, 2015 NOO	195,091	320,733	222,850	738,674
Amortization of June 30, 2015 NOO	(184,786)	(303,793)	(211,080)	(699,659)
NOO at June 30, 2016	<u>\$ 4,711,641</u>	<u>\$ 7,557,173</u>	<u>\$ 5,251,448</u>	<u>\$ 17,520,262</u>

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

	Participants as of (Most Current Available)	
	June 30, 2015	June 30, 2013
Current retirees and surviving spouses	260	229
Active employees eligible for benefits	1,570	1,426
Total	<u>1,830</u>	<u>1,655</u>

Funding policy. The contribution requirements of plan members and MTS are established by management and may be amended. The contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016 MTS contributions to the plan were \$1,309,444 (or 56.32% of total gross health costs), while retiree contributed \$1,015,633 (or 43.68% of total gross health costs), as compared to fiscal year 2015, MTS contributions to the plan were \$1,156,115 (or 50.13% of total gross health costs), while retirees contributed \$1,149,911 (or 49.87% 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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 11 – Other Postemployment Health Care Benefits (Continued)

The following table shows the components of MTS's ARC and Annual OPEB Cost for the years ended June 30, 2016 and 2015, the amount actually contributed to the plans, and the changes in MTS' Net OPEB Obligation to the Plan:

	All Groups	
	2016	2015
Normal Cost	\$ 942,363	\$ 956,500
Amortization of Unfunded AAL	1,433,358	1,522,400
Annual Required Contribution	2,375,721	2,478,900
Interest on beginning of year NOO	738,674	677,700
Amortization of beginning of year NOO	(699,659)	(645,200)
Annual OPEB cost	2,414,736	2,511,400
Contributions or Benefit Payments	(983,684)	(856,815)
Implicit subsidy payments	(325,760)	(299,300)
Increase in net OPEB obligation	1,105,292	1,355,285
Net OPEB obligation:		
Beginning of year	16,414,970	15,059,685
End of year	<u>\$ 17,520,262</u>	<u>\$ 16,414,970</u>

MTS's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan and the Net OPEB Obligation for fiscal years 2014, 2015 and 2016 were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 2,524,100	45.97%	\$ 15,059,685
June 30, 2015	2,511,400	46.03%	16,414,970
June 30, 2016	2,414,736	46.58%	17,520,262

Funded Status and Funding Progress. As of June 30, 2015, the most recent actuarial valuation date, the Plan was not funded. The Actuarial Accrued Liability (AAL) for benefits was \$33,628,566 and the actuarial value of assets was \$0 compared to \$36,511,800 and \$0 as of June 30, 2013. The covered payroll (annual payroll of active employees covered by the plan) as of June 30, 2015 was \$73,896,000 and the ratio of Unfunded AAL to covered payroll was 46% percent compared to \$68,044,900 and 54% as of June 30, 2013.

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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 11 – Other Postemployment Health Care Benefits (Continued)

The most recent funding progress schedules available for MTS, SDTI and SDTC (in 000s) are presented below:

	Valuation Date	Actuarial Value of Assets	Entry Age Normal AAL	Unfunded AAL	Funded Status	Annual Covered Payroll	UAAL as of % of Payroll
MTS	6/30/2015	\$ -	\$ 3,863	\$ 3,863	0.00%	\$ 10,416	37.09%
SDTI	6/30/2015	-	7,700	7,700	0.00%	26,709	28.83%
SDTC	6/30/2015	-	22,066	22,066	0.00%	36,771	60.01%
Total		\$ -	\$ 33,629	\$ 33,629	0.00%	\$ 73,896	45.51%

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 30, 2015 report was completed in FY2016. The next study, which we will based on activity through June 2017, will be completed during FY2018 and ready for the FY2017 financial report.

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, 2015 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 which varies depending on the plan and type of health care service involved. Beginning in fiscal year 2015/2016, medical/drug trends generally grade down from 7.0% and 6.5% to an ultimate of 4.5% by 2021, while dental expense trends stay flat at 4.0%. A general inflation rate of 2.75% 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, 2016 and 2015

Note 12 – Employee Retirement Systems

A. Summary

Aggregate Net Pension Liability

Aggregate Net Pension Liability is reported in the accompanying statements of net position as follows:

	2016	2015
MTS Miscellaneous Plan - 1223	\$ 9,717,218	\$ 8,259,452
MTS PEPRA Miscellaneous Plan - 26789	(7,322)	2,019
MTS Miscellaneous Second Tier Plan - 30134	(2,599)	76
SDTI Miscellaneous Plan - 1406	19,555,041	16,654,410
SDTI PARS Plan	2,165,413	-
SDTC Retirement Plan	98,098,137	85,694,264
Total	<u>\$ 129,525,888</u>	<u>\$ 110,610,221</u>

Deferred Outflows of Resources

Deferred Outflows of Resources at June 30, 2016 are reported in the accompanying statement of net position as follows:

	Contributions Made After Measurement Date	Difference Between Expected and Actual Experience	Adjustments Due To Difference in Proportions	Difference Between Projected and Actual Earnings on Pension Plan Investments	Total
MTS Miscellaneous Plan - 1223	\$ 1,306,126	\$ 87,715	\$ 141,721	\$ 2,127,113	\$ 3,662,675
MTS PEPRA Miscellaneous Plan - 26789	227,181	9,362	-	227,042	463,585
MTS Miscellaneous Second Tier Plan - 30134	49,020	2,908	691	70,501	123,120
SDTI Miscellaneous Plan - 1406	2,659,911	-	-	4,226,627	6,886,538
SDTI PARS Plan	542,483	-	-	164,631	707,114
SDTC Retirement Plan	10,711,282	1,510,483	-	11,378,998	23,600,763
Total	<u>\$ 15,496,003</u>	<u>\$ 1,610,468</u>	<u>\$ 142,412</u>	<u>\$ 18,194,912</u>	<u>\$ 35,443,795</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

A. Summary (Continued)

Deferred Outflows of Resources (Continued)

Deferred Outflows of Resources at June 30, 2015 are reported in the accompanying statement of net position as follows:

	Contributions Made After Measurement Date	Difference Between Expected and Actual Experience	Adjustments Due To Difference in Proportions	Total
MTS Miscellaneous Plan - 1223	\$ 1,368,359	\$ -	\$ -	\$ 1,368,359
MTS PEPRA Miscellaneous Plan - 26789	146,007	-	-	146,007
MTS Miscellaneous Second Tier Plan - 30134	45,480	-	1,074	46,554
SDTI Miscellaneous Plan - 1406	2,566,885	-	-	2,566,885
SDTC Retirement Plan	11,352,628	1,937,128	-	13,289,756
Total	\$ 15,479,359	\$ 1,937,128	\$ 1,074	\$ 17,417,561

Deferred Inflows of Resources

Deferred Inflows of Resources at June 30, 2016 are reported in the accompanying statement of net position as follows:

	Difference Between Actual and Proportionate Share of Employer Contributions	Difference Between Expected and Actual Experience	Changes in Assumption	Adjustments Due To Difference in Proportions	Difference Between Projected and Actual Earnings on Pension Plan Investments	Total
MTS Miscellaneous Plan - 1223	\$ 283,702	\$ -	\$ 829,869	\$ 277,091	\$ 1,438,130	\$ 2,828,792
MTS PEPRA Miscellaneous Plan - 26789	30,281	-	88,578	111,875	509	231,243
MTS Miscellaneous Second Tier Plan - 30134	9,403	-	27,505	32,877	17	69,802
SDTI Miscellaneous Plan - 1406	-	415,807	1,853,504	-	4,939,318	7,208,629
SDTC Retirement Plan	-	-	-	-	3,948,861	3,948,861
Total	\$ 323,386	\$ 415,807	\$ 2,799,456	\$ 421,843	\$ 10,326,835	\$ 14,287,327

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

A. Summary (Continued)

Deferred Inflows of Resources (Continued)

Deferred Inflows of Resources at June 30, 2015 are reported in the accompanying statement of net position as follows:

	Difference Between Projected and Actual Earnings on Pension Plan Investments	Adjustments Due To Difference in Proportions	Total
MTS Miscellaneous Plan - 1223	\$ 1,917,506	\$ 431,030	\$ 2,348,536
MTS PEPRA Miscellaneous Plan - 26789	678	8,508	9,186
MTS Miscellaneous Second Tier Plan - 30134	25	-	25
SDTI Miscellaneous Plan - 1406	6,585,757	-	6,585,757
SDTC Retirement Plan	5,265,148	-	5,265,148
Total	<u>\$ 13,769,114</u>	<u>\$ 439,538</u>	<u>\$ 14,208,652</u>

Pension Expense

Pension expenses are included in the accompanying statements of revenues, expenses, and changes in net position as follows:

	2016	2015
MTS Miscellaneous Plan - 1223	\$ 950,048	\$ 1,156,369
MTS PEPRA Miscellaneous Plan - 26789	122,389	8,713
MTS Miscellaneous Second Tier Plan - 30134	39,438	(1,066)
SDTI Miscellaneous Plan - 1406	1,850,776	1,695,021
SDTI PARS Plan	468,660	-
SDTC Retirement Plan	11,487,861	8,508,553
Total	<u>\$ 14,919,172</u>	<u>\$ 11,367,590</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

B. MTS

General Information about the Pension Plans

Plan Description – All MTS management employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the MTS Miscellaneous, MTS Miscellaneous PEPR, or MTS Miscellaneous Second Tier cost-sharing multiple employer defined benefit plans administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit Provisions under the Plans are established by State statutes within the Public Employee's Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment and can only be amended by the MTS Board of Directors.

The Plan's provisions and benefits in effect as of June 30, 2016 are summarized as follows:

MTS Miscellaneous Plan-1223
Closed to New Members

Hire date	Prior to December 24, 2012
Benefit formula	2.7% @ 55
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Final Average Compensation Period	12 months
Retirement age	50-55
Monthly benefits, as a % of eligible compensation	2.0%-2.7%
Required employee contribution rates	7.00%
Required employer contribution rates	17.71%
Pre-Retirement Death Benefit	Optional Settlement 2W
Post-Retirement Death Benefit	\$500 Lump Sum
Non-Industrial Standard Disability	1.8% of final compensation multiplied by service
COLA	2.00%

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

MTS Miscellaneous Second Tier Plan - 30134

Hire date	On or Between December 24 and 31, 2012 or Grandfathered classic members
Benefit formula	2.0% @ 60
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Final Average Compensation Period	12 months
Retirement age	50-63
Monthly benefits, as a % of eligible compensation	1.092%-2.418%
Required employee contribution rates	7.00%
Required employer contribution rates	7.16%
Pre-Retirement Death Benefit	Optional Settlement 2W
Post-Retirement Death Benefit	\$500 Lump Sum
Non-Industrial Standard Disability	1.8% of final compensation multiplied by service
COLA	2.00%

MTS PEPRA Miscellaneous Plan – 26789

Hire date	On or after January 1, 2013
Benefit formula	2.0% @ 62
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Final Average Compensation Period	36 months
Retirement age	52-67
Monthly benefits, as a % of eligible compensation	1.0-2.5%
Required employee contribution rates	6.25%
Required employer contribution rates	6.24%
Pre-Retirement Death Benefit	Optional Settlement 2W
Post-Retirement Death Benefit	\$500 Lump Sum
Non-Industrial Standard Disability	1.8% of final compensation multiplied by service
COLA	2.00%

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Employees Covered – At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

	MTS Miscellaneous Plan - 1223	MTS Miscellaneous Second Tier Plan - 30134	MTS PEPRA Miscellaneous Plan - 26789
Inactive employees or beneficiaries currently receiving benefits	105	4	0
Inactive employees entitled to but not yet receiving benefits	54	0	0
Active employees	72	11	70

Employees Covered – At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	MTS Miscellaneous Plan - 1223	MTS Miscellaneous Second Tier Plan - 30134	MTS PEPRA Miscellaneous Plan - 26789
Inactive employees or beneficiaries currently receiving benefits	96	4	0
Inactive employees entitled to but not yet receiving benefits	52	0	0
Active employees	82	7	42

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2015 and 2014 (the measurement dates), the active employee contribution rates and average employer contribution rates were as follows:

	Measurement Date			
	2015		2014	
	Employee Contribution Rate	Employer Contribution Rate	Employee Contribution Rate	Employer Contribution Rate
MTS - Miscellaneous Plan-1223	7.00%	17.71%	7.95%	18.79%
MTS Miscellaneous Second Tier Plan - 30134	7.00%	7.16%	6.88%	8.49%
MTS PEPRA Miscellaneous Plan - 26789	6.25%	6.24%	6.31%	6.25%

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

For the year ended June 30, 2015 (the measurement date), the plan's proportionate share of aggregate contributions recognized as part of pension expense for each Plan were as follows:

	MTS Miscellaneous Plan - 1223	MTS Miscellaneous Second Tier Plan - 30134	MTS PEPRA Miscellaneous Plan - 26789
Contributions - employer	\$ 1,753,602	\$ 58,121	\$ 187,174
Contributions - employee	717,034	23,765	76,534

For the year ended June 30, 2014 (the measurement date), the plan's proportionate share of aggregate contributions recognized as part of pension expense for each Plan were as follows:

	MTS Miscellaneous Plan - 1223	MTS Miscellaneous Second Tier Plan - 30134	MTS PEPRA Miscellaneous Plan - 26789
Contributions - employer	\$ 754,893	\$ 10	\$ 267
Contributions - employee	604,332	26,377	79,887

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions
– As of June 30, 2016 and 2015, MTS reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability	
	2016	2015
MTS - Miscellaneous Plan-1223	\$ 9,717,218	\$ 8,259,452
MTS Miscellaneous Second Tier Plan - 30134	(2,599)	76
MTS PEPRA Miscellaneous Plan - 26789	(7,322)	2,019
Aggregate Net Pension Liability	<u>\$ 9,707,297</u>	<u>\$ 8,261,547</u>

MTS's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. MTS's proportion of the net pension liability was based on a projection of the MTS's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool:

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY2015).
- (3) The individual plan's TPL, FNP, and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from step (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in step (2) multiplied by the TPL ratio generated in step (4). The plan's FNP as of the measurement date is equal to the FNP generated in step (2) multiplied by the FNP ratio generated in step (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in step (5).

MTS's proportionate share of the net pension liability for each Plan as of year ended June 30, 2015, 2014, and 2013 (measurement dates) were as follows:

	MTS		
	MTS	Miscellaneous	MTS PEPR
	Miscellaneous	Second Tier	Miscellaneous
	Plan - 1223	Plan - 30134	Plan - 26789
Proportion June 30, 2013	0.13274%	0.00000%	0.00003%
Proportion June 30, 2014	0.13274%	0.00000%	0.00003%
Change - Increase (Decrease)	0.00000%	0.00000%	0.00000%
Proportion June 30, 2015	0.14157%	-0.00004%	-0.00011%
Change - Increase (Decrease)	0.00883%	-0.00004%	-0.00014%

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

For the years ended June 30, 2016 and 2015, MTS recognized pension expense of \$1,111,875 and \$1,164,016, respectively. At June 30, 2016 and 2015, MTS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,582,327	\$ -	\$ 1,559,846	\$ -
Differences between actual and expected experience	99,985	-	-	-
Changes in assumptions	-	(945,952)	-	-
Adjustments due to difference in proportions	142,412	(421,843)	1,074	(439,538)
Employer contributions in excess of proportions	-	(323,386)	-	-
Net differences between projected and actual earnings on pension plan investments	2,424,656	(1,438,656)	-	(1,918,209)
Total	<u>\$ 4,249,380</u>	<u>\$ (3,129,837)</u>	<u>\$ 1,560,920</u>	<u>\$ (2,357,747)</u>

The \$1,582,327 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 compared to \$1,559,846 reported in the previous year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amounts
2017	\$ 1,398,269
2018	(184,059)
2019	(184,060)
2020	(107,807)
2021	197,200
Total	<u>\$ 1,119,543</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	MTS Miscellaneous Plan - 1223	MTS Miscellaneous Second Tier Plan - 30134	MTS PEPRA Miscellaneous Plan - 26789
Valuation Date	June 30, 2014	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:			
Discount Rate	7.65%	7.65%	7.65%
Inflation	2.75%	2.75%	2.75%
Payroll Growth	3.00%	3.00%	3.00%
Projected Salary Increase	varies by entry age and service (1)	varies by entry age and service (1)	varies by entry age and service (1)
Investment Rate of Return	7.50% (2)	7.50% (2)	7.50% (2)
Mortality	derived using CalPERS's membership data for all funds (3)	derived using CalPERS's membership data for all funds (3)	derived using CalPERS's membership data for all funds (3)

(1) Depending on age, service and type of employment.

(2) Net of pension plan investment expenses, including inflation.

(3) The mortality table used was developed based on CalPERS's specific data.

The table includes 20 years of mortality improvements using Society of Actuaries Scales BB.

Change of Assumption – GASB 68, paragraph 30 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense. The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(a) an expected inflation of 2.50% for this period

(b) an expected inflation of 3.00% for this period

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents MTS's proportionate share of the net pension liability for each Plan as of June 30, 2016, calculated using the discount rate for each Plan, as well as what MTS's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	MTS			
	MTS Miscellaneous Plan - 1223	Miscellaneous Second Tier Plan - 30134	MTS PEPRA Miscellaneous Plan - 26789	Aggregate
1% Decrease	6.65%	6.65%	6.65%	6.65%
Net Pension Liability	\$ 16,296,453	\$ (4,359)	\$ (12,280)	\$ 16,279,814
Current Discount Rate	7.65%	7.65%	7.65%	7.65%
Net Pension Liability	\$ 9,717,218	\$ (2,599)	\$ (7,322)	\$ 9,707,297
1% Increase	8.65%	8.65%	8.65%	8.65%
Net Pension Liability	\$ 4,285,296	\$ (1,146)	\$ (3,229)	\$ 4,280,921

The following presents MTS's proportionate share of the net pension liability for each Plan as of June 30, 2015, calculated using the discount rate for each Plan, as well as what MTS's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	MTS			
	MTS Miscellaneous Plan - 1223	Miscellaneous Second Tier Plan - 30134	MTS PEPRA Miscellaneous Plan - 26789	Aggregate
1% Decrease	6.50%	6.50%	6.50%	6.50%
Net Pension Liability	\$ 13,058,580	\$ 135	\$ 3,598	\$ 13,062,313
Current Discount Rate	7.50%	7.50%	7.50%	7.50%
Net Pension Liability	\$ 8,259,453	\$ 76	\$ 2,019	\$ 8,261,548
1% Increase	8.50%	8.50%	8.50%	8.50%
Net Pension Liability	\$ 4,276,636	\$ 27	\$ 709	\$ 4,277,372

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan -- At June 30, 2016, MTS reported a payable of \$47,800 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016 compared to \$56,672 for the year ended June 30, 2015.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

C. SDTI

1. CalPERS Plan

Plan Description – All SDTI employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the SDTI Miscellaneous or PEPRA Miscellaneous single employer defined benefit plans administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit Provisions under the Plans are established by State statutes within the Public Employee's Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan members include both contract and non-contract employees. Benefits are based on years of credited service, equal to one year of full time employment and can only be amended by the MTS Board of Directors.

The Plan's provisions and benefits in effect as of June 30, 2016 are summarized as follows:

San Diego Trolley Miscellaneous Plan - 1406
Closed to New Members

Hire date	Prior to January 1, 2013
Benefit formula	2.0% @ 55
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Final Average Compensation Period	12 months
Retirement age	50-63
Monthly benefits, as a % of eligible compensation	1.426-2.418%
Required employee contribution rates	7.00%
Required employer contribution rates	10.34%
Pre-Retirement Death Benefit	1959 Survivor Benefit Level 2
Post-Retirement Death Benefit	\$500 Lump Sum
Non-Industrial Standard Disability	1.8% of final compensation X multiplied by service
COLA	2.00%

San Diego Trolley PEPRA Miscellaneous Plan - 26965

Hire date	On or After January 1, 2013
Benefit formula	2.0% @ 62
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Final Average Compensation Period	36 months
Retirement age	52-67
Monthly benefits, as a % of eligible compensation	1.0-2.5%
Required employee contribution rates	6.25%
Required employer contribution rates	10.34%
Pre-Retirement Death Benefit	1959 Survivor Benefit Level 2
Post-Retirement Death Benefit	\$500 Lump Sum
Non-Industrial Standard Disability	1.8% of final compensation X multiplied by service
COLA	2.00%

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

2. PARS Plan

Plan Description – All full-time SDTI management employees employed between October 1, 2003 and December 24, 2012 are eligible to participate in the PARS Retirement Enhancement Plan, a defined benefit plan held by the Public Agency Retirement System Trust, an agent multiple employer retirement trust under Internal Revenue Service Code Section 401(a). The Plan administered by Public Agency Retirement Services (PARS). Separate information for the Plan is included in another financial report issued by PARS. Copies of the financial report can be obtained in writing from Public Agency Retirement Services, 4350 Von Karman Ave., Suite 100, Newport Beach, CA 92660.

Benefits Provided – PARS provides supplemental service retirement benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Members are eligible to receive benefits if they, have retired under CalPERS, have terminated employment, or had their position eliminated due to internal reorganization or mandatory operating budget reductions after January 1, 2004. The Plan benefit supplements member's CalPERS benefit to provide members with an enhanced retirement benefit and MTS management has the authority to amend the Plan's benefit terms. The monthly lifetime benefit is calculated by taking the difference between (1) and (2) below and multiplying it by one-twelfth (1/12):

- (1) PARS Age Factor x Benefit Service x Highest Average Annual Compensation (Subject to CalPERS Deductions) during the Last 12 Months of Employment
- (2) CalPERS Age Factor x Benefit Service x Highest Average Annual Compensation (Subject to CalPERS Deductions) during the Last 12 Months of Employment

The Plan's provisions and benefits in effect as of June 30, 2016 are summarized as follows:

San Diego Trolley PARS Plan
Closed to New Members

Hire date	Prior to January 1, 2013
Benefit formula	2.7% @ 55
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Final Average Compensation Period	12 months
Retirement age	50-63
Monthly benefits, as a % of eligible compensation	0.282-0.574%
Required employee contribution rates	Not Required or Permitted
Required employer contribution rates	9.14%
Pre-Retirement Death Benefit	None
Post-Retirement Death Benefit	Joint-and-100% Survivor Option
Disability Retirement Benefit	None
COLA	2.00%

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

	SDTI Miscellaneous Plan - 1406*	SDTI PARS Plan
Inactive employees or beneficiaries currently receiving benefits	218	39
Inactive employees entitled to but not yet receiving benefits	224	0
Active employees	517	61

*SDTI PEPRA Plan included in SDTI Miscellaneous Plan for the June 30, 2014 valuation report.

At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	SDTI Miscellaneous Plan - 1406	SDTI PEPRA Miscellaneous Plan - 26965
Inactive employees or beneficiaries currently receiving benefits	192	0
Inactive employees entitled to but not yet receiving benefits	203	0
Active employees	387	92

Contributions

1. CalPERS Plan

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. SDTI is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2015 and 2014 (the measurement dates), the active employee contribution rates and average employer contribution rates were as follows:

	Measurement Date			
	2015		2014	
	Employee Contribution Rate	Employer Contribution Rate	Employee Contribution Rate	Employer Contribution Rate
SDTI Miscellaneous Plan 1406	7.00%	10.34%	6.98%	9.71%
SDTI PEPRA Miscellaneous Plan 26965	6.25%	10.34%	6.25%	9.78%

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Contributions

1. CalPERS Plan (Continued)

For the years June 30, 2015 and 2014 (measurement date), the contributions recognized as part of pension expense were:

	CalPERS Plans	
	2015	2014
Contributions - employer	\$ 2,553,900	\$ 2,498,345
Contributions - employee	1,839,206	2,179,194

2. PARS Plan

Employer contribution rates for the PARS plan are contractually established by the Plan's administrator and agreed to by the employer, and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined biannually on an actuarial basis as of June 30 by PARS. For the period ended June 30, 2015 (measurement date), the average employer's contribution rate is 9.14%.

For the year June 30, 2015 (measurement date), the contributions recognized as part of pension expense were:

	PARS Plan
	2015
Contributions - employer	\$ 590,203
Contributions - employee	-

Net Pension Liability

1. CalPERS Plan

SDTI's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Net Pension Liability (Continued)

1. CalPERS Plan (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	varies by entry age and service (1)
Investment Rate of Return	7.50% (2)
Mortality	derived using CalPERS's membership data for all funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment.

(2) Net of pension plan investment expenses, including inflation.

(3) The mortality table used was developed based on CalPERS's specific data.

The table includes 20 years of mortality improvements using Society of Actuaries Scales BB.

Change of Assumption – GASB 68, paragraph 30 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense. The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Net Pension Liability (Continued)

1. CalPERS Plan (Continued)

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(a) an expected inflation of 2.50% for this period

(b) an expected inflation of 3.00% for this period

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Net Pension Liability (Continued)

2. PARS Plan

The net pension liability for the PARS Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	3.00%
Salary Increases Including Inflation	Graded rates based on years of services, 3.85% after 22 years of services
Investment Rate of Return	7.00%
Pre-Retirement Mortality	Consistent with Non-Industrial rates used to value the Miscellaneous CALPERS Pension Plans (1)
Post Retirement Benefit Increase	Any benefit in payment status will increase by 2% per annum on the anniversary of the participant's date of retirement

(1) CalPERS 1997-2011 Healthy Retiree Table (sex-distinct) with an assumed based year of 2008 and full generational projections using Scale AA.

There were no changes in assumptions, benefit terms or other inputs that affected the measurement of the net pension liability. There were no changes between the measurement date of the net pension liability and the reporting date.

Discount Rate – The discount rate used to measure the total pension liability was 7.00 percent.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a CalPERS actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Net Pension Liability (Continued)

2. PARS Plan

We have not performed a formal cash flow projection as described under Paragraph 27 of GASB Statement 68. However, Paragraph 29 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluations “can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan...” In our professional judgment, adherence to the actuarial funding policy described above will result in the pension plan’s projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The best estimate for the long-term expected rate of return of 7.00% was determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The table below reflects long-term expected real rate of return presented as arithmetic and geometric means by asset class.

Asset Class	Target Allocation	Real Return Years 1-10	Real Return Years 11+
Cash	4.77%	0.53%	0.53%
Core Fixed Income	38.55%	2.03%	1.90%
Broad U.S. Equities	41.05%	5.64%	4.25%
Developed Foreign Equities	12.09%	6.31%	4.58%
Emerging Market Equities	3.54%	8.56%	5.11%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents SDTI’s net pension liability at June 30, 2016 and 2015, calculated using the discount rate, as well as what SDTI’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	CalPERS		PARS Plan
	2016	2015	2016
1% Decrease	6.65%	6.50%	6.00%
Net Pension Liability	\$ 37,308,074	\$ 33,081,879	\$ 3,039,616
Current Discount Rate	7.65%	7.50%	7.00%
Net Pension Liability	\$ 19,555,041	\$ 16,654,410	\$ 2,165,413
1% Increase	8.65%	8.50%	8.00%
Net Pension Liability	\$ 4,941,415	\$ 3,069,404	\$ 1,429,988

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Changes in the Net Pension Liability

1. CalPERS Plan

At June 30, 2016, the change in the Net Pension Liability for the Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2015	\$ 114,700,654	\$ 98,046,244	\$ 16,654,410
Changes in the year:			
Service cost	3,615,793	-	3,615,793
Interest on the total pension liability	8,554,525	-	8,554,525
Changes of assumptions	(2,274,755)	-	(2,274,755)
Differences between expected and actual experience	(510,309)	-	(510,309)
Benefit payments, including refunds of member contributions	(3,799,240)	(3,799,240)	-
Contributions - employer	-	2,553,900	(2,553,900)
Contributions - employee	-	1,839,206	(1,839,206)
Net investment income	-	2,204,904	(2,204,904)
Administrative expense	-	(113,387)	113,387
Net Changes	5,586,014	2,685,383	2,900,631
Balance at June 30, 2016	\$ 120,286,668	\$ 100,731,627	\$ 19,555,041

At June 30, 2015, the change in the Net Pension Liability for the Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2014	\$ 106,151,686	\$ 82,108,195	\$ 24,043,491
Changes in the year:			
Service cost	3,721,950	-	3,721,950
Interest on the total pension liability	7,982,614	-	7,982,614
Benefit payments, including refunds of member contributions	(3,155,596)	(3,155,596)	-
Contributions - employer	-	2,498,345	(2,498,345)
Contributions - employee	-	2,179,194	(2,179,194)
Net investment income	-	14,416,106	(14,416,106)
Administrative expense	-	-	-
Net Changes	8,548,968	15,938,049	(7,389,081)
Balance at June 30, 2015	\$ 114,700,654	\$ 98,046,244	\$ 16,654,410

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Changes in the Net Pension Liability (Continued)

2. PARS Plan

At June 30, 2016, the change in the Net Pension Liability for the Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2015	\$ 6,713,539	\$ 4,591,214	\$ 2,122,325
Changes in the year:			
Service cost	267,889	-	267,889
Interest on the total pension liability	480,808	-	480,808
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Benefit payments, including refunds of member contributions	(229,364)	(229,364)	-
Contributions - employer	-	590,203	(590,203)
Contributions - employee	-	-	-
Net investment income	-	127,592	(127,592)
Administrative expense	-	(12,186)	12,186
Net Changes	519,333	476,245	43,088
Balance at June 30, 2016	\$ 7,232,872	\$ 5,067,459	\$ 2,165,413

Pension Plan Fiduciary Net Position – Detailed information about the PARS Plan's fiduciary net position is available in the separately issued financial reports.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the years ended June 30, 2016 and 2015, SDTI recognized pension expense of \$2,319,436 and \$1,695,021, respectively. At June 30, 2016 and 2015, SDTI reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,202,394	\$ -	\$ 2,566,885	\$ -
Differences between actual and expected experience	-	(415,807)	-	-
Changes in assumptions	-	(1,853,504)	-	-
Net differences between projected and actual earnings on pension plan investments	4,391,258	(4,939,318)	-	(6,585,757)
Total	<u>\$ 7,593,652</u>	<u>\$ (7,208,629)</u>	<u>\$ 2,566,885</u>	<u>\$ (6,585,757)</u>

The \$3,202,394 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 compared to \$2,566,885 for the previous year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amounts
2017	\$ 2,129,785
2018	(1,072,609)
2019	(1,072,609)
2020	573,829
2021	(173,373)
Total	<u>\$ 385,023</u>

Payable to the Pension Plan

At June 30, 2016, SDTI reported a payable of \$286,513 to CalPERS and \$36,893 to PARS for the outstanding amount of contributions to the pension plans required for the fiscal year compared to \$452,100 payable to CalPERS and \$67,290 payable to PARS for the year ended June 30, 2015.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

D. SDTC

General Information about the Pension Plans

Plan Description - The San Diego Transit Corporation (SDTC) Employee Retirement Plan (Plan), a single-employer defined benefit plan, is currently open to all full-time non-contract employees and certain part-time noncontract employees who have completed one year of service in which they have worked at least 1,000 hours. For contract employees 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.

The SDTC Plan issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to San Diego Transit Corporation, 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101.

Benefits Provided – The SDTC Plan provides retirement, termination, and disability benefits, annual cost-of-living adjustments, and death benefits to eligible Plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment and can only be amended by the MTS Board of Directors.

The Plan's provisions and benefits in effect as of June 30, 2016 and 2015 are summarized as follows:

	San Diego Transit Pension Plan - Non-Contract Employees	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Final Average Compensation Period	12 months	36 months
Retirement age	53-63	52-67
Monthly benefits, as a % of eligible compensation	1.742%-2.418%	1.0%-2.5%
Required employee contribution rates	6.00%	6.25%
Required employer contribution rates	33.68%	33.43%
Pre-Retirement Death Benefit		50% Joint & Survivor
Post-Retirement Death Benefit		Based on benefit election
Non-Industrial Standard Disability	1.5% times average monthly final earnings times credited years of service	
COLA		Lesser of CPI or 2.0%

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

D. SDTC (Continued)

General Information about the Pension Plans (Continued)

	SDTC Contract Employees	
	ATU - Closed Plan	IBEW - Closed Plan
Hire date	Prior to November 25, 2012	Prior to January 1, 2013
Benefit formula	2% @ 55	2% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Final Average Compensation Period	36 months	36 months
Retirement age	53-63	55-65
Monthly benefits, as a % of eligible compensation	1.742%-2.418%	2.0%-2.418%
Required employee contribution rates	6.00%	6.00%
Required employer contribution rates	33.68%	33.68%
Pre-Retirement Death Benefit	50% Joint & Survivor	
Post-Retirement Death Benefit	Based on benefit election	
Disability	1.5% times average monthly final earnings times credited years of service	

Employees Covered – At June 30, 2016 and 2015, the following employees were covered by the benefit terms for each Plan:

	2016	2015
Inactive employees or beneficiaries currently receiving benefits	932	909
Inactive employees entitled to but not yet receiving benefits	219	223
Active employees	563	591

Contributions – Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the period ended July 1, 2015 (the measurement date), the active employee contribution rate is 6.0-6.25% of annual pay, and the average employer's contribution rate is 33.62% of annual payroll compared to 3.0-6.25% and 34.35% for the previous year.

For the years ended July 1, 2015 and 2014 (the measurement dates), the contributions recognized as part of pension expense for the Plan were as follows:

	2015	2014
Contributions - employer	\$ 11,352,628	\$ 12,628,190
Contributions - employee	1,363,092	899,791

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

D. SDTC (Continued)

Net Pension Liability

SDTC's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of July 1, 2015, using an annual actuarial valuation as of July 1, 2015.

Actuarial Assumptions – The total pension liabilities in the July 1, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	July 1, 2015
Measurement Date	July 1, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	3.00%
Payroll Growth	3.50%-10.50% for Drivers & Mechanics 3.25%-12.00% for Non-Contract members 3.50%-14.00% for Clerical members
Projected Salary Increase	3.00%
Investment Rate of Return (1)	7.50%
Mortality	RP-2000 Combined Healthy Tables set forward one year for females-Drivers & Mechanics. 1994 Group Annuity Mortality Table, weighting male rates by 50% and female rates by 50% for Clerical & Non-Contract employees
COLA Increase - Non-Contract Members	2.00%

(1) Net of pension plan investment expenses.

There were no changes in assumptions, benefit terms or other inputs that affected the measurement of the net pension liability. There were no changes between the measurement date of the net pension liability and the reporting date.

Discount Rate – The discount rate used to measure the Total Pension Liability was 7.50%. We have assumed that the employees will continue to contribute to the Plan at the required rates and the employer will continue the historical and legally required practice of contributing to the Plan based on an actuarially determined contribution, reflecting a payment equal to annual Normal Cost, a portion of the expected Administrative Expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as of June 30, 2012, over a closed 25-year period (22 years remaining as of the July 1, 2015 actuarial valuation). Actuarial gains and losses in plan years after June 30, 2012 are amortized over closed 15-year periods as a level dollar amount.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

D. SDTC (Continued)

Net Pension Liability (Continued)

We have not performed a formal cash flow projection as described under Paragraph 27 of GASB Statement 68. However, Paragraph 29 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluations “can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan...” In our professional judgment, adherence to the actuarial funding policy described above will result in the pension plan’s projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

According to Paragraph 30 of GASB Statement 68, the long-term expected rate of return should be determined net of pension plan investment expenses but without reduction for pension plan administrative expenses. The 7.50% investment return assumption used in the Total Pension Liability is net of investment expenses only.

The table below reflects long-term expected real rate of return by asset class. The critical inputs of the asset allocation model are the expected risk, return and correlations of different asset classes. The arithmetic rate of return is net of administrative expenses.

Asset Class	Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (a)
United States Equity	20.00%	4.55%	4.55%
Global Equity	20.00%	5.40%	5.40%
Fixed Income	25.00%	1.00%	1.00%
Absolute Return	15.00%	4.00%	4.00%
Real Return	20.00%	4.00%	4.00%

(a) an expected inflation of 2.50% is used.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability for the SDTC Plan as of June 30, 2016 and 2015, calculated using the discount rate, as well as what SDTC’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	2016	2015
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 123,319,640	\$ 110,642,733
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 98,098,137	\$ 85,694,263
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 76,368,870	\$ 64,231,535

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

D. SDTC (Continued)

Changes in Net Pension Liability

At June 30, 2016, the change in the Net Pension Liability for the SDTC Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2015	\$ 250,491,593	\$ 164,797,329	\$ 85,694,264
Changes in the year:			
Service cost	3,590,766	-	3,590,766
Interest on the total pension liability	18,434,275	-	18,434,275
Changes of assumptions	-	-	-
Differences between expected and actual experience	812,878	-	812,878
Benefit payments, including refunds of member	(16,584,043)	(16,584,043)	-
Contributions - employer	-	11,352,628	(11,352,628)
Contributions - employee	-	1,363,092	(1,363,092)
Net investment income	-	(2,018,866)	2,018,866
Administrative expense	-	(262,808)	262,808
Net Changes	6,253,876	(6,149,997)	12,403,873
Balance at June 30, 2016	\$ 256,745,469	\$ 158,647,332	\$ 98,098,137

At June 30, 2015, the change in the Net Pension Liability for the SDTC Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2014	\$ 241,331,470	\$ 148,576,975	\$ 92,754,495
Changes in the year:			
Service cost	3,908,376	-	3,908,376
Interest on the total pension liability	17,812,979	-	17,812,979
Changes of assumptions	-	-	-
Differences between expected and actual experience	2,905,692	-	2,905,692
Benefit payments, including refunds of member	(15,466,924)	(15,466,924)	-
Contributions - employer	-	12,628,190	(12,628,190)
Contributions - employee	-	899,791	(899,791)
Net investment income	-	18,417,439	(18,417,439)
Administrative expense	-	(258,142)	258,142
Net Changes	9,160,123	16,220,354	(7,060,231)
Balance at June 30, 2015	\$ 250,491,593	\$ 164,797,329	\$ 85,694,264

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 12 – Employee Retirement Systems (Continued)

D. SDTC (Continued)

Changes in Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position – Detailed information about the SDTC Plan's fiduciary net position is available in the separately issued financial reports. The financial report may be obtained by writing to San Diego Transit Corporation, 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the years ended June 30, 2016 and 2015, SDTC recognized pension expense of \$11,487,861 and \$8,508,553, respectively. At June 30, 2016 and 2015, SDTC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 10,711,282	\$ -	\$ 11,352,628	\$ -
Differences between actual and expected experience	1,510,483	-	1,937,128	-
Net differences between projected and actual earnings on pension plan investments	11,378,998	(3,948,861)	-	(5,265,148)
Total	<u>\$ 23,600,763</u>	<u>\$ (3,948,861)</u>	<u>\$ 13,289,756</u>	<u>\$ (5,265,148)</u>

The \$10,711,282 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 compared to \$11,352,628 for the previous year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amounts
2017	\$ 13,479,268
2018	1,799,423
2019	1,528,463
2020	2,844,748
2021	-
Total	<u>\$ 19,651,902</u>

Payable to the Pension Plan

At June 30, 2016, SDTC reported a payable of \$852,440 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016 compared to \$911,918 for the year ended June 30, 2015.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 13 – Other Required Individual Fund Disclosures

SDTC and SDTI had unrestricted (deficits) of \$93,851,767 and \$5,572,877 respectively as of June 30, 2016 compared to \$126,630,215 and 16,627,567 at June 30, 2015. These deficits are primarily a result of the implementation of GASB 68 as well as timing difference between recognition of expenses on an accrual basis and when those expenses are funded by subsidy transfers for SDTC and SDTI.

Note 14 – Restatement of Net Position

As a result of the implementation of GASB Statement No. 68 and 71, net position as of July 1, 2014 was restated as follows:

Net position at July 1, 2014, as previously reported	\$ 1,583,061,953
Restatement to recognize pension contributions subsequent to the measurement date as deferred outflows of resources	15,881,705
Restatement to recognize net pension liability	(127,007,363)
Restatement to remove net pension asset from the statement of net position	<u>(25,910,638)</u>
Net Position at July 1, 2014, as restated	<u><u>\$ 1,446,025,657</u></u>

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

San Diego Metropolitan Transit System
Required Supplementary Information
For the Years Ended June 30, 2016 and 2015

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MTS'S PLANS
(LAST TEN YEARS*)

	2016	2015
	<u>Miscellaneous Plan</u>	
Proportion of the net pension liability	0.14157%	0.13274%
Proportionate share of the net pension liability	\$ 9,717,218	\$ 8,259,452
Covered Payroll	\$ 7,016,370	\$ 8,422,933
Proportionate Share of the Net Pension Liability as percentage of covered payroll	138.49%	98.06%
Plan's fiduciary net position as percentage of the total pension liability	74.90%	77.17%
Proportionate share of aggregate employer contributions	\$ 1,753,602	\$ 754,893
	<u>Miscellaneous Plan - Second Tier</u>	
Proportion of the net pension liability	-0.00004%	0.00000%
Proportionate share of the net pension liability	\$ (2,599)	\$ 76
Covered Payroll	\$ 539,177	\$ 169,396
Proportionate Share of the Net Pension Liability as percentage of covered payroll	-0.48%	0.04%
Plan's fiduciary net position as percentage of the total pension liability	104.82%	82.96%
Proportionate share of aggregate employer contributions	\$ 58,121	\$ 10
	<u>Miscellaneous PEPRA Plan</u>	
Proportion of the net pension liability	-0.00011%	0.00003%
Proportionate share of the net pension liability	\$ (7,322)	\$ 2,019
Covered Payroll	\$ 2,399,171	\$ 685,453
Proportionate Share of the Net Pension Liability as percentage of covered payroll	-0.31%	0.29%
Plan's fiduciary net position as percentage of the total pension liability	104.24%	83.03%
Proportionate share of aggregate employer contributions	\$ 187,174	\$ 267

*GASB 68 was implemented in fiscal year 2015, therefore only two years of data is available.

San Diego Metropolitan Transit System
Required Supplementary Information (Continued)
For the Years Ended June 30, 2016 and 2015

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SDTT'S CALPERS PLAN
(LAST TEN YEARS*)

	2016	2015
Total Pension Liability		
Service Cost	\$ 3,615,793	\$ 3,721,950
Interest on total pension liability	8,554,525	7,982,614
Differences between expected and actual experience	(510,309)	-
Changes in assumptions	(2,274,755)	-
Changes in benefit terms	-	-
Benefit payments, including refunds of employee contributions	(3,799,240)	(3,155,596)
Net change in total pension liability	5,586,014	8,548,968
Total pension liability - beginning	114,700,654	106,151,686
Total pension liability - ending (a)	<u>\$ 120,286,668</u>	<u>\$ 114,700,654</u>
Plan fiduciary net position		
Contributions - employer	\$ 2,553,900	\$ 2,498,345
Contributions - employee	1,839,206	2,179,194
Net investment income	2,204,904	14,416,106
Benefit payments, including refunds of employee contributions	(3,799,240)	(3,155,596)
Administrative expense	(113,387)	-
Net change in plan fiduciary net position	2,685,383	15,938,049
Plan fiduciary net position - beginning	98,046,244	82,108,195
Plan fiduciary net position - ending (b)	<u>\$ 100,731,627</u>	<u>\$ 98,046,244</u>
Net pension liability - ending (a) - (b)	\$ 19,555,041	\$ 16,654,410
Plan fiduciary net position as a percentage of the total pension liability	83.74%	85.48%
Covered payroll	\$ 26,965,416	\$ 26,268,261
Plan net pension liability/(asset) as a percentage of covered payroll	72.52%	63.40%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date.

Changes of assumption. The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

*GASB 68 was implemented in fiscal year 2015, therefore only two years of data is available.

**San Diego Metropolitan Transit System
Required Supplementary Information (Continued)
For the Years Ended June 30, 2016 and 2015**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SDTI'S PARS PLAN
(LAST TEN YEARS*)**

	2016
Total Pension Liability	
Service Cost	\$ 267,889
Interest on total pension liability	480,808
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefit terms	-
Benefit payments, including refunds of employee contributions	(229,364)
Net change in total pension liability	519,333
Total pension liability - beginning	6,713,539
Total pension liability - ending (a)	<u>\$ 7,232,872</u>
Plan fiduciary net position	
Contributions - employer	\$ 590,203
Contributions - employee	-
Net investment income	127,592
Benefit payments, including refunds of employee contributions	(229,364)
Administrative expense	(12,186)
Net change in plan fiduciary net position	476,245
Plan fiduciary net position - beginning	4,591,214
Plan fiduciary net position - ending (b)	<u>\$ 5,067,459</u>
Net pension liability - ending (a) - (b)	\$ 2,165,413
Plan fiduciary net position as a percentage of the total pension liability	70.06%
Covered payroll	\$ 4,943,557
Plan net pension liability/(asset) as a percentage of covered payroll	43.80%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2013 valuation date.

Changes of assumption. There were no changes in assumptions.

*GASB 68 for PARS was implemented in fiscal year 2016, therefore only one year of data is available.

San Diego Metropolitan Transit System
Required Supplementary Information (Continued)
For the Years Ended June 30, 2016 and 2015

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SDTC'S PLAN
(LAST TEN YEARS*)

	2016	2015
Total Pension Liability		
Service Cost	\$ 3,590,766	\$ 3,908,376
Interest on total pension liability	18,434,275	17,812,979
Differences between expected and actual experience	812,878	2,905,692
Changes in assumptions	-	-
Changes in benefit terms	-	-
Benefit payments, including refunds of employee contributions	(16,584,043)	(15,466,924)
Net change in total pension liability	6,253,876	9,160,123
Total pension liability - beginning	250,491,593	241,331,470
Total pension liability - ending (a)	<u>\$ 256,745,469</u>	<u>\$ 250,491,593</u>
Plan fiduciary net position		
Contributions - employer	\$ 11,352,628	\$ 12,628,190
Contributions - employee	1,363,092	899,791
Net investment income	(2,018,866)	18,417,439
Benefit payments, including refunds of employee contributions	(16,584,043)	(15,466,924)
Administrative expense	(262,808)	(258,142)
Net change in plan fiduciary net position	(6,149,997)	16,220,354
Plan fiduciary net position - beginning	164,797,329	148,576,975
Plan fiduciary net position - ending (b)	<u>\$ 158,647,332</u>	<u>\$ 164,797,329</u>
Net pension liability - ending (a) - (b)	\$ 98,098,137	\$ 85,694,264
Plan fiduciary net position as a percentage of the total pension liability	61.79%	65.79%
Covered payroll	\$ 32,658,827	\$ 32,313,553
Plan net pension liability/(asset) as a percentage of covered payroll	300.37%	265.20%

Notes to Schedule:

Changes of assumption. There were no changes in assumptions.

*GASB 68 was implemented in fiscal year 2015, therefore only two years of data is available.

San Diego Metropolitan Transit System
Required Supplementary Information (Continued)
For the Years Ended June 30, 2016 and 2015

SCHEDULE OF CONTRIBUTIONS
MTS'S PLANS
(LAST TEN YEARS*)

	2016	2015	2014
	Miscellaneous Plan		
Actuarially determined contribution	\$ 1,306,296	\$ 1,368,359	\$ 1,424,726
Contributions in relation to the actuarially determined contribution	(1,306,296)	(1,368,359)	(1,424,726)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 6,680,093	\$ 7,016,370	\$ 8,422,933
Contributions as a percentage of covered payroll	19.56%	19.50%	16.91%
	Miscellaneous Plan - Second Tier		
Actuarially determined contribution	\$ 49,020	\$ 45,480	\$ 32,575
Contributions in relation to the actuarially determined contribution	(49,020)	(45,480)	(32,575)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 685,044	\$ 539,177	\$ 169,396
Contributions as a percentage of covered payroll	7.16%	8.44%	19.23%
	Miscellaneous PEPRA Plan		
Actuarially determined contribution	\$ 227,181	\$ 146,007	\$ 79,778
Contributions in relation to the actuarially determined contribution	(227,181)	(146,007)	(79,778)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 3,713,332	\$ 2,399,171	\$ 685,453
Contributions as a percentage of covered payroll	6.12%	6.09%	11.64%

**San Diego Metropolitan Transit System
Required Supplementary Information (Continued)
For the Years Ended June 30, 2016 and 2015**

**SCHEDULE OF CONTRIBUTIONS
MTS'S PLANS (Continued)
(LAST TEN YEARS*)**

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

Changes of assumption: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumption used to set the actuarially determined contributions for Fiscal Year 2014-2015 was derived from the June 30, 2012 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2012 Funding Valuation
Asset valuation method	Actuarial value of assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 and 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* GASB 68 was implemented in fiscal year 2015, therefore only three years data are available.

San Diego Metropolitan Transit System
Required Supplementary Information (Continued)
For the Years Ended June 30, 2016 and 2015

SCHEDULE OF CONTRIBUTIONS
SDTI'S CALPERS PLAN
(LAST TEN YEARS*)

	2016	2015	2014
Actuarially determined contribution	\$ 2,659,911	\$ 2,553,900	\$ 2,498,345
Contributions in relation to the actuarially determined contribution	(2,659,911)	(2,553,900)	(2,498,345)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 25,718,424	\$ 26,965,416	\$ 26,268,261
Contributions as a percentage of covered payroll	10.34%	9.47%	9.51%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

Changes of assumption: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumption used to set the actuarially determined contributions for Fiscal Year 2014-2015 was derived from the June 30, 2012 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2012 Funding Valuation
Asset valuation method	Actuarial value of assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 and 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* GASB 68 was implemented in fiscal year 2015, therefore only three years data are available.

San Diego Metropolitan Transit System
Required Supplementary Information (Continued)
For the Years Ended June 30, 2016 and 2015

SCHEDULE OF CONTRIBUTIONS
SDTI PARS PLAN
(LAST TEN YEARS*)

	2016	2015	2014
Actuarially determined contribution	\$ 445,465	\$ 546,873	\$ 463,079
Contributions in relation to the actuarially determined contribution	(547,473)	(590,203)	(453,934)
Contribution deficiency (excess)	\$ (102,008)	\$ (43,330)	\$ 9,145
Covered payroll	\$ 5,020,011	\$ 4,943,557	\$ 5,984,089
Contributions as a percentage of covered payroll	10.91%	11.94%	7.59%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Amortization period	20 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.00%

* GASB 68 was implemented in fiscal year 2015, therefore only three years data are available.

San Diego Metropolitan Transit System
Required Supplementary Information (Continued)
For the Years Ended June 30, 2016 and 2015

SCHEDULE OF CONTRIBUTIONS
SDTC'S PLAN
(LAST TEN YEARS*)

	2016	2015	2014
Actuarially determined contribution	\$ 10,711,282	\$ 11,352,628	\$ 12,628,190
Contributions in relation to the actuarially determined contribution	(10,711,282)	(11,352,628)	(12,628,190)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 31,048,663	\$ 32,658,827	\$ 32,313,553
Contributions as a percentage of covered payroll	34.50%	34.76%	39.08%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after July 1, 2015 as they have minimal cost impact.

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2015
Actuarial cost method	Entry Age
Amortization method/period	Level percent of payroll, closed 25-year period
Asset valuation method	5-year smoothed market
Salary increases	3.50%-10.50% for drivers and mechanics 3.25%-12.00% for non-contract members 3.50%-14.00% for clerical members
Payroll growth	3.00%
Investment rate of return	7.50% net of pension plan investment expenses.
Mortality	Drivers and mechanics: RP-2000 Combined healthy one year for females Clerical and non-contract: 1994 Group annuity mortality weighting male rates by 50% and female rates by 50%

* GASB 68 was implemented in fiscal year 2015, therefore only three years data are available.

San Diego Metropolitan Transit System
Required Supplementary Information (Continued)
For the Years Ended June 30, 2016 and 2015

SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT HEALTHCARE PLAN (OPEB)

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
6/30/2011	\$ -	\$ 3,276	\$ 3,276	0.00%	\$ 8,023	40.83%
6/30/2013	-	3,855	3,855	0.00%	8,698	44.32%
6/30/2015	-	3,863	3,863	0.00%	10,416	37.09%

SDTI (in 000s):

Valuation Date	Actuarial Value of Assets	Entry Age Normal AAL	Unfunded AAL	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2011	\$ -	\$ 9,417	\$ 9,417	0.00%	\$ 24,617	38.25%
6/30/2013	-	9,545	9,545	0.00%	25,277	37.76%
6/30/2015	-	7,700	7,700	0.00%	26,709	28.83%

SDTC (in 000s):

Valuation Date	Actuarial Value of Assets	Entry Age Normal AAL	Unfunded AAL	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2011	\$ -	\$ 24,326	\$ 24,326	0.00%	\$ 33,136	73.41%
6/30/2013	-	23,111	23,111	0.00%	34,070	67.83%
6/30/2015	-	22,066	22,066	0.00%	36,771	60.01%

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 FY2018 based on the year ending June 30, 2017.

This page intentionally left blank.

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, 2016

	General Operations	Contracted Services	SDTC	SDTI	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 81,117,699	\$ (961,314)	\$ (2,778,741)	\$ 17,000	\$ 77,394,644
Cash restricted for capital support	13,508,715	-	-	-	13,508,715
Accounts and other receivables	6,130,229	77,397	1,478,744	249,574	7,935,944
Due from other governments	82,055,989	145,979	152,610	434,800	82,789,378
Internal balances	(53,139,022)	8,302,574	30,963,883	13,872,565	-
Inventory	-	-	2,431,515	17,164,911	19,596,426
Prepaid expenses and other current assets	1,064,456	310,003	616,840	471,942	2,463,241
Total current assets	130,738,066	7,874,639	32,864,851	32,210,792	203,688,348
Noncurrent assets:					
Capital assets (net of accumulated depreciation)	99,753,851	145,601,483	252,444,773	1,265,021,112	1,762,821,219
Total noncurrent assets	99,753,851	145,601,483	252,444,773	1,265,021,112	1,762,821,219
Total assets	230,491,917	153,476,122	285,309,624	1,297,231,904	1,966,509,567
DEFERRED OUTFLOWS OF RESOURCES					
Differences between projected and actual earnings on pension plan investments	2,424,656	-	11,378,998	4,391,258	18,194,912
Contributions made after the measurement date	1,582,327	-	10,711,282	3,202,394	15,496,003
Differences between expected and actual experience	99,985	-	1,510,483	-	1,610,468
Adjustments due to differences in proportions	142,412	-	-	-	142,412
Total deferred outflows of resources	4,249,380	-	23,600,763	7,593,652	35,443,795

San Diego Metropolitan Transit System
Combining Schedule of Net Position (Continued)
June 30, 2016

	General Operations	Contracted Services	SDTC	SDTI	Total
LIABILITIES					
Current liabilities:					
Accounts payable	9,047,856	6,906,656	2,602,807	1,799,694	20,357,013
Due to other governments	18,960,224	13,642	71,863	498,209	19,543,938
Unearned revenue	6,575,071	-	-	13,917	6,588,988
Accrued expenses	630,234	125	780,032	1,014,780	2,425,171
Retentions payable	86,944	-	-	3,098	90,042
Retentions payable from restricted assets	4,758,582	-	-	-	4,758,582
Due within one year:					
Compensated absences payable	972,455	-	3,675,916	2,320,286	6,968,657
Accrued damage, injury, and employee claims	183,616	-	3,088,291	1,105,159	4,377,066
Long-term debt	646,074	-	2,205,000	-	2,851,074
Total current liabilities	41,861,056	6,920,423	12,423,909	6,755,143	67,960,531
Noncurrent liabilities:					
Due in more than one year:					
Compensated absences payable	81,159	-	3,963,155	171,150	4,215,464
Accrued damage, injury, and employee claims	276,441	-	8,976,871	1,964,772	11,218,084
Aggregate net pension liability	9,707,297	-	98,098,137	21,720,454	129,525,888
Net other post employment benefits obligation	4,711,641	-	5,251,448	7,557,173	17,520,262
Long-term debt	1,747,713	-	17,655,000	-	19,402,713
Total noncurrent liabilities	16,524,251	-	133,944,611	31,413,549	181,882,411
Total liabilities	58,385,307	6,920,423	146,368,520	38,168,692	249,842,942

San Diego Metropolitan Transit System
Combining Schedule of Net Position (Continued)
June 30, 2016

DEFERRED INFLOWS OF RESOURCES

Differences between projected and actual earnings on pension plan investments

Adjustments due to differences in proportions

Difference between actual and proportionate shares of employer contributions

Difference between expected and actual experience

Changes in assumptions

Deferred gain on refunding

Total deferred inflows of resources

	General Operations	Contracted Services	SDTC	SDTI	Total
	1,438,656	-	3,948,861	4,939,318	10,326,835
	421,843	-	-	-	421,843
	323,386	-	-	-	323,386
	-	-	-	415,807	415,807
	945,952	-	-	1,853,504	2,799,456
	313,775	-	-	-	313,775
	<u>3,443,612</u>	<u>-</u>	<u>3,948,861</u>	<u>7,208,629</u>	<u>14,601,102</u>

NET POSITION

Net investment in capital assets

Restricted for:

Capital projects

Unrestricted (deficit)

Total net position

	97,360,064	145,601,483	252,444,773	1,265,021,112	1,760,427,432
	13,508,715	-	-	-	13,508,715
	<u>62,043,599</u>	<u>954,216</u>	<u>(93,851,767)</u>	<u>(5,572,877)</u>	<u>(36,426,829)</u>
	<u>\$ 172,912,378</u>	<u>\$ 146,555,699</u>	<u>\$ 158,593,006</u>	<u>\$ 1,259,448,235</u>	<u>\$ 1,737,509,318</u>

This page intentionally left blank.

San Diego Metropolitan Transit System
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

	General Operations	Contracted Services	SDTC	SDTI	Eliminations	Total
Operating revenues:						
Passenger revenue	\$ -	\$ 30,631,228	\$ 26,169,280	\$ 41,113,382	\$ -	\$ 97,913,890
Advertising	968,078	-	-	-	-	968,078
Miscellaneous operating revenues	15,082,527	(1,917)	2,129	698,483	-	15,781,222
Total operating revenues	16,050,605	30,629,311	26,171,409	41,811,865	-	114,663,190
Operating expenses:						
Personnel costs	18,900,748	484,714	68,106,396	34,429,809	-	121,921,667
Outside services	17,145,509	68,744,383	2,298,278	6,613,503	-	94,801,673
Transit operations funding	103,995,482	-	-	-	(103,504,600)	490,882
Materials and supplies	37,218	31,278	4,284,200	5,361,912	-	9,714,608
Energy costs	210,333	7,963,002	5,524,761	10,832,612	-	24,530,708
Risk management	340,079	15,300	2,952,706	1,556,411	-	4,864,496
Miscellaneous operating expenses	(26,630,945)	3,271,982	11,615,659	16,721,406	-	4,978,102
Depreciation	2,454,052	16,001,781	24,278,346	76,785,475	-	119,519,654
Total operating expenses	116,452,476	96,512,440	119,060,346	152,301,128	(103,504,600)	380,821,790
Operating income (loss)	(100,401,871)	(65,883,129)	(92,888,937)	(110,489,263)	103,504,600	(266,158,600)

San Diego Metropolitan Transit System
Combining Schedule of Revenues, Expenses and Changes in Net Position (Continued)
For the Year Ended June 30, 2016

	General Operations	Contracted Services	SDTC	SDTI	Eliminations	Total
Public support and nonoperating revenues (expenses):						
Federal revenue	81,901,246	13,826,834	18,000,000	21,148,089	(52,974,923)	81,901,246
Transportation Development Act (TDA) funds	90,869,756	32,296,025	15,814,040	5,928,770	(54,038,835)	90,869,756
State Transit Assistance (STA) funds	14,720,378	-	100,000	7,698	(107,698)	14,720,378
State revenue - other	5,724,586	1,500,000	79,035	103,299	(1,682,334)	5,724,586
TransNet funds	41,398,669	1,521,215	29,377,457	5,000,000	(41,398,672)	35,898,669
Other local subsidies	6,648,825	737,274	4,180,212	-	(4,917,486)	6,648,825
Investment earnings	291,659	-	-	-	-	291,659
Interest expense	(26,886)	-	(1,044,028)	-	-	(1,070,914)
Gain (loss) on disposal of assets	2,435,106	-	(52,959)	51,031	-	2,433,178
Total public support and nonoperating revenues (expenses):	243,963,339	49,881,348	66,453,757	32,238,887	(155,119,948)	237,417,383
Income (loss) before transfers and contributed capital	143,561,468	(16,001,781)	(26,435,180)	(78,250,376)	(51,615,348)	(28,741,217)
Transfers	(51,615,348)	-	-	-	51,615,348	-
Contributed capital, net	(91,628,964)	15,403,374	67,327,315	102,517,015	-	93,618,740
Changes in net position	317,156	(598,407)	40,892,135	24,266,639	-	64,877,523
Net Position:						
Beginning of year	172,595,222	147,154,106	117,700,871	1,235,181,596	-	1,672,631,795
End of year	\$ 172,912,378	\$ 146,555,699	\$ 158,593,006	\$ 1,259,448,235	\$ -	\$ 1,737,509,318

San Diego Metropolitan Transit System
Combining Schedule of Cash Flows
For the Year Ended June 30, 2016

	General Operations	Contracted Services	SDTC	SDTI	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 14,898,361	\$ 30,556,006	\$ 26,209,909	\$ 41,805,396	\$ 113,469,672
Payments to suppliers	14,406,326	(80,913,954)	(29,339,952)	(41,417,545)	(137,265,125)
Payments to employees	(19,444,725)	(484,714)	(65,270,676)	(35,213,312)	(120,413,427)
Payments for damage and injury	(61,559)	-	(1,520,348)	(1,077,846)	(2,659,753)
Net cash (used in) operating activities	9,798,403	(50,842,662)	(69,921,067)	(35,903,307)	(146,868,633)
Cash flows from noncapital financing activities:					
Public support funds received	69,075,394	49,881,348	70,878,874	36,055,989	225,891,605
Net cash provided by noncapital financing activities	69,075,394	49,881,348	70,878,874	36,055,989	225,891,605
Cash flows from capital and related financing activities:					
Debt service costs	(612,942)	-	(3,144,028)	-	(3,756,970)
Property acquisition	(63,541,905)	-	-	-	(63,541,905)
Proceeds from disposal of assets	2,653,041	-	21,853	58,469	2,733,363
Net cash provided by (used in) capital and related financing activities	(61,501,806)	-	(3,122,175)	58,469	(64,565,512)
Cash flows from investing activities:					
Interest received on investments	264,773	-	-	-	264,773
Net cash provided by investing activities	264,773	-	-	-	264,773
Net increase (decrease) in cash and cash equivalents	17,636,764	(961,314)	(2,164,368)	211,151	14,722,233
Cash and cash equivalents:					
Beginning of year	76,989,650	-	(614,373)	(194,151)	76,181,126
End of year	\$ 94,626,414	\$ (961,314)	\$ (2,778,741)	\$ 17,000	\$ 90,903,359
Cash and cash equivalents:					
Cash and cash equivalents	\$ 81,117,699	\$ (961,314)	\$ (2,778,741)	\$ 17,000	\$ 77,394,644
Cash restricted for capital support	13,508,715	-	-	-	13,508,715
Total cash and cash equivalents	\$ 94,626,414	\$ (961,314)	\$ (2,778,741)	\$ 17,000	\$ 90,903,359

San Diego Metropolitan Transit System
Combining Schedule of Cash Flows (Continued)
For the Year Ended June 30, 2016

	General Operations	Contracted Services	SDTC	SDTI	Total
Reconciliation of Operating (Loss) to Net Cash (Used In) Operating Activities					
Operating income (loss):	\$ 3,102,729	\$ (65,883,129)	\$ (92,888,937)	\$ (110,489,263)	\$ (266,158,600)
Adjustments to reconcile operating income (loss) to net cash (used in) operating activities					
Depreciation and amortization	2,454,052	16,001,781	24,278,346	76,785,475	119,519,654
(Increase) decrease in:					
Accounts and other receivables	(2,977,413)	(73,305)	38,500	(4,636)	(3,016,854)
Due from other governments	(1,652,285)	-	-	-	(1,652,285)
Inventory	-	-	(198,739)	(1,020,939)	(1,219,678)
Prepaid expenses and other current assets	(14,063)	(42,168)	34,757	(23,501)	(44,975)
Increase (decrease) in:					
Accounts payable	4,495,631	(777,483)	1,746,723	1,722,474	7,187,345
Due to other governments	499,873	(68,483)	(2,845,435)	209,697	(2,204,348)
Accrued expenses	(27,754)	125	16,754	(2,171,292)	(2,182,167)
Unearned revenue	3,477,454	-	-	(1,833)	3,475,621
Aggregate net pension liability	(22,481)	-	641,346	(635,509)	(16,644)
Other net post employment benefits obligation	376,296	-	299,220	429,776	1,105,292
Compensated absences payable	56,531	-	(162,017)	(169,108)	(274,594)
Accrued damage, injury and employee claims	29,833	-	(881,585)	(534,648)	(1,386,400)
Total adjustments	6,695,674	15,040,467	22,967,870	74,585,956	119,289,967
Net cash (used in) operating activities	\$ 9,798,403	\$ (50,842,662)	\$ (69,921,067)	\$ (35,903,307)	\$ (146,868,633)

Supplemental noncash disclosures:

During the year SANDAG and outside parties contributed \$94,038,740 in capital assets
During the year the fair value of investments increased by \$35,127

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, 2016

	Budgeted Amounts		Actual Amounts				Variance with Final Budget Positive (Negative)
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis		
Operating revenues:							
Passenger revenue	\$ 101,879,972	\$ 100,679,973	\$ 97,913,890	\$ -	\$ 97,913,890	\$ (2,766,083)	
Advertising	750,000	825,000	968,078	-	968,078	143,078	
Miscellaneous operating revenues	8,780,576	14,014,537	15,781,222	(1,247,535)	14,533,687	519,150	
Total operating revenues	111,410,548	115,519,510	114,663,190	(1,247,535)	113,415,655	(2,103,855)	
Operating expenses:							
Personnel costs	124,314,350	122,940,652	121,921,667	(1,865,475)	120,056,192	2,884,460	
Outside services	90,235,520	93,655,398	94,801,673	(1,091,157)	93,710,516	(55,118)	
Transit operations funding	544,014	544,014	490,882	-	490,882	53,132	
Materials and supplies	10,536,012	9,889,738	9,714,608	-	9,714,608	175,130	
Energy costs	29,165,637	27,063,752	24,530,708	-	24,530,708	2,533,044	
Risk management	4,553,978	6,117,206	4,864,496	506,802	5,371,298	745,908	
Miscellaneous operating expenses	3,615,021	4,777,216	4,978,102	(217,197)	4,760,905	16,311	
Depreciation	-	-	119,519,654	(119,519,654)	-	-	
Total operating expenses	262,964,532	264,987,976	380,821,790	(122,186,681)	258,635,109	6,352,867	
Operating income (loss)	(151,553,984)	(149,468,466)	(266,158,600)	120,939,146	(145,219,454)	4,249,012	

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, 2016

	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 Positive (Negative)
Public support and nonoperating revenues (expenses):						
Federal revenue	53,251,654	53,093,321	81,901,246	(28,862,089)	53,039,157	(54,164)
Transportation Development Act (TDA) funds	58,080,789	58,080,788	90,869,756	(31,368,746)	59,501,010	1,420,222
State Transit Assistance (STA) funds	3,600,000	600,000	14,720,378	(14,612,680)	107,698	(492,302)
State revenue - other	1,600,000	1,600,000	5,724,586	(4,039,257)	1,685,329	85,329
<i>TransNet</i> funds	37,720,455	36,330,346	35,898,669	-	35,898,669	(431,677)
Other local subsidies	1,034,102	5,434,102	6,648,825	(1,682,792)	4,966,033	(468,069)
Investment earnings	18,198,323	18,228,323	291,659	18,082,817	18,374,476	146,153
Interest expense	(19,892,053)	(19,892,053)	(1,070,914)	(18,813,102)	(19,884,016)	8,037
Gain (loss) on disposal of assets	-	-	2,433,178	(1,800,562)	632,616	632,616
Total public support and nonoperating revenues (expenses):	153,593,270	153,474,827	237,417,383	(83,096,411)	154,320,972	846,145
Income (loss) before contributed capital	2,039,286	4,006,361	(28,741,217)	37,842,735	9,101,518	5,095,157
Reserve revenue	60,714	(1,111,300)	-	(852,803)	(852,803)	258,497
Contributed capital, net	-	-	93,618,740	(93,618,740)	-	-
Changes in net position	\$ 2,100,000	\$ 2,895,061	64,877,523	\$ (56,628,808)	\$ 8,248,715	\$ 5,353,654
Net Position:						
Beginning of year			1,672,631,795			
End of year			<u>\$1,737,509,318</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, 2016

	Budgeted Amounts		Actual Amounts				Variance with Final Budget Positive (Negative)
			Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis		
	Original	Final					
Operating revenues:							
Advertising	\$ 750,000	\$ 825,000	\$ 968,078	\$ -	\$ 968,078	\$	143,078
Miscellaneous operating revenues	6,556,572	10,642,537	11,860,121	(247,535)	11,612,586		970,049
Total operating revenues	7,306,572	11,467,537	12,828,199	(247,535)	12,580,664		1,113,127
Operating expenses:							
Personnel costs	20,318,752	18,463,235	17,996,739	2,137,795	20,134,534		(1,671,299)
Outside services	14,384,400	15,838,041	17,009,232	(1,091,157)	15,918,075		(80,034)
Transit operations funding	544,014	544,014	103,995,482	(103,504,600)	490,882		53,132
Materials and supplies	22,000	25,000	36,982	-	36,982		(11,982)
Energy costs	213,140	226,700	200,217	-	200,217		26,483
Risk management	426,465	391,350	325,446	29,833	355,279		36,071
Miscellaneous operating expenses	(30,659,850)	(26,808,727)	(26,935,277)	(96,159)	(27,031,436)		222,709
Depreciation	-	-	2,429,983	(2,429,983)	-		-
Total operating expenses	5,248,921	8,679,613	115,058,804	(104,954,271)	10,104,533		(1,424,920)
Operating income (loss)	2,057,651	2,787,924	(102,230,605)	104,706,736	2,476,131		(311,793)

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, 2016

	Budgeted Amounts		Actual Amounts			
			Actuals per			
			Statement of			
			Revenues,			
			Expenses, and			
			Changes in			
			Net Position			
	Original	Final	Amounts	Budget Basis	Actuals on	Variance with
				Adjustments	Budget Basis	Final Budget
						Positive
						(Negative)
Public support and nonoperating revenues (expenses):						
Federal revenue	140,000	140,000	81,901,246	(81,750,729)	150,517	10,517
Transportation Development Act (TDA) funds	544,014	544,014	90,869,756	(85,386,010)	5,483,746	4,939,732
State Transit Assistance (STA) funds	-	-	14,720,378	(14,720,378)	-	-
State revenue - other	-	-	5,724,586	(5,721,591)	2,995	2,995
<i>TransNet</i> funds	-	-	41,398,669	(41,398,669)	-	-
Other local subsidies	-	34,788	6,648,825	(6,600,277)	48,548	13,760
Investment earnings	18,198,323	18,228,323	291,659	18,082,817	18,374,476	146,153
Interest expense	(18,839,988)	(18,839,988)	(26,886)	(18,813,102)	(18,839,988)	-
Gain (loss) on disposal of assets	-	-	2,435,106	(1,882,812)	552,294	552,294
Total public support and nonoperating revenues (expenses):	42,349	107,137	243,963,339	(238,190,751)	5,772,588	5,665,451
Income (loss) before transfers and contributed capital	2,100,000	2,895,061	141,732,734	(133,484,015)	8,248,719	5,353,658
Transfers	-	-	(51,615,348)	-	(51,615,348)	(51,615,348)
Contributed capital, net	-	-	(90,628,964)	90,628,964	-	-
Changes in net position	\$ 2,100,000	\$ 2,895,061	(511,578)	\$ (42,855,051)	\$ (43,366,629)	\$ (46,261,690)
Net Position:						
Beginning of year			153,396,107			
End of year			<u>\$ 152,884,529</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, 2016

	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 Positive (Negative)
Operating revenues:						
Miscellaneous operating revenues	\$ 1,390,000	\$ 2,532,000	\$ 2,091,110	\$ -	\$ 2,091,110	\$ (440,890)
Total operating revenues	1,390,000	2,532,000	2,091,110	-	2,091,110	(440,890)
Operating expenses:						
Personnel costs	980,229	960,229	865,876	-	865,876	94,353
Outside services	92,110	128,110	85,723	-	85,723	42,387
Materials and supplies	19,000	7,000	236	-	236	6,764
Energy costs	11,500	14,000	10,116	-	10,116	3,884
Miscellaneous operating expenses	320,394	293,880	294,579	-	294,579	(699)
Depreciation	-	-	6,981	(6,981)	-	-
Total operating expenses	1,423,233	1,403,219	1,263,511	(6,981)	1,256,530	146,689
Operating income (loss)	(33,233)	1,128,781	827,599	6,981	834,580	(294,201)
Reserve revenue	33,233	(1,128,781)	-	(834,580)	(834,580)	294,201
Changes in net position	\$ -	\$ -	827,599	\$ (827,599)	\$ -	\$ -
Net Position:						
Beginning of year			196,873			
End of year			<u>\$ 1,024,472</u>			

San Diego Metropolitan Transit System
San Diego Arizona and Eastern Railway
Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual
For the Year Ended June 30, 2016

	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 Positive (Negative)
Operating revenues:						
Miscellaneous operating revenues	\$ 135,000	\$ 135,000	\$ 1,131,296	\$ (1,000,000)	\$ 131,296	\$ (3,704)
Total operating revenues	135,000	135,000	1,131,296	(1,000,000)	131,296	(3,704)
Operating expenses:						
Personnel costs	95,981	70,981	38,133	-	38,133	32,848
Outside services	50,000	65,000	50,554	-	50,554	14,446
Risk management	16,000	16,000	14,633	-	14,633	1,367
Miscellaneous operating expenses	500	500	9,753	-	9,753	(9,253)
Depreciation	-	-	17,088	(17,088)	-	-
Total operating expenses	162,481	152,481	130,161	(17,088)	113,073	39,408
Operating income (loss)	(27,481)	(17,481)	1,001,135	(982,912)	18,223	35,704
Reserve revenue	27,481	17,481	-	(18,223)	(18,223)	(35,704)
Contributed capital, net	-	-	(1,000,000)	1,000,000	-	-
Changes in net position	\$ -	\$ -	1,135	\$ (1,135)	\$ -	\$ -
Net Position:						
Beginning of year			19,002,242			
End of year			<u>\$ 19,003,377</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, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position		Variance with Final Budget Positive (Negative)	
			Amounts	Adjustments		
Operating revenues:						
Passenger revenue	\$ 32,315,858	\$ 31,865,859	\$ 30,631,228	\$ -	\$ 30,631,228	\$ (1,234,631)
Miscellaneous operating revenues	-	-	(1,917)	-	(1,917)	(1,917)
Total operating revenues	32,315,858	31,865,859	30,629,311	-	30,629,311	(1,236,548)
Operating expenses:						
Personnel costs	679,991	692,528	484,714	-	484,714	207,814
Outside services	69,366,974	70,084,004	68,744,383	-	68,744,383	1,339,621
Materials and supplies	78,800	51,010	31,278	-	31,278	19,732
Energy costs	9,596,105	8,680,536	7,963,002	-	7,963,002	717,534
Risk management	15,759	15,300	15,300	-	15,300	-
Miscellaneous operating expenses	2,404,566	3,131,329	3,271,982	-	3,271,982	(140,653)
Depreciation	-	-	16,001,781	(16,001,781)	-	-
Total operating expenses	82,142,195	82,654,707	96,512,440	(16,001,781)	80,510,659	2,144,048
Operating income (loss)	(49,826,337)	(50,788,848)	(65,883,129)	16,001,781	(49,881,348)	907,500

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, 2016

	Budgeted Amounts		Actual Amounts			
			Actuals per Statement of Revenues, Expenses, and Changes in Net Position			
	Original	Final	Amounts	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget Positive (Negative)
Public support and nonoperating revenues (expenses):						
Federal revenue	14,111,654	13,953,321	13,826,834	-	13,826,834	(126,487)
Transportation Development Act (TDA) funds	31,787,032	32,830,931	32,296,025	-	32,296,025	(534,906)
State revenue - other	1,600,000	1,600,000	1,500,000	-	1,500,000	(100,000)
<i>TransNet</i> funds	1,571,549	1,685,494	1,521,215	-	1,521,215	(164,279)
Other local subsidies	756,102	719,102	737,274	-	737,274	18,172
Total public support and nonoperating revenues (expenses):	49,826,337	50,788,848	49,881,348	-	49,881,348	(907,500)
Income (loss) before contributed capital	-	-	(16,001,781)	16,001,781	-	-
Contributed capital, net	-	-	15,403,374	(15,403,374)	-	-
Changes in net position	\$ -	\$ -	(598,407)	\$ 598,407	\$ -	\$ -
Net Position:						
Beginning of year			147,154,106			
End of year			<u>\$ 146,555,699</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, 2016

	Budgeted Amounts		Actual Amounts				Variance with Final Budget Positive (Negative)
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis		
Operating revenues:							
Passenger revenue	\$ 27,492,066	\$ 26,742,066	\$ 26,169,280	\$ -	\$ 26,169,280	\$ (572,786)	
Miscellaneous operating revenues	5,004	5,000	2,129	-	2,129	(2,871)	
Total operating revenues	27,497,070	26,747,066	26,171,409	-	26,171,409	(575,657)	
Operating expenses:							
Personnel costs	68,199,270	69,038,782	68,106,396	(2,748,441)	65,357,955	3,680,827	
Outside services	1,686,261	1,745,130	2,298,278	-	2,298,278	(553,148)	
Materials and supplies	4,767,131	4,506,727	4,284,200	-	4,284,200	222,527	
Energy costs	6,150,992	5,961,116	5,524,761	-	5,524,761	436,355	
Risk management	2,171,324	3,995,104	2,952,706	679,604	3,632,310	362,794	
Miscellaneous operating expenses	13,659,626	11,488,239	11,615,659	(13,185)	11,602,474	(114,235)	
Depreciation	-	-	24,278,346	(24,278,346)	-	-	
Total operating expenses	96,634,604	96,735,098	119,060,346	(26,360,368)	92,699,978	4,035,120	
Operating income (loss)	(69,137,534)	(69,988,032)	(92,888,937)	26,360,368	(66,528,569)	3,459,463	

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, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position	Amounts		Variance with Final Budget Positive (Negative)
				Budget Basis Adjustments	Actuals on Budget Basis	
Public support and nonoperating revenues (expenses):						
Federal revenue	18,000,000	18,000,000	18,000,000	-	18,000,000	-
Transportation Development Act (TDA) funds	17,162,693	18,115,033	15,814,040	-	15,814,040	(2,300,993)
State Transit Assistance (STA) funds	3,600,000	600,000	100,000	-	100,000	(500,000)
State revenue - other	-	-	79,035	-	79,035	79,035
<i>TransNet</i> funds	31,148,906	29,644,852	29,377,457	-	29,377,457	(267,395)
Other local subsidies	278,000	4,680,212	4,180,212	-	4,180,212	(500,000)
Interest expense	(1,052,065)	(1,052,065)	(1,044,028)	-	(1,044,028)	8,037
Gain (loss) on disposal of assets	-	-	(52,959)	74,812	21,853	21,853
Total public support and nonoperating revenues (expenses):	69,137,534	69,988,032	66,453,757	74,812	66,528,569	(3,459,463)
Income (loss) before contributed capital	-	-	(26,435,180)	26,435,180	-	-
Contributed capital, net	-	-	67,327,315	(67,327,315)	-	-
Changes in net position	\$ -	\$ -	40,892,135	\$ (40,892,135)	\$ -	\$ -
Net Position:						
Beginning of year			117,700,871			
End of year			<u>\$ 158,593,006</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, 2016

	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 Positive (Negative)
Operating revenues:						
Passenger revenue	\$ 42,072,048	\$ 42,072,048	\$ 41,113,382	\$ -	\$ 41,113,382	\$ (958,666)
Miscellaneous operating revenues	694,000	700,000	698,483	-	698,483	(1,517)
Total operating revenues	42,766,048	42,772,048	41,811,865	-	41,811,865	(960,183)
Operating expenses:						
Personnel costs	34,040,127	33,714,897	34,429,809	(1,254,829)	33,174,980	539,917
Outside services	4,655,775	5,795,113	6,613,503	-	6,613,503	(818,390)
Materials and supplies	5,649,081	5,300,001	5,361,912	-	5,361,912	(61,911)
Energy costs	13,193,900	12,181,400	10,832,612	-	10,832,612	1,348,788
Risk management	1,924,430	1,699,452	1,556,411	(202,635)	1,353,776	345,676
Miscellaneous operating expenses	17,889,785	16,671,995	16,721,406	(107,853)	16,613,553	58,442
Depreciation	-	-	76,785,475	(76,785,475)	-	-
Total operating expenses	77,353,098	75,362,858	152,301,128	(78,350,792)	73,950,336	1,412,522
Operating income (loss)	(34,587,050)	(32,590,810)	(110,489,263)	78,350,792	(32,138,471)	452,339

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, 2016

	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
Public support and nonoperating revenues (expenses):						
Federal revenue	21,000,000	21,000,000	21,148,089		(86,283)	21,061,806
Transportation Development Act (TDA) funds	8,587,050	6,590,810	5,928,770		(21,571)	5,907,199
State Transit Assistance (STA) funds	-	-	7,698		-	7,698
State revenue - other	-	-	103,299		-	103,299
TransNet funds	5,000,000	5,000,000	5,000,000		-	5,000,000
Gain (loss) on disposal of assets	-	-	51,031		7,438	58,469
Total public support and nonoperating revenues (expenses):	34,587,050	32,590,810	32,238,887		(100,416)	32,138,471
Income (loss) before contributed capital	-	-	(78,250,376)		78,250,376	-
Reserve revenue	-	-	-		-	-
Contributed capital, net	-	-	102,517,015		(102,517,015)	-
Changes in net position	-	-	24,266,639		\$ (24,266,639)	\$ -
Net Position:						
Beginning of year			1,235,181,596			
End of year			<u>\$1,259,448,235</u>			

This page intentionally left blank.

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 ('000s)
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Business-type activities:										
Net investment in capital assets	\$ 1,760,427	\$ 1,699,222	\$ 1,395,206	\$ 1,296,217	\$ 1,172,816	\$ 1,073,562	\$ 1,078,178	\$ 1,075,105	\$ 1,079,967	\$ 1,097,676
Restricted	13,509	5,309	6,742	7,255	78,378	7,007	2,548	2,700	-	-
Unrestricted	(36,427)	(31,900)	181,114	189,837	157,609	173,128	177,158	172,344	185,610	163,244
Total business-type activities net position	\$ 1,737,509	\$ 1,672,631	\$ 1,583,062	\$ 1,493,309	\$ 1,408,803	\$ 1,253,697	\$ 1,257,884	\$ 1,250,149	\$ 1,265,577	\$ 1,260,920
Primary government:										
Net investment in capital assets	\$ 1,760,427	\$ 1,699,222	\$ 1,395,206	\$ 1,296,217	\$ 1,172,816	\$ 1,073,562	\$ 1,078,178	\$ 1,075,105	\$ 1,079,967	\$ 1,097,676
Restricted	13,509	5,309	6,742	7,255	78,378	7,007	2,548	2,700	-	-
Unrestricted	(36,427)	(31,900)	181,114	189,837	157,609	173,128	177,158	172,344	185,610	163,244
Total primary government net position	\$ 1,737,509	\$ 1,672,631	\$ 1,583,062	\$ 1,493,309	\$ 1,408,803	\$ 1,253,697	\$ 1,257,884	\$ 1,250,149	\$ 1,265,577	\$ 1,260,920

Source: Audited financial statements

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating revenues:										
Passenger revenue	\$ 97,914	\$ 97,615	\$ 93,995	\$ 90,652	\$ 88,094	\$ 84,764	\$ 84,167	\$ 85,192	\$ 75,939	\$ 68,635
Advertising	968	816	870	972	784	621	783	925	1,119	1,001
Charter	-	6	30	1	186	129	128	69	63	45
Miscellaneous	15,781	9,349	9,531	4,934	4,445	4,688	4,264	4,874	3,671	3,703
Total operating revenues	114,663	107,786	104,426	96,559	93,509	90,202	89,342	91,060	80,792	73,384
Operating expenses:										
Personnel costs	121,921	114,575	117,092	123,720	112,537	104,329	109,512	101,913	102,847	91,206
Outside services	94,802	84,302	73,859	67,414	66,050	64,037	63,574	65,140	64,940	62,630
Transit operations funding	491	2,692	4,243	3,571	3,721	4,053	3,758	3,004	3,853	5,438
Materials and supplies	9,715	10,307	9,276	8,469	7,977	7,678	6,680	7,190	7,590	7,266
Energy costs	24,531	28,003	26,044	22,572	22,689	21,932	22,892	25,283	27,211	22,767
Risk management	4,864	5,849	3,610	2,902	4,030	3,924	4,859	4,074	3,898	5,615
Miscellaneous	4,978	4,975	6,244	6,493	5,116	4,899	3,571	2,052	1,975	944
Depreciation	119,520	108,199	103,198	92,788	84,811	81,041	98,238	75,499	85,543	74,473
Total operating expenses	380,822	358,902	343,566	327,929	306,931	291,893	313,084	284,155	297,857	270,339
Operating income (loss)	(266,159)	(251,116)	(239,140)	(231,370)	(213,422)	(201,691)	(223,742)	(193,095)	(217,065)	(196,955)

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public support and nonoperating revenues (expenses):										
Grants and contributions	235,763	235,755	211,517	183,945	325,658	170,850	224,506	176,979	200,879	184,332
Investment earnings	292	3,065	6,087	6,267	7,622	7,695	9,708	10,584	13,394	13,349
Interest expense	(1,071)	(6,883)	(6,982)	(7,520)	(8,014)	(8,420)	(12,702)	(11,153)	(10,666)	(14,230)
Gain (loss) on disposal of assets	2,433	67	(273)	804	(620)	712	(69)	294	88	(1,260)
Other expenses	-	-	(13)	(13)	(5)	(139)	(1,075)	(705)	(465)	(355)
Total public support and nonoperating revenues (expenses)	237,417	232,004	210,336	183,483	324,641	170,698	220,368	175,999	203,230	181,836
Income (loss) before contributed capital	(28,742)	(19,112)	(28,804)	(47,887)	111,219	(30,993)	(3,374)	(17,096)	(13,835)	(15,119)
Contributed capital, net	93,619	245,717	118,768	132,182	44,118	26,806	11,110	1,668	18,492	27,729
Changes in net position	\$ 64,877	\$ 226,605	\$ 89,964	\$ 84,295	\$ 155,337	\$ (4,187)	\$ 7,736	\$ (15,428)	\$ 4,657	\$ 12,610

This page intentionally left blank.

REVENUE CAPACITY

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

Fiscal Year Ended	Passenger Fares	Federal Operating Funds	State Operating Funds	Local Operating Funds	Interest	Other
San Diego Transit						
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
2015	27,156	18,096	18,085	28,982	-	27
2016	26,169	18,000	15,993	33,558	-	(51)
San Diego Trolley						
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
2015	41,140	21,151	5,047	5,000	-	704
2016	41,113	21,148	6,040	5,000	-	750
MTS - Contracted Services						
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	-	-
2015	29,318	14,127	30,543	2,123	-	-
2016	30,631	13,827	33,796	2,258	-	(2)

Source: Audited Financial Statements

San Diego Metropolitan Transit System Fare Structure Last Ten Fiscal Years

	2016	2015	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	2.25	2.25	2.00	1.75
Senior/disabled, local routes	1.10	1.10	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	2.50	2.50-4.00
Senior/disabled Rapid/Express	1.25	1.25	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	5.00	5.00	-
Senior/disabled Rapid Express/Premium	2.50	2.50	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	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	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	2.50	2.50	-	-
Senior/disabled one-way fare all stations	1.25	1.25	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	5.00	5.00	-	-	-
Region plus day pass	12.00	12.00	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	72.00	72.00	68.00	64.00	-
Senior/disabled Regional	18.00	18.00	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	36.00	36.00	34.00	32.00	29.00
14-Day/Half-month	43.00	43.00	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	100.00	100.00	90.00	-	-
Senior/disabled Rapid Express/Premium	25.00	25.00	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	50.00	50.00	45.00	-	-
14-Day/Half-month Rapid Express/Premium	60.00	60.00	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.

San Diego Metropolitan Transit System
Farebox Recovery Percentages
Last Ten Fiscal Years

<u>Fiscal Year Ended</u>	<u>San Diego Transit</u>	<u>San Diego Trolley</u>	<u>MTS-Contracted Services</u>
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
2015	29.50	56.64	38.48
2016	27.39	54.76	38.05

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 Ten Fiscal Years

Year ended June 30	Capital Lease - Tower	Capital Lease- Leaseback	1990 LRV Sale/ Leaseback	1995 LRV Lease/ Leaseback	Certificates of Participation 2002	Certificates of Participation 2003	Pension Obligation Bonds	Total	Percentage of Personal Income	Debt per Capita
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	7,141,327	117,470	-	121,292,645	-	-	71,565,000	200,116,441	0.15%	65
2010	6,647,108	44,190	-	119,948,726	-	-	61,150,000	187,790,023	0.13%	61
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	0.09%	46
2014	3,614,149	-	-	113,457,002	-	-	23,965,000	141,036,151	0.08%	44
2015	3,006,729	-	-	18,108,323	-	-	21,960,000	43,075,052	0.02%	13
2016	2,393,787	-	-	-	-	-	19,860,000	22,253,787	0.01%	7

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 retired the capital equipment lease and refunded the Tower capital lease in FY2011
- MTS retired the variable rate Pension Obligation Bonds in FY2013
- MTS retired the 1995 LRV Lease/Leaseback obligation in FY2016

DEMOGRAPHIC AND ECONOMIC STATISTICS

San Diego Metropolitan Transit System
Operating Indicators by Function
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Cost (in 000's)										
San Diego Transit	\$ 95,526	\$ 92,059	\$ 91,568	\$ 98,666	\$ 90,153	\$ 83,457	\$ 93,831	\$ 81,271	\$ 80,031	\$ 73,257
San Diego Trolley	75,086	72,637	71,098	65,859	63,309	60,395	60,913	58,537	55,949	55,952
MTS-Contract Services	80,511	76,190	65,959	62,573	61,154	59,536	58,037	59,639	61,451	57,287
Farebox Revenue (in 000's)										
San Diego Transit	\$ 26,169	\$ 27,156	\$ 27,781	\$ 28,621	\$ 27,498	\$ 26,056	\$ 26,708	\$ 27,882	\$ 23,680	\$ 22,298
San Diego Trolley	41,113	41,140	40,188	35,554	35,216	34,673	33,050	33,454	31,120	27,402
MTS-Contract Services	30,631	29,318	26,025	26,476	25,380	24,036	24,410	23,857	21,138	18,935
Total Passengers (in 000's)										
San Diego Transit	\$ 25,628	\$ 27,264	\$ 28,541	\$ 28,927	\$ 28,802	\$ 27,252	\$ 26,921	\$ 29,762	\$ 28,094	\$ 26,076
San Diego Trolley	39,614	40,082	39,695	29,699	32,655	31,613	30,469	36,928	37,621	35,114
MTS-Contract Services	27,194	27,574	23,761	23,479	23,780	22,664	21,988	21,645	21,460	21,143
Revenue Miles (in 000's)										
San Diego Transit	\$ 9,702	\$ 9,561	\$ 8,695	\$ 8,557	\$ 8,221	\$ 8,178	\$ 8,624	\$ 9,221	\$ 9,522	\$ 9,622
San Diego Trolley	8,424	8,596	8,516	7,758	7,544	7,519	7,743	7,895	8,003	7,940
MTS-Contract Services	14,969	13,328	12,139	11,607	11,214	11,196	11,450	12,179	12,501	12,454
Subsidy / Total Passenger										
San Diego Transit	\$ 2.71	\$ 2.38	\$ 2.24	\$ 2.42	\$ 2.18	\$ 2.11	\$ 2.50	\$ 1.79	\$ 2.01	\$ 1.95
San Diego Trolley	0.86	0.79	0.78	1.02	0.86	0.81	0.92	0.68	0.66	0.81
MTS-Contract Services	1.83	1.70	1.68	1.54	1.50	1.57	1.53	1.66	1.88	1.81

Source: NTD Report, and audited financial statements.

San Diego Metropolitan Transit System

Service Performance Data

Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Service Provided										
San Diego Transit										
Vehicle Revenue Miles (in 000's)	9,702	9,561	8,695	8,557	8,221	8,178	8,624	9,221	9,522	9,622
Vehicle Revenue Hours (in 000's)	825	806	795	787	757	754	789	843	870	853
Passengers (in 000's)	25,628	27,264	28,541	28,927	28,802	27,252	26,921	29,762	28,094	26,076
Passenger Miles (in 000's)	111,639	117,585	110,009	108,222	106,804	100,500	98,163	107,408	100,256	98,203
Number of Vehicles	279	272	310	260	236	236	238	247	267	267
San Diego Trolley										
Vehicle Revenue Miles (in 000's)	8,424	8,596	8,516	7,758	7,544	7,519	7,743	7,895	8,003	7,940
Vehicle Revenue Hours (in 000's)	493	496	504	472	428	423	442	410	439	432
Passenger Car Hours (in 000's)	507	509	512	476	433	429	448	416	445	439
Passengers (in 000's)	39,614	40,082	39,695	29,699	32,655	31,613	30,469	36,928	37,621	35,114
Passenger Miles (in 000's)	223,185	224,422	228,531	173,151	194,822	193,063	186,509	220,639	206,924	207,727
Number of Vehicles	160	160	179	178	151	128	134	133	134	134
MTS-Contracted Services										
Vehicle Revenue Miles (in 000's)	14,969	13,328	12,139	11,607	11,214	11,196	11,450	12,179	12,501	12,454
Vehicle Revenue Hours (in 000's)	1,252	1,112	998	961	933	927	946	986	1,019	996
Passengers (in 000's)	27,194	27,573	23,761	23,479	23,780	22,664	21,988	21,645	21,460	21,143
Passenger Miles (in 000's)	84,873	94,504	85,269	84,021	79,789	82,125	79,237	80,104	77,173	78,304
Number of Vehicles	520	520	449	427	404	407	369	388	358	348
Total										
Passengers (in 000's)	92,686	94,919	91,997	82,105	85,237	81,529	79,378	88,335	87,175	82,333
Passenger Miles (in 000's)	419,697	436,511	423,809	365,394	381,415	375,688	363,909	408,151	384,353	384,234

Source: NTD Report and MTS internal capital asset system

San Diego Metropolitan Transit System

Capital Assets Statistics by Function

Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Operations										
Buildings and structures	1	1	1	1	1	1	1	1	1	1
Nonrevenue vehicles	1	3	3	3	5	5	5	7	7	10
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	279	272	310	260	236	236	238	247	267	267
Nonrevenue vehicles	12	12	12	14	19	22	32	39	53	47
San Diego Trolley										
Trolley stations	54	54	54	54	54	54	54	54	54	54
Track miles	54	54	54	54	54	54	54	54	54	54
Light rail vehicles (total inventory)	160	160	179	178	151	128	134	133	134	134
Nonrevenue vehicles	12	16	16	15	31	43	51	68	72	69
MTS - Contracted Services										
Land (parcel)	2	2	2	2	2	1	1	1	1	1
Buildings and structures	4	4	4	4	4	3	3	3	3	1
Buses	520	520	449	427	404	407	369	388	358	348
Nonrevenue vehicles	9	10	8	8	8	10	7	7	9	4
Taxicab Administration										
Buildings and structures	1	1	1	1	1	1	1	1	1	1
Nonrevenue vehicles	1	2	2	2	4	3	3	3	3	2

Source: MTS ERP System

San Diego Metropolitan Transit System

Ridership

Last Ten Fiscal Years

Ridership (in 000's)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
San Diego Transit	25,628	27,264	28,541	28,927	28,802	27,252	26,921	29,762	28,094	26,076
% Change	-6.00%	-4.48%	-1.33%	0.43%	5.69%	1.23%	-9.55%	5.94%	7.74%	4.77%
San Diego Trolley	39,614	40,082	39,695	29,699	32,655	31,613	30,469	36,928	37,621	35,114
% Change	-1.17%	0.98%	33.65%	-9.05%	3.30%	3.75%	-17.49%	-1.84%	7.14%	3.80%
MTS - Contracted Services	27,194	27,574	23,761	23,479	23,780	22,664	21,988	21,645	21,460	21,143
% Change	-1.38%	16.05%	1.20%	-1.27%	4.92%	3.07%	1.58%	0.86%	1.50%	11.83%

Source: NTD Report

San Diego Metropolitan Transit System
Operating Subsidy
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Average Fare per Rider										
San Diego Transit	1.02	1.00	0.97	0.99	0.95	0.96	0.99	0.94	0.84	0.86
San Diego Trolley	1.04	1.03	1.01	1.20	1.08	1.10	1.08	0.91	0.83	0.78
MTS - Contract Services	1.13	1.06	1.10	1.13	1.07	1.06	1.11	1.10	0.98	0.90
Operating Expense per Rider										
San Diego Transit	3.73	3.38	3.21	3.41	3.13	3.06	3.49	2.73	2.85	2.81
San Diego Trolley	1.90	1.81	1.79	2.22	1.94	1.91	2.00	1.59	1.49	1.59
MTS - Contract Services	2.96	2.76	2.78	2.67	2.57	2.63	2.64	2.76	2.86	2.71
Subsidy per Rider										
San Diego Transit	2.71	2.38	2.24	2.42	2.18	2.11	2.50	1.79	2.01	1.95
San Diego Trolley	0.86	0.79	0.78	1.02	0.86	0.81	0.92	0.68	0.66	0.81
MTS - Contract Services	1.83	1.70	1.68	1.54	1.50	1.57	1.53	1.66	1.88	1.81

Source: NTD report and Audited financial statements



**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 basic financial statements of the San Diego Metropolitan Transit System (MTS), which comprise of the statements of net position as of and for the years ended June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and notes to basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control over Financial Reporting

In planning and performing our audit 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*.

6265 Greenwich Drive, Suite 220, San Diego, California 92122

Tel: 858-242-5100 • Fax: 858-242-5150

www.pungroup.com

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pun Group, LLP

The Pun Group, LLP
Certified Public Accountants
San Diego, California
October 31, 2016



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

Agenda Item No. 31

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

November 10, 2016

SUBJECT:

FISCAL YEAR 2016 FINAL BUDGET COMPARISON (MIKE THOMPSON)

RECOMMENDATION:

That the Board of Directors receive the MTS operations budget status report for Fiscal Year 2016 and approve Budget Development Committee recommendations to program the excess revenues less expenses.

Budget Impact

In the fiscal year 2016 (FY16) operating budget amendment, revenues were projected to exceed expenses by \$2.9 million, and these net proceeds were programmed to increase the contingency reserve balance. The FY16 results show revenues exceeding expenses by \$8.2 million, a favorable variance of \$5.3 million. The Budget Development Committee (BDC) recommends an additional \$1.4 million to the contingency reserve balance, for a total of \$4.3 million, to reach the 12.5% target, \$2.7 million to Capital Improvement Program (CIP) to add funding to the Fare System Upgrades project (#10090049), and \$2.0 million to be designated for the FY17 Operating Budget.

DISCUSSION:

With the completion of the fiscal year 2016 Comprehensive Annual Financial Report (CAFR), the fiscal year 2016 budget can be reviewed with audited numbers. Attachment A-1 combines the operations, administration and other activities results for FY16. Attachment A-2 details the FY16 combined operations results and Attachments A-3 to A-8 present budget comparisons for each MTS operation. Attachment A-9 details budget comparisons for MTS Administration, and A-10 provides FY16 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.



MTS OPERATING RESULTS

As indicated within Attachment A-1, the FY16 net-operating income totaled a favorable variance of \$4,395,000 (2.9%). These factors include favorable variances in personnel costs, materials and supplies, energy, and risk management; partially offset by unfavorable variances in operating revenue, outside services, and administrative (G&A) costs.

Non-operating net subsidy for FY16 was favorable to budget by \$941,000 (0.6%), primarily due to favorable variances within TDA revenues; partially offset by unfavorable subsidy revenue variances within Transnet and STA revenues.

In total, FY16 revenues exceeded expenses by \$8.2 million. In the FY16 amended budget, revenue was projected to exceed expenses by \$2.9 million, reflecting a \$5.3 million favorable variance.

MTS COMBINED RESULTS

Operating Revenues. The fiscal year combined operating revenues for FY16 were \$113,682,000 compared to the fiscal year budget of \$115,640,000, representing a \$1,958,000 (-1.7%) unfavorable variance. Passenger fare revenue was unfavorable to budget by \$2,766,000 (-2.7%), and other operating revenue was favorable to budget by \$808,000 (5.4%). Compared to fiscal year 2015, total combined operating revenues increased by \$6.5 million or 6%.

Expenses. The fiscal year combined expenses through June 2016 were \$258,635,000 compared to the budget of \$264,988,000, resulting in a \$6,353,000 (2.4%) favorable variance.

Personnel Costs. Fiscal year personnel-related costs totaled \$119,954,000 compared to a budgetary figure of \$123,129,000, producing a favorable variance of \$3,175,000 (2.6%) primarily due to favorable variances in wages and workers compensation.

Outside Services and Purchased Transportation. Total outside services for the fiscal year totaled \$94,201,000 compared to a budget of \$94,011,000, resulting in an unfavorable variance of \$191,000 (-0.2%).

Materials and Supplies. Total materials and supplies expenses were \$9,715,000 compared to a budgetary figure of \$9,891,000, resulting in a favorable expense variance of \$176,000 (1.8%).

Energy. Total energy costs were \$25,440,000 compared to the budget of \$28,036,000, resulting in a favorable variance of \$2,596,000 (9.3%). The favorable variance is due to lower than expected electricity expenses for Rail Operations and favorable commodity prices for CNG, gas and diesel.

Risk Management. Total expenses for risk management were \$5,371,000 compared to the budget of \$6,117,000, resulting in a favorable variance totaling \$746,000 (12.2%). The favorable variance is due to lower than expected liability payouts.

General and Administrative. The G&A costs, including vehicle and facilities leases,

were \$149,000 (-3.9%) unfavorable to budget, totaling \$3,954,000, compared to a budget of \$3,805,000.

Subsidy Revenue and Other Non-operating Revenue and Expenses

Attachment A-11 details subsidy revenue and other non-operating revenue and expenses. Subsidy and other non-operating revenues were \$153,202,000 compared to \$152,261,000 in the amended budget for a favorable variance of \$941,000 (0.6%). The favorable variance is primarily due to higher than expected Transportation Development Act (TDA) revenues, partially offset by lower than expected TransNet and STA revenues.

Net Revenues Less Expenses

For fiscal year 2016, MTS had an excess of revenues over expenses before reserves of \$8,249,000. Staff met with the BDC on October 27 to review the available options to use these excess revenues, and the BDC direction was as follows:

- \$4,338,000 to be programmed for the contingency reserve balance in order to bring the reserve to 12.5% of the FY17 operating budget.
- \$2,700,000 to the CIP to add funding to the Fare System Upgrades project (#10090049).
- \$2,000,000 to be designated for the FY17 Operating Budget.

Reserves

Attachment A-12 details MTS's contingency reserve. The ending reserve balance on June 30, 2015, was \$30,043,000. After adjusting for interest, the capital project reserve, the operating budget carry-over, other adjustments, and the income or loss from SD&AE and Taxicab Administration results (which are self-funded), the change for the year totals an increase of \$4,338,000. The new contingency reserve balance on June 30, 2016 thus became \$34,381,000, which equals 12.5% of the FY17 operating budget.

MTS has a number of other reserves, and the balances 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 2016
JUNE 30, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 97,914	\$ 100,680	\$ (2,766)	-2.7%
Other Revenue	15,768	14,960	808	5.4%
Total Operating Revenue	\$ 113,682	\$ 115,640	\$ (1,958)	-1.7%
Personnel costs	\$ 119,954	\$ 123,129	\$ 3,175	2.6%
Outside services	94,201	94,011	(191)	-0.2%
Transit operations funding	-	-	-	-
Materials and supplies	9,715	9,891	176	1.8%
Energy	25,440	28,036	2,596	9.3%
Risk management	5,371	6,117	746	12.2%
General & administrative	2,745	2,556	(189)	-7.4%
Vehicle/facility leases	1,209	1,249	40	3.2%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	0	(0)	(0)	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 258,635	\$ 264,988	\$ 6,353	2.4%
Operating income (loss)	\$ (144,953)	\$ (149,348)	\$ 4,395	2.9%
Total public support and nonoperating revenues	153,202	152,261	941	0.6%
Income (loss) before capital contributions	\$ 8,249	\$ 2,913	\$ 5,336	183.2%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
CONSOLIDATED OPERATIONS
COMPARISON TO BUDGET - FISCAL YEAR 2016
JUNE 30, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 97,914	\$ 100,680	\$ (2,766)	-2.7%
Other Revenue	699	705	(6)	-0.9%
Total Operating Revenue	\$ 98,613	\$ 101,385	\$ (2,772)	-2.7%
Personnel costs	\$ 101,016	\$ 103,635	\$ 2,619	2.5%
Outside services	78,147	77,980	(167)	-0.2%
Transit operations funding	-	-	-	-
Materials and supplies	9,677	9,859	181	1.8%
Energy	24,669	27,200	2,531	9.3%
Risk management	5,001	5,710	708	12.4%
General & administrative	647	315	(332)	-105.4%
Vehicle/facility leases	1,027	1,032	4	0.4%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	29,567	29,567	0	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 249,752	\$ 255,297	\$ 5,545	2.2%
Operating income (loss)	\$ (151,139)	\$ (153,912)	\$ 2,772	1.8%
Total public support and nonoperating revenues	149,092	153,912	(4,819)	-3.1%
Income (loss) before capital contributions	\$ (2,047)	\$ (0)	\$ (2,047)	-

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
TRANSIT SERVICES (SAN DIEGO TRANSIT CORPORATION)
COMPARISON TO BUDGET - FISCAL YEAR 2016
JUNE 30, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 26,169	\$ 26,742	\$ (573)	-2.1%
Other Revenue	2	5	(3)	-57.4%
Total Operating Revenue	\$ 26,171	\$ 26,747	\$ (576)	-2.2%
Personnel costs	\$ 67,455	\$ 69,039	\$ 1,584	2.3%
Outside services	2,298	1,745	(553)	-31.7%
Transit operations funding	-	-	-	-
Materials and supplies	4,284	4,507	222	4.9%
Energy	5,612	6,060	447	7.4%
Risk management	3,632	3,995	363	9.1%
General & administrative	286	181	(105)	-58.2%
Vehicle/facility leases	429	406	(23)	-5.6%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	10,803	10,803	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 94,800	\$ 96,735	\$ 1,935	2.0%
Operating income (loss)	\$ (68,629)	\$ (69,988)	\$ 1,359	1.9%
Total public support and nonoperating revenues	66,529	69,988	(3,459)	-4.9%
Income (loss) before capital contributions	\$ (2,100)	\$ (0)	\$ (2,100)	-

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
RAIL OPERATIONS (SAN DIEGO TROLLEY, INCORPORATED)
COMPARISON TO BUDGET - FISCAL YEAR 2016
JUNE 30, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 41,113	\$ 42,072	\$ (959)	-2.3%
Other Revenue	698	700	(2)	-0.2%
Total Operating Revenue	\$ 41,812	\$ 42,772	\$ (960)	-2.2%
Personnel costs	\$ 33,076	\$ 33,715	\$ 639	1.9%
Outside services	6,614	5,795	(818)	-14.1%
Transit operations funding	-	-	-	-
Materials and supplies	5,362	5,301	(61)	-1.1%
Energy	11,008	12,375	1,367	11.0%
Risk management	1,354	1,699	346	20.3%
General & administrative	174	97	(76)	-78.3%
Vehicle/facility leases	310	326	16	4.9%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	16,054	16,054	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 73,950	\$ 75,363	\$ 1,413	1.9%
Operating income (loss)	\$ (32,138)	\$ (32,591)	\$ 452	1.4%
Total public support and nonoperating revenues	32,138	32,591	(452)	-1.4%
Income (loss) before capital contributions	\$ (0)	\$ (0)	\$ (0)	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
MULTIMODAL OPERATIONS (FIXED ROUTE)
COMPARISON TO BUDGET - FISCAL YEAR 2016
JUNE 30, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 28,138	\$ 29,293	\$ (1,155)	-3.9%
Other Revenue	(2)	-	(2)	-
Total Operating Revenue	\$ 28,136	\$ 29,293	\$ (1,157)	-3.9%
Personnel costs	\$ 379	\$ 538	\$ 159	29.6%
Outside services	53,149	53,925	776	1.4%
Transit operations funding	-	-	-	-
Materials and supplies	31	51	20	38.7%
Energy	5,898	6,199	301	4.9%
Risk management	-	-	-	-
General & administrative	3	7	3	52.7%
Vehicle/facility leases	9	20	11	55.7%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	1,998	1,998	(0)	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 61,467	\$ 62,738	\$ 1,271	2.0%
Operating income (loss)	\$ (33,331)	\$ (33,445)	\$ 114	0.3%
Total public support and nonoperating revenues	33,331	33,445	(114)	-0.3%
Income (loss) before capital contributions	\$ -	\$ (0)	\$ 0	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
MULTIMODAL OPERATIONS (PARATRANSIT)
COMPARISON TO BUDGET - FISCAL YEAR 2016
JUNE 30, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 2,493	\$ 2,573	\$ (80)	-3.1%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 2,493	\$ 2,573	\$ (80)	-3.1%
Personnel costs	\$ 106	\$ 154	\$ 48	31.3%
Outside services	15,596	16,159	564	3.5%
Transit operations funding	-	-	-	-
Materials and supplies	-	-	-	-
Energy	2,150	2,566	416	16.2%
Risk management	15	15	-	0.0%
General & administrative	185	30	(154)	-507.2%
Vehicle/facility leases	280	280	(0)	0.0%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	712	712	0	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 19,043	\$ 19,917	\$ 873	4.4%
Operating income (loss)	\$ (16,550)	\$ (17,344)	\$ 794	4.6%
Total public support and nonoperating revenues	16,550	17,344	(794)	-4.6%
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 2016
JUNE 30, 2016
(in \$000's)

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

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
CORONADO FERRY
COMPARISON TO BUDGET - FISCAL YEAR 2016
JUNE 30, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	-	-	-	-
Total Operating Revenue	\$ -	\$ -	\$ -	-
Personnel costs	\$ -	\$ -	\$ -	-
Outside services	200	200	-	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	\$ 200	\$ 200	\$ -	0.0%
Operating income (loss)	\$ (200)	\$ (200)	\$ -	0.0%
Total public support and nonoperating revenues	200	200	-	0.0%
Income (loss) before capital contributions	\$ 0	\$ 0	\$ -	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
ADMINISTRATION
CONSOLIDATED
COMPARISON TO BUDGET - FISCAL YEAR 2016
JUNE 30, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	12,847	11,588	1,259	10.9%
Total Operating Revenue	\$ 12,847	\$ 11,588	\$ 1,259	10.9%
Personnel costs	\$ 18,035	\$ 18,463	\$ 429	2.3%
Outside services	15,918	15,838	(80)	-0.5%
Transit operations funding	-	-	-	-
Materials and supplies	37	25	(12)	-47.9%
Energy	760	820	60	7.3%
Risk management	355	391	36	9.2%
General & administrative	1,965	2,120	155	7.3%
Vehicle/facility leases	165	200	35	17.5%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	(29,722)	(29,722)	(0)	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 7,514	\$ 8,136	\$ 622	7.6%
Operating income (loss)	\$ 5,333	\$ 3,452	\$ 1,881	-54.5%
Total public support and nonoperating revenues	4,962	(539)	5,502	-1020.0%
Income (loss) before capital contributions	\$ 10,296	\$ 2,913	\$ 7,383	253.5%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OTHER ACTIVITIES
CONSOLIDATED
COMPARISON TO BUDGET - FISCAL YEAR 2016
JUNE 30, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	2,222	2,667	(445)	-16.7%
Total Operating Revenue	\$ 2,222	\$ 2,667	\$ (445)	-16.7%
Personnel costs	\$ 904	\$ 1,031	\$ 127	12.3%
Outside services	136	193	57	29.4%
Transit operations funding	-	-	-	-
Materials and supplies	0	7	7	96.6%
Energy	11	16	5	30.8%
Risk management	15	16	1	8.5%
General & administrative	132	121	(12)	-9.7%
Vehicle/facility leases	16	17	1	4.3%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	155	155	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 1,370	\$ 1,556	\$ 186	12.0%
Operating income (loss)	\$ 853	\$ 1,111	\$ (258)	23.3%
Total public support and nonoperating revenues	(853)	(1,111)	258	-23.3%
Income (loss) before capital contributions	\$ -	\$ (0)	\$ 0	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
MTS
COMBINED SUBSIDY AND OTHER NON-OPERATING REVENUE AND EXPENSES
COMPARISON TO BUDGET - FISCAL YEAR 2016
JUNE 30, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
<u>Subsidy Revenue</u>				
Federal Revenue	\$ 53,039	\$ 53,093	\$ (54)	-0.1%
Transportation Development Act	59,501	58,081	1,420	2.4%
State Transit Assistance	108	600	(492)	-82.1%
State Revenue - Other	1,685	1,600	85	5.3%
TransNet funds	35,899	36,330	(432)	-1.2%
Other Local subsidies	4,966	5,452	(486)	-8.9%
Total Subsidy Revenue	\$ 155,198	\$ 155,156	\$ 42	0.0%
<u>Other Non-Operating Revenue and Expense</u>				
Investment Earnings	\$ 18,108	\$ 18,108	\$ -	0.0%
Other Non-Operating Income	633	0	633	-
Other Non-Operating Expenses	(20,737)	(21,003)	267	-1.3%
Total Other Non-Operating Revenue and Expense	\$ (1,996)	\$ (2,895)	\$ 899	-31.1%
Total Subsidy and Non-Operating Revenue and Expense	\$ 153,202	\$ 152,261	\$ 941	0.6%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

MTS

CONTINGENCY RESERVE BALANCE

JUNE 30, 2016

(in \$000's)

Balance, June 30, 2015		\$ 30,043
Current Year Adjustments:		
FY 2016 Income (Loss) Before Reserves	8,249	
Remove Other Activities contributions to income:		
SDAE	18	
Taxi	835	
Fare Collection Project	(2,700)	
FY17 Operating Budget	(2,000)	
Other	(63)	
Net Adjustments:		<u>4,338</u>
Balance, June 30, 2016		<u><u>\$ 34,381</u></u>
% of MTS Operating Expense Budget		12.5%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
MTS
RESERVE BALANCES
JUNE 30, 2016

Title	Amount	Explanation
Contingency	\$ 34,381,401	For ongoing operations, future matching of grants; 12.5% of operating budget per Policy 36
Capital Project Reserve	2,700,000	To hold prior year's revenue for the FY 2017 capital budget
Operating Budget Carryover	2,000,000	To hold prior year's revenue for the FY 2017 operating budget
Taxicab Contingency	1,061,970	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	208,843	Per agreement with city, used for improvements to right of way
Billboard Chula Vista	1,489,234	Per agreement with city, used for improvements to right of way
SD&AE	1,581,452	Established from 1984 state payments for storm damage, restricted for repair/improvement of line
Land Management	341,033	For repair and maintenance of rental property
Total	\$ 45,763,933	



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 10, 2016

SUBJECT:

OPERATIONS BUDGET STATUS REPORT FOR AUGUST 2016 (MIKE THOMPSON)

INFORMATIONAL ONLY

Budget Impact

None at this time.

DISCUSSION:

This report summarizes the year-to-date operating results for August 2016 compared to the fiscal year (FY) 2017 adopted budget for San Diego Metropolitan Transit System (MTS). Attachment A-1 combines the operations', administrations' and other activities' results for August 2016. Attachment A-2 details the August 2016 combined operations' results and Attachments A-3 to A-7 present budget comparisons for each MTS operation. Attachment A-8 details budget comparisons for MTS Administration, and Attachment A-9 provides August 2016 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 August 2016, MTS's net-operating income favorable variance totaled \$654,000 (2.6%). Operations produced a \$158,000 (0.6%) favorable variance and the administrative/other activities areas were favorable by \$496,000.

MTS COMBINED RESULTS

Revenues. Year-to-date combined revenues through August 2016 were \$19,579,000, compared to the year-to-date budget of \$20,407,000, representing an \$828,000 (-4.1%) unfavorable variance. This is primarily due to unfavorable variances within Passenger Fare revenues.



Expenses. Year-to-date combined expenses through August 2016 were \$44,463,000 compared to the budget of \$45,944,000 resulting in a \$1,482,000 (3.2%) favorable variance.

Personnel Costs. Year-to-date personnel-related costs totaled \$21,446,000, compared to a budgetary figure of \$22,079,000, producing a favorable variance of \$634,000 (2.9%).

Outside Services and Purchased Transportation. Total outside services for the first two months of the fiscal year totaled \$15,208,000, compared to a budget of \$15,718,000, resulting in a favorable variance of \$510,000 (3.2%).

Materials and Supplies. Total year-to-date materials and supplies expenses were \$1,814,000, compared to a budgetary figure of \$1,918,000, resulting in a favorable variance of \$104,000 (5.4%).

Energy. Total year-to-date energy costs were \$4,620,000, compared to the budget of \$4,787,000 resulting in a favorable variance of \$167,000 (3.5%).

Risk Management. Total year-to-date expenses for risk management were \$565,000, compared to the budget of \$673,000, resulting in a favorable variance totaling \$108,000 (16.0%).

General and Administrative. The year-to-date general and administrative costs, including vehicle and facilities leases, were \$809,000 through August 2016, compared to a budget of \$768,000, resulting in an unfavorable variance of \$41,000 (-5.3%).

YEAR-TO-DATE SUMMARY

The August 2016 year-to-date net-operating income totaled a favorable variance of \$654,000 (2.6%). These factors include favorable variances in personnel costs, outside services, materials and supplies, energy and risk management; partially offset by unfavorable variances in operating revenue 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 2017
AUGUST 31, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 16,664	\$ 17,532	\$ (868)	-5.0%
Other Revenue	2,915	2,874	40	1.4%
Total Operating Revenue	\$ 19,579	\$ 20,407	\$ (828)	-4.1%
Personnel costs	\$ 21,446	\$ 22,079	\$ 634	2.9%
Outside services	15,208	15,718	510	3.2%
Transit operations funding	-	-	-	-
Materials and supplies	1,814	1,918	104	5.4%
Energy	4,620	4,787	167	3.5%
Risk management	565	673	108	16.0%
General & administrative	609	556	(53)	-9.5%
Vehicle/facility leases	200	212	12	5.7%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	-	0	0	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 44,463	\$ 45,944	\$ 1,482	3.2%
Operating income (loss)	\$ (24,883)	\$ (25,537)	\$ 654	2.6%
Total public support and nonoperating revenues	(798)	(852)	54	-6.3%
Income (loss) before capital contributions	\$ (25,681)	\$ (26,389)	\$ 708	-2.7%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
CONSOLIDATED OPERATIONS
COMPARISON TO BUDGET - FISCAL YEAR 2017
AUGUST 31, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 16,664	\$ 17,532	\$ (868)	-5.0%
Other Revenue	151	118	33	28.5%
Total Operating Revenue	\$ 16,815	\$ 17,650	\$ (835)	-4.7%
Personnel costs	\$ 18,073	\$ 18,587	\$ 514	2.8%
Outside services	13,274	13,432	158	1.2%
Transit operations funding	-	-	-	-
Materials and supplies	1,798	1,913	115	6.0%
Energy	4,512	4,646	134	2.9%
Risk management	482	596	114	19.1%
General & administrative	124	83	(41)	-49.7%
Vehicle/facility leases	172	171	(1)	-0.5%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	4,654	4,654	0	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 43,089	\$ 44,082	\$ 993	2.3%
Operating income (loss)	\$ (26,274)	\$ (26,432)	\$ 158	0.6%
Total public support and nonoperating revenues	(111)	(112)	1	-0.9%
Income (loss) before capital contributions	\$ (26,385)	\$ (26,544)	\$ 159	-0.6%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
TRANSIT SERVICES (SAN DIEGO TRANSIT CORPORATION)
COMPARISON TO BUDGET - FISCAL YEAR 2017
AUGUST 31, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 3,914	\$ 4,436	\$ (522)	-11.8%
Other Revenue	1	1	(0)	-15.4%
Total Operating Revenue	\$ 3,915	\$ 4,437	\$ (522)	-11.8%
Personnel costs	\$ 12,017	\$ 12,496	\$ 478	3.8%
Outside services	426	289	(137)	-47.3%
Transit operations funding	-	-	-	-
Materials and supplies	687	731	45	6.1%
Energy	979	1,006	27	2.7%
Risk management	234	292	58	20.0%
General & administrative	49	39	(10)	-26.6%
Vehicle/facility leases	58	65	7	11.0%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	1,636	1,636	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 16,085	\$ 16,553	\$ 468	2.8%
Operating income (loss)	\$ (12,170)	\$ (12,116)	\$ (54)	-0.4%
Total public support and nonoperating revenues	(157)	(158)	1	-0.6%
Income (loss) before capital contributions	\$ (12,327)	\$ (12,274)	\$ (53)	0.4%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
RAIL OPERATIONS (SAN DIEGO TROLLEY, INCORPORATED)
COMPARISON TO BUDGET - FISCAL YEAR 2017
AUGUST 31, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 7,611	\$ 7,729	\$ (118)	-1.5%
Other Revenue	150	117	33	28.7%
Total Operating Revenue	\$ 7,761	\$ 7,845	\$ (84)	-1.1%
Personnel costs	\$ 5,818	\$ 5,793	\$ (25)	-0.4%
Outside services	668	848	179	21.2%
Transit operations funding	-	-	-	-
Materials and supplies	1,108	1,174	66	5.6%
Energy	2,203	2,279	75	3.3%
Risk management	246	301	55	18.3%
General & administrative	57	41	(16)	-39.0%
Vehicle/facility leases	65	54	(10)	-18.9%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	2,661	2,661	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 12,826	\$ 13,151	\$ 325	2.5%
Operating income (loss)	\$ (5,065)	\$ (5,306)	\$ 241	4.5%
Total public support and nonoperating revenues	-	-	-	-
Income (loss) before capital contributions	\$ (5,065)	\$ (5,306)	\$ 241	-4.5%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
MULTIMODAL OPERATIONS (FIXED ROUTE)
COMPARISON TO BUDGET - FISCAL YEAR 2017
AUGUST 31, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 4,607	\$ 4,906	\$ (299)	-6.1%
Other Revenue	0	-	0	-
Total Operating Revenue	\$ 4,607	\$ 4,906	\$ (299)	-6.1%
Personnel costs	\$ 29	\$ 82	\$ 53	64.5%
Outside services	9,217	9,336	118	1.3%
Transit operations funding	-	-	-	-
Materials and supplies	3	8	5	58.0%
Energy	991	1,007	16	1.6%
Risk management	-	-	-	-
General & administrative	0	1	1	95.7%
Vehicle/facility leases	3	5	2	42.2%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	269	269	0	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 10,513	\$ 10,708	\$ 195	1.8%
Operating income (loss)	\$ (5,906)	\$ (5,803)	\$ (104)	-1.8%
Total public support and nonoperating revenues	-	-	-	-
Income (loss) before capital contributions	\$ (5,906)	\$ (5,803)	\$ (104)	1.8%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
MULTIMODAL OPERATIONS (PARATRANSIT)
COMPARISON TO BUDGET - FISCAL YEAR 2017
AUGUST 31, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ 532	\$ 462	\$ 70	15.2%
Other Revenue	-	-	-	-
Total Operating Revenue	\$ 532	\$ 462	\$ 70	15.2%
Personnel costs	\$ 20	\$ 27	\$ 7	25.0%
Outside services	2,772	2,770	(3)	-0.1%
Transit operations funding	-	-	-	-
Materials and supplies	-	-	-	-
Energy	339	355	16	4.5%
Risk management	3	3	-	0.0%
General & administrative	17	1	(15)	-1192.1%
Vehicle/facility leases	47	47	(0)	0.0%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	89	89	(0)	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 3,286	\$ 3,291	\$ 5	0.1%
Operating income (loss)	\$ (2,754)	\$ (2,829)	\$ 75	2.6%
Total public support and nonoperating revenues	-	-	-	-
Income (loss) before capital contributions	\$ (2,754)	\$ (2,829)	\$ 75	-2.6%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OPERATIONS
CORONADO FERRY
COMPARISON TO BUDGET - FISCAL YEAR 2017
AUGUST 31, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	-	-	-	-
Total Operating Revenue	\$ -	\$ -	\$ -	-
Personnel costs	\$ -	\$ -	\$ -	-
Outside services	34	34	-	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	\$ 34	\$ 34	\$ -	0.0%
Operating income (loss)	\$ (34)	\$ (34)	\$ -	0.0%
Total public support and nonoperating revenues	46	46	-	0.0%
Income (loss) before capital contributions	\$ 12	\$ 12	\$ -	0.0%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
ADMINISTRATION
CONSOLIDATED
COMPARISON TO BUDGET - FISCAL YEAR 2017
AUGUST 31, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	2,674	2,673	2	0.1%
Total Operating Revenue	\$ 2,674	\$ 2,673	\$ 2	0.1%
Personnel costs	\$ 3,224	\$ 3,312	\$ 88	2.7%
Outside services	1,926	2,261	335	14.8%
Transit operations funding	-	-	-	-
Materials and supplies	16	4	(12)	-286.2%
Energy	107	138	31	22.8%
Risk management	81	75	(6)	-7.8%
General & administrative	459	454	(6)	-1.2%
Vehicle/facility leases	25	37	12	33.1%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	(4,678)	(4,678)	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 1,160	\$ 1,603	\$ 443	27.7%
Operating income (loss)	\$ 1,514	\$ 1,070	\$ 445	-41.6%
Total public support and nonoperating revenues	(687)	(740)	53	-7.2%
Income (loss) before capital contributions	\$ 828	\$ 330	\$ 498	150.9%

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
OTHER ACTIVITIES
CONSOLIDATED
COMPARISON TO BUDGET - FISCAL YEAR 2017
AUGUST 31, 2016
(in \$000's)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	VAR. %
Passenger Revenue	\$ -	\$ -	\$ -	-
Other Revenue	89	84	5	6.2%
Total Operating Revenue	\$ 89	\$ 84	\$ 5	6.2%
Personnel costs	\$ 148	\$ 180	\$ 32	17.7%
Outside services	8	25	17	68.5%
Transit operations funding	-	-	-	-
Materials and supplies	1	1	0	38.4%
Energy	1	3	2	63.4%
Risk management	3	3	0	0.8%
General & administrative	26	19	(6)	-33.2%
Vehicle/facility leases	4	4	1	16.1%
Amortization of net pension asset	-	-	-	-
Administrative Allocation	24	24	-	0.0%
Depreciation	-	-	-	-
Total Operating Expenses	\$ 214	\$ 259	\$ 45	17.5%
Operating income (loss)	\$ (124)	\$ (175)	\$ 51	28.9%
Total public support and nonoperating revenues	-	-	-	-
Income (loss) before capital contributions	\$ (124)	\$ (175)	\$ 51	-28.9%



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 10, 2016

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 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 2016 service performance.



Paul C. Jablonski
Chief Executive Officer

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

Attachment: A. Service Performance Monitoring Report



**SERVICE PERFORMANCE
MONITORING REPORT
WILL BE PROVIDED AT THE
BOARD MEETING**



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

Agenda Item No. 61

Chief Executive Officer's Report

November 10, 2016

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 4, 2016 through October 31, 2016.

*Please note additional reporting of purchase orders that is now possible with the new SAP Enterprise Resource Planning system.



EXPENSE CONTRACTS				
Doc #	Organization	Subject	Amount	Day
PWG153.3-14	THYSSENKRUPP ELEVATOR	AMEND 3 INCREASE CONTRACT AMOUNT	\$40,000.00	10/7/2016
PWL169.2-15	MORRISON METALWELD PROCESS CORP	MODIFY INSURANCE REQUIREMENTS	\$10,000.00	10/11/2016
L1291.0-16	AVALON AMENITIES, INC	OLD TOWN TRASH RECEP/BENCHES	\$83,254.98	10/14/2016
PWG196.1016	GRAHOVAC CONSTRUCTION	AMENDMENT 10 ADDITIONS TO C.O. SCOPE	\$54,590.70	10/14/2016
L1285.1-16	SIEMENS INDUSTRY INC.	AMEND #1 CORRECT PT. NUMB. IN SCOPE	\$0.00	10/24/2016
G1937.0-17	HELIX WATER DISTRICT	RELOCATE ALONG HILL ST IN EL CAJON	\$99,500.00	10/26/2016
G1962.0-16	CHP ENTERPRISES dba KEN PORTER	AUCTIONEER SERVICES AGREEMENT	\$95,000.00	10/27/2016

REVENUE CONTRACTS & MOUs				
Doc #	Organization	Subject	Amount	Day
G1938.0-17	JAMUL INDIAN VILLAGE DEV.CORP.	PARKING AT SPRING STREET TROLLEY STATION	\$3,000.00	10/5/2016
L1160.1-14	ETIC ENGINEERING	TIME EXTENSION & REVISE PERMIT H ST. TRO	\$750.00	10/5/2016
L6710.7-15	SKANSKA USA CIVIL WEST	JROE AMEND.7 RELOCATE NCTD FIBER AT BRDG	\$0.00	10/7/2016
L6736.0-16	A.M. ORTEGA CONSTR. INC.	INSTALL STEEL CASTING AT MILEPOST 263.7	\$3,000.00	10/7/2016
S200-17-644	SAN DIEGO CHARTER CO.	ROE FOR SHUTTLE SERVICES SPRING ST.	\$750.00	10/7/2016
S200-17-645	Pak N Play	ROE FOR SHUTTLE SERVICES SPRING ST.	\$750.00	10/7/2016
B0201.5-99	COAST UNITED ADVERTISING	AMEND. 5, 6 MONTH EXTENSION	\$67,620.00	10/11/2016
L5794.0-17	TOWILL, INC.	ROE MILEPOST OT.25-3.5 PER NCTD	\$1,500.00	10/12/2016
L1331.0-17	CO. OF SAN VECTOR CONTROL PRGM	DURABLE ROE MOSQUITO BREEDING CONTROL	\$0.00	10/14/2016
L6742.0-16	HP COMMUNICATIONS, INC	JROE REMOVE AERIAL FIBER OPTIC CABLE	\$750.00	10/14/2016
L6723.1-16	SECC CORP	AMEND #1 RELOCATE FIBER OPTIC	\$0.00	10/17/2016
L6746.0-17	TSAC ENGINEERING	JROE SURVEY/ SDG&E MIDCOAST RELOCATION	\$1,500.00	10/19/2016
L6748.0-17	CO. OF SAN VECTOR CONTROL PRGM	MONITOR & CONTROL MOSQUITOS	\$0.00	10/24/2016
G1661.3-14	NEXTEL OPERATIONS	ADDING ADDITIONAL UNITS TO THE 800MHZ	\$96,782.00	10/25/2016
G1920.0-16	7-ELEVEN, INC. CORPORATE	COMPASS CARD PILOT PROGRAM	\$4,200.00	10/28/2016
L1339.0-17	SOUTHLAND ELEC. INC.	DURABLE ROE FOR SDG&E FACILITIES	\$1,500.00	10/28/2016

WORK ORDERS

Doc #	Organization	Subject	Amount	Day
G1493.0-13.07.01	Kimley Horn	Extension for Station Signage	\$3,982.79	10/5/2016
PWL204.0-16750411	ABC Construction	Fashion Valley ADA Ramp Repair	\$36,665.37	10/5/2016
G1493.0-13.10.01	Kimley Horn	extension for LED lights	\$7,000.00	10/5/2016
PWL204.0167504.17	ABC CONSTRUCTION, INC	H STREET BOLLARD REPLACEMENT	\$13,958.68	10/6/2016
L0901.10.48	BRICEHOUSE STATION LLC	KOBEY CORP. MASTER CONCESSIONAIRE	\$500.00	10/6/2016
G1496.0-13.06.02	RAILPROS	AMEND. #2 TO W.O. BUS STOP IMPROVEMENTS	\$6,300.00	10/14/2016
G0930.17-04.67	SANDAG	PALM ST. PED. IMPROVEMENTS	\$20,000.00	10/14/2016
G0930.17-04.68	SANDAG	RUFFIN RD. RAPID STATION	\$72,000.00	10/14/2016
PWL182.0167501022	HERZOG	AMEND 2 EXTEND COMPLETION DATE	\$0.00	10/17/2016
PWL204.0167504-13	ABC Construction	VMS INSTALLATION-TRANSIT CENTERS	\$51,917.93	10/18/2016
PWL204.0167504-16	ABC CONSTRUCTION	PAINT BOOTH DOOR REPLACEMENT	\$37,784.62	10/18/2016
PWL204.0-16750418	ABC CONSTRUCTION	TAXI ADMIN. BLDG ASPHALT	\$87,008.06	10/19/2016
G1493.0-13.13.31	KIMLEY-HORN & ASSOCIATES	KMD PAVEMENT EXTENSION TO 1/31/2017	\$35,200.00	10/24/2016
PWL204.016750421	ABC CONSTRUCTION INC.	SDSU WEST MEZZ.DOORS REPLACEMENT	\$8,146.03	10/24/2016
PWL204.0-16750419	ABC CONSTRUCTION	TAXI ADMIN RELOCATION	\$87,239.16	10/31/2016

Purchase Orders				
PO Number	PO Date	Name	Material Group	PO Value
4400000097	10/6/2016	Mcmaster-Carr Supply Co	F180-BUILDING MATERIALS	32.06
4400000098	10/6/2016	W.W. Grainger Inc	B250-BUS REPAIR PARTS	98.60
4400000099	10/6/2016	Mcmaster-Carr Supply Co	B250-BUS REPAIR PARTS	90.89
4400000100	10/13/2016	W.W. Grainger Inc	F180-BUILDING MATERIALS	27.67
4400000101	10/13/2016	W.W. Grainger Inc	F180-BUILDING MATERIALS	23.72
4400000102	10/13/2016	W.W. Grainger Inc	T110-TRACK, RAIL	635.09
4400000103	10/21/2016	W.W. Grainger Inc	T110-TRACK, RAIL	297.68
4400000104	10/21/2016	Mcmaster-Carr Supply Co	B250-BUS REPAIR PARTS	124.19
4400000105	10/21/2016	Mcmaster-Carr Supply Co	B250-BUS REPAIR PARTS	120.76
4400000106	10/27/2016	Mcmaster-Carr Supply Co	B250-BUS REPAIR PARTS	142.04
4400000107	10/31/2016	W.W. Grainger Inc	G180-JANITORIAL SUPPLIES	70.00
4500007696	10/4/2016	San Diego Plastics Inc	R170-RAIL/LRV HVAC	1,134.00
4500007697	10/4/2016	W.W. Grainger Inc	G140-SHOP SUPPLIES	127.25
4500007698	10/4/2016	Willy's Electronic Supply Co	G140-SHOP SUPPLIES	31.23
4500007699	10/4/2016	Culligan of San Diego	G140-SHOP SUPPLIES	2,100.00
4500007700	10/4/2016	Flyers Energy LLC	G170-LUBRICANTS	2,762.10
4500007701	10/4/2016	FinishMaster Inc	F120-BUS/LRV PAINT BOOTHS	2,250.36
4500007702	10/4/2016	Home Depot USA Inc	G180-JANITORIAL SUPPLIES	194.11
4500007703	10/4/2016	Airgas Inc	G140-SHOP SUPPLIES	126.13
4500007704	10/4/2016	Westair Gases & Equipment Inc	G140-SHOP SUPPLIES	129.26
4500007705	10/4/2016	Office Solutions	G200-OFFICE SUPPLIES	1,033.85
4500007706	10/4/2016	3rd Generation Embroidery, Inc.	G230-PRINTED MATERIALS	533.60
4500007707	10/4/2016	Advertising Concepts Inc	P480-EE MAINTENANCE	1,095.38
4500007708	10/4/2016	JP Morgan Chase Bank	G200-OFFICE SUPPLIES	184.95
4500007709	10/4/2016	Kaman Industrial Technologies	B250-BUS REPAIR PARTS	959.95
4500007710	10/4/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	570.65
4500007711	10/4/2016	Jeyco Products Inc	G140-SHOP SUPPLIES	230.23
4500007713	10/4/2016	Mohawk Mfg & Supply Co	B200-BUS PWR TRAIN EQUIP	123.73
4500007714	10/4/2016	Golden State Supply LLC	G130-SHOP TOOLS	23.48
4500007715	10/4/2016	Cummins Pacific LLC	B200-BUS PWR TRAIN EQUIP	174.19
4500007716	10/4/2016	Chromate Industrial Corporation	G140-SHOP SUPPLIES	74.46
4500007717	10/4/2016	Merrimac Petroleum Inc	A120-AUTO/TRUCK GASOLINE	18,861.82
4500007718	10/4/2016	Knorr Brake Company	R160-RAIL/LRV ELECTRICAL	9,423.65
4500007719	10/4/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,744.70
4500007720	10/4/2016	F-1 Marketing Group	G230-PRINTED MATERIALS	4,656.00
4500007721	10/4/2016	Westinghouse Air Brake	R160-RAIL/LRV ELECTRICAL	3,169.01
4500007722	10/4/2016	Team One Repair Inc	G290-FARE REVENUE EQUIP	7,800.26
4500007723	10/4/2016	Brown & Bigelow Inc	P480-EE MAINTENANCE	2,899.02
4500007724	10/5/2016	ISC Applied Systems Corp	R160-RAIL/LRV ELECTRICAL	1,397.52
4500007725	10/5/2016	Team One Repair Inc	G290-FARE REVENUE EQUIP	396.59
4500007726	10/5/2016	Citywide Auto Glass Inc	R120-RAIL/LRV CAR BODY	194.40
4500007727	10/5/2016	Comfort Mechanical Inc	M180-STATION ELECTRICAL	998.00
4500007728	10/5/2016	Robcar Corporation	G110-BUS/TROLLEY SIGNAGE	226.82
4500007729	10/5/2016	Evergreen Distributors Inc	F190-LANDSCAPING MAT'LS	410.40
4500007730	10/5/2016	Home Depot USA Inc	G130-SHOP TOOLS	605.89
4500007731	10/5/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,732.37
4500007732	10/5/2016	Matthias Moos	M120-OVRHEAD CATENARY SYS	2,500.21
4500007733	10/5/2016	Steven Timme	G110-BUS/TROLLEY SIGNAGE	991.44
4500007734	10/5/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	2,102.69
4500007735	10/5/2016	Sunroad Auto LLC	B250-BUS REPAIR PARTS	822.35
4500007736	10/5/2016	Harbor Diesel & Equipment	B250-BUS REPAIR PARTS	412.49
4500007737	10/5/2016	Buswest LLC	B250-BUS REPAIR PARTS	2,910.63
4500007738	10/6/2016	Capital One National Association	G200-OFFICE SUPPLIES	110.00
4500007739	10/6/2016	Diamond Environmental Services LP	C130-CONSTRUCTION SVCS	867.36
4500007740	10/6/2016	Steven Timme	G110-BUS/TROLLEY SIGNAGE	207.92
4500007741	10/6/2016	Annex Automotive and	F120-BUS/LRV PAINT BOOTHS	5,342.94
4500007742	10/6/2016	Office Solutions	G200-OFFICE SUPPLIES	799.72
4500007743	10/6/2016	M Power Truck & Diesel Repair	P210-NON-REV VEH REPAIRS	1,476.10

Purchase Orders				
PO Number	PO Date	Name	Material Group	PO Value
4500007744	10/6/2016	Golden State Supply LLC	B250-BUS REPAIR PARTS	94.61
4500007745	10/6/2016	Kaman Industrial Technologies	R210-RAIL/LRV TIRES	56.19
4500007746	10/6/2016	Gillig LLC	P190-REV VEHICLE REPAIRS	98.65
4500007747	10/6/2016	Staples Contract & Commercial Inc	P540-MAINTENANCE TRAINING	307.77
4500007748	10/6/2016	Top Gear Inc	G250-NOVELTIES & AWARDS	679.96
4500007749	10/6/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	634.46
4500007750	10/6/2016	Mouser Electronics Inc	B250-BUS REPAIR PARTS	23.76
4500007751	10/6/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,683.05
4500007752	10/6/2016	Western Pump Inc	F110-SHOP/BLDG MACHINERY	882.64
4500007753	10/6/2016	W.W. Grainger Inc	G200-OFFICE SUPPLIES	347.76
4500007754	10/6/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	626.85
4500007755	10/6/2016	Mohawk Mfg & Supply Co	B140-BUS CHASSIS	248.75
4500007756	10/6/2016	Gillig LLC	B140-BUS CHASSIS	362.18
4500007757	10/6/2016	Transit Holdings Inc	B110-BUS HVAC SYSTEMS	2,729.30
4500007758	10/6/2016	Norman Industrial Materials	B250-BUS REPAIR PARTS	975.40
4500007759	10/6/2016	Cummins Pacific LLC	B200-BUS PWR TRAIN EQUIP	2,327.12
4500007760	10/6/2016	Transwest San Diego LLC	B200-BUS PWR TRAIN EQUIP	351.48
4500007761	10/6/2016	Prudential Overall Supply	G140-SHOP SUPPLIES	234.37
4500007762	10/6/2016	Mouser Electronics Inc	B250-BUS REPAIR PARTS	281.46
4500007763	10/6/2016	Wesco Distribution Inc	F110-SHOP/BLDG MACHINERY	128.85
4500007764	10/6/2016	Sherwin Williams Company	G140-SHOP SUPPLIES	51.84
4500007765	10/6/2016	W.W. Grainger Inc	G140-SHOP SUPPLIES	92.08
4500007766	10/6/2016	Southern Counties Oil Co, LP	B180-BUS DIESEL	9,227.94
4500007767	10/6/2016	711 Print Enterprises Inc	G200-OFFICE SUPPLIES	549.73
4500007768	10/6/2016	Merrimac Petroleum Inc	A120-AUTO/TRUCK GASOLINE	17,431.54
4500007769	10/6/2016	Merrimac Petroleum Inc	A120-AUTO/TRUCK GASOLINE	17,520.93
4500007770	10/6/2016	Material Sales Inc	R240-RAIL/LRV REPR PARTS	331.53
4500007771	10/6/2016	Steven Timme	G110-BUS/TROLLEY SIGNAGE	722.00
4500007772	10/6/2016	Controlled Motion Solutions Inc	R220-RAIL/LRV TRUCKS	458.61
4500007773	10/6/2016	Comfort Mechanical Inc	M180-STATION ELECTRICAL	789.00
4500007774	10/6/2016	H M Pitt Labs, Inc	C130-CONSTRUCTION SVCS	990.00
4500007775	10/6/2016	CDW LLC	I110-INFORMATION TECH	526.05
4500007776	10/6/2016	Cembre Inc	G130-SHOP TOOLS	2,990.76
4500007777	10/6/2016	Sid Tool Co	G130-SHOP TOOLS	85.20
4500007778	10/6/2016	East Penn Manufacturing Co Inc	G140-SHOP SUPPLIES	193.80
4500007779	10/7/2016	Carlos Guzman Inc	P190-REV VEHICLE REPAIRS	2,336.40
4500007780	10/7/2016	Soco Group Inc	A120-AUTO/TRUCK GASOLINE	3,215.30
4500007782	10/7/2016	Alarm Center Group Inc	G120-SECURITY	11,772.00
4500007783	10/7/2016	National Electrical Testing	M110-SUB STATION	15,155.41
4500007784	10/7/2016	Robcar Corporation	G190-SAFETY/MED SUPPLIES	6,333.12
4500007785	10/7/2016	Michael Jones	P190-REV VEHICLE REPAIRS	1,320.00
4500007786	10/7/2016	Willy's Electronic Supply Co	R160-RAIL/LRV ELECTRICAL	69.83
4500007787	10/7/2016	Professional Contractors Supplies	G130-SHOP TOOLS	329.02
4500007788	10/7/2016	Airgas Inc	G140-SHOP SUPPLIES	113.89
4500007789	10/7/2016	Prudential Overall Supply	G140-SHOP SUPPLIES	937.44
4500007790	10/7/2016	Chromate Industrial Corporation	G150-FASTENERS	213.61
4500007791	10/7/2016	HI-TEC Enterprises	R160-RAIL/LRV ELECTRICAL	1,241.09
4500007792	10/7/2016	Total Filtration Services Inc	F120-BUS/LRV PAINT BOOTHS	185.33
4500007793	10/7/2016	Home Depot USA Inc	G140-SHOP SUPPLIES	57.37
4500007794	10/7/2016	Western-Cullen-Hayes Inc	M130-CROSSING MECHANISM	2,235.60
4500007795	10/7/2016	Soco Group Inc	A120-AUTO/TRUCK GASOLINE	17,482.49
4500007796	10/7/2016	Sunroad Auto LLC	F110-SHOP/BLDG MACHINERY	228.56
4500007797	10/7/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	2,700.86
4500007798	10/7/2016	Kaman Industrial Technologies	B130-BUS BODY	225.85
4500007799	10/7/2016	Reid And Clark Screen Arts Co	G230-PRINTED MATERIALS	140.40
4500007800	10/7/2016	Gillig LLC	B250-BUS REPAIR PARTS	430.94
4500007801	10/7/2016	Cummins Pacific LLC	P190-REV VEHICLE REPAIRS	2,503.57
4500007802	10/7/2016	W.W. Grainger Inc	F110-SHOP/BLDG MACHINERY	87.93

Purchase Orders				
PO Number	PO Date	Name	Material Group	PO Value
4500007803	10/10/2016	Freeby Signs	G140-SHOP SUPPLIES	140.40
4500007804	10/10/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	2,108.19
4500007805	10/10/2016	Prochem Speciality Products Inc	G180-JANITORIAL SUPPLIES	1,268.78
4500007806	10/10/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,664.55
4500007807	10/11/2016	Meeting Services Inc	P160-EQUIPMENT RENTALS	456.00
4500007808	10/11/2016	UniFirst Corporation	C120-SPECIALTY CONTRACTOR	290.23
4500007809	10/11/2016	Gemini Forest Products Inc	T110-TRACK, RAIL	97,709.42
4500007810	10/11/2016	General Information Systems Ltd	G120-SECURITY	636.00
4500007811	10/11/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,726.20
4500007812	10/11/2016	Basler Electric Company	M110-SUB STATION	1,719.27
4500007813	10/11/2016	Comfort Mechanical Inc	M180-STATION ELECTRICAL	987.00
4500007814	10/11/2016	M Power Truck & Diesel Repair	P210-NON-REV VEH REPAIRS	457.16
4500007815	10/11/2016	BJ's Rentals	T110-TRACK, RAIL	2,422.81
4500007816	10/11/2016	TK Services Inc	B250-BUS REPAIR PARTS	3,138.29
4500007817	10/11/2016	Willy's Electronic Supply Co	B250-BUS REPAIR PARTS	1,239.88
4500007818	10/11/2016	Soco Group Inc	A120-AUTO/TRUCK GASOLINE	19,846.53
4500007819	10/11/2016	W.W. Grainger Inc	G140-SHOP SUPPLIES	76.96
4500007820	10/11/2016	Valley Power Systems Inc	G170-LUBRICANTS	5,344.47
4500007821	10/11/2016	SiteOne Landscape Supply Holding	F190-LANDSCAPING MAT'LS	461.97
4500007822	10/11/2016	ABC Construction Co., Inc.	C130-CONSTRUCTION SVCS	13,958.68
4500007823	10/11/2016	The Gordian Group Inc	C130-CONSTRUCTION SVCS	362.36
4500007824	10/12/2016	Robcar Corporation	F180-BUILDING MATERIALS	81.01
4500007825	10/12/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,732.37
4500007827	10/12/2016	Mohawk Mfg & Supply Co	B140-BUS CHASSIS	1,734.20
4500007828	10/12/2016	Insultech LLC	B200-BUS PWR TRAIN EQUIP	216.68
4500007829	10/12/2016	Prochem Speciality Products Inc	G180-JANITORIAL SUPPLIES	1,386.26
4500007830	10/12/2016	Kaman Industrial Technologies	B120-BUS MECHANICAL PARTS	2,271.53
4500007831	10/12/2016	Transit Holdings Inc	B140-BUS CHASSIS	2,914.27
4500007832	10/12/2016	Cummins Pacific LLC	B200-BUS PWR TRAIN EQUIP	2,726.37
4500007833	10/12/2016	San Diego Friction Products, Inc.	B140-BUS CHASSIS	2,803.68
4500007834	10/12/2016	Mcmaster-Carr Supply Co	B160-BUS ELECTRICAL	288.67
4500007835	10/12/2016	Transwest San Diego LLC	B200-BUS PWR TRAIN EQUIP	374.43
4500007836	10/12/2016	Gillig LLC	B130-BUS BODY	396.96
4500007837	10/12/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	3,451.38
4500007838	10/12/2016	California Transit Association	P480-EE MAINTENANCE	1,275.00
4500007839	10/12/2016	Harbor Diesel & Equipment	G170-LUBRICANTS	10,223.70
4500007840	10/12/2016	Jeyco Products Inc	G150-FASTENERS	504.16
4500007841	10/12/2016	Prudential Overall Supply	G140-SHOP SUPPLIES	752.37
4500007842	10/12/2016	The Truck Lighthouse	B160-BUS ELECTRICAL	166.15
4500007843	10/12/2016	Valley Power Systems Inc	B250-BUS REPAIR PARTS	477.02
4500007844	10/12/2016	Cummins Pacific LLC	P190-REV VEHICLE REPAIRS	532.00
4500007845	10/12/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	2,371.15
4500007846	10/12/2016	Tri-Signal Integration Inc	P110-BLDG MAINTENANCE	170.00
4500007847	10/12/2016	Byrne Doughty Mgt Corp	G200-OFFICE SUPPLIES	1,486.80
4500007848	10/12/2016	Mohawk Mfg & Supply Co	B160-BUS ELECTRICAL	85.36
4500007849	10/12/2016	R.S. Hughes Co Inc	G160-PAINTS & CHEMICALS	723.23
4500007850	10/12/2016	Genuine Parts Co	B200-BUS PWR TRAIN EQUIP	551.81
4500007851	10/12/2016	Staples Contract & Commercial Inc	G200-OFFICE SUPPLIES	1,536.53
4500007852	10/12/2016	Industrial Maintenance Supply LLC	G150-FASTENERS	183.25
4500007853	10/12/2016	Transit Products and Services	B250-BUS REPAIR PARTS	3,186.00
4500007854	10/12/2016	Allied Refrigeration Inc	B250-BUS REPAIR PARTS	133.00
4500007855	10/12/2016	W.W. Grainger Inc	G140-SHOP SUPPLIES	91.55
4500007856	10/12/2016	Transit Holdings Inc	B140-BUS CHASSIS	2,967.50
4500007857	10/12/2016	Denlo Inc	G140-SHOP SUPPLIES	111.19
4500007858	10/12/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	2,180.08
4500007859	10/12/2016	Vinyard Doors	F110-SHOP/BLDG MACHINERY	202.00
4500007860	10/12/2016	SDSU Foundation	P410-CONSULTING	1,500.00
4500007861	10/12/2016	Controlled Motion Solutions Inc	R220-RAIL/LRV TRUCKS	3,753.41

Purchase Orders				
PO Number	PO Date	Name	Material Group	PO Value
4500007862	10/12/2016	Paul Plevin Sullivan & Connaughton	P490-MANAGEMENT TRAINING	375.00
4500007863	10/12/2016	Office Depot	G200-OFFICE SUPPLIES	532.03
4500007864	10/12/2016	Int. Assoc. of Chiefs of Police	C120-SPECIALTY CONTRACTOR	175.00
4500007865	10/12/2016	Staples Contract & Commercial Inc	G200-OFFICE SUPPLIES	58.32
4500007866	10/12/2016	Optimum Floorcare	F180-BUILDING MATERIALS	511.92
4500007867	10/12/2016	Comfort Mechanical Inc	M190-SDSU ELECTRICAL	437.00
4500007869	10/13/2016	Ace Uniforms & Accessories	P330-UNIFORM RENT/CLEAN	159.80
4500007870	10/13/2016	NS Corporation	P120-BLDG/FACILITY REPRS	180.49
4500007871	10/13/2016	The Animal Keeper Inc	G120-SECURITY	400.00
4500007872	10/13/2016	Charlie Shoaf	P310-ADVERTISING SERVICES	450.00
4500007873	10/13/2016	Staples Contract & Commercial Inc	P540-MAINTENANCE TRAINING	346.45
4500007874	10/13/2016	Southern Counties Oil Co, LP	G170-LUBRICANTS	2,125.20
4500007875	10/13/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	2,155.82
4500007876	10/13/2016	Enterprise FM Trust	P210-NON-REV VEH REPAIRS	40.00
4500007877	10/13/2016	Office Solutions	G200-OFFICE SUPPLIES	254.44
4500007878	10/13/2016	MJP Enterprises	P210-NON-REV VEH REPAIRS	3,324.13
4500007879	10/13/2016	W.W. Grainger Inc	G140-SHOP SUPPLIES	128.63
4500007880	10/13/2016	Cummins Pacific LLC	B250-BUS REPAIR PARTS	117.24
4500007881	10/13/2016	Carlson & Beauloye Machine Shop	P130-EQUIP MAINT REPR SVC	325.55
4500007882	10/13/2016	Willy's Electronic Supply Co	G130-SHOP TOOLS	291.60
4500007883	10/13/2016	Robcar Corporation	P130-EQUIP MAINT REPR SVC	1,474.21
4500007884	10/13/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,794.02
4500007885	10/13/2016	Schaltbau North America	R160-RAIL/LRV ELECTRICAL	1,345.20
4500007886	10/13/2016	Reid And Clark Screen Arts Co	P130-EQUIP MAINT REPR SVC	1,323.01
4500007887	10/13/2016	Chromate Industrial Corporation	G150-FASTENERS	624.95
4500007888	10/13/2016	Team One Repair Inc	G290-FARE REVENUE EQUIP	203.43
4500007889	10/13/2016	Prudential Overall Supply	G180-JANITORIAL SUPPLIES	528.02
4500007890	10/13/2016	Mission Janitorial Supplies	G180-JANITORIAL SUPPLIES	636.66
4500007891	10/13/2016	West-Lite Supply Co Inc	M180-STATION ELECTRICAL	1,361.75
4500007892	10/13/2016	Waxie Sanitary Supply Inc	G180-JANITORIAL SUPPLIES	562.20
4500007893	10/13/2016	Professional Contractors Supplies	G160-PAINTS & CHEMICALS	613.49
4500007894	10/13/2016	Culligan of San Diego	G140-SHOP SUPPLIES	2,100.00
4500007895	10/13/2016	Controlled Motion Solutions Inc	G130-SHOP TOOLS	918.84
4500007896	10/13/2016	Dellner Inc	R130-RAIL/LRV COUPLER	520.99
4500007897	10/13/2016	Westair Gases & Equipment Inc	G190-SAFETY/MED SUPPLIES	160.53
4500007898	10/13/2016	Voith Turbo Inc	R160-RAIL/LRV ELECTRICAL	59.62
4500007899	10/13/2016	Total Filtration Services Inc	R230-RAIL/LRV MECHANICAL	755.63
4500007900	10/13/2016	Smart Car Care Products Inc	R240-RAIL/LRV REPR PARTS	181.10
4500007901	10/13/2016	Sid Tool Co	G130-SHOP TOOLS	856.36
4500007902	10/13/2016	Soco Group Inc	A120-AUTO/TRUCK GASOLINE	2,142.26
4500007903	10/13/2016	W.W. Grainger Inc	B200-BUS PWR TRAIN EQUIP	56.16
4500007904	10/13/2016	Pro Petroleum Inc	B180-BUS DIESEL	8,029.00
4500007905	10/13/2016	Soco Group Inc	A120-AUTO/TRUCK GASOLINE	20,804.05
4500007906	10/13/2016	Siemens Industry Inc	R160-RAIL/LRV ELECTRICAL	2,985.01
4500007907	10/13/2016	OneSource Distributors, LLC	G270-ELECTRICAL/LIGHTING	341.95
4500007908	10/13/2016	San Diego Mold	G290-FARE REVENUE EQUIP	10,867.01
4500007909	10/14/2016	Cummins Pacific LLC	B200-BUS PWR TRAIN EQUIP	6,559.92
4500007910	10/14/2016	Buswest LLC	B250-BUS REPAIR PARTS	782.46
4500007911	10/14/2016	TK Services Inc	B250-BUS REPAIR PARTS	1,492.50
4500007912	10/14/2016	Western Pump Inc	F110-SHOP/BLDG MACHINERY	949.33
4500007913	10/14/2016	W.W. Grainger Inc	F110-SHOP/BLDG MACHINERY	46.43
4500007914	10/14/2016	Kaman Industrial Technologies	B250-BUS REPAIR PARTS	737.13
4500007916	10/14/2016	Smith Systems Inc	R160-RAIL/LRV ELECTRICAL	8,796.02
4500007917	10/14/2016	Air & Lube Systems Inc	F110-SHOP/BLDG MACHINERY	5,562.00
4500007918	10/14/2016	Soco Group Inc	A120-AUTO/TRUCK GASOLINE	3,808.10
4500007919	10/14/2016	Delphin Computer Supply	G200-OFFICE SUPPLIES	1,488.34
4500007920	10/14/2016	FRS Environmental Inc	P130-EQUIP MAINT REPR SVC	320.00
4500007921	10/14/2016	Southern Counties Lubricants LLC	G170-LUBRICANTS	4,752.00

Purchase Orders				
PO Number	PO Date	Name	Material Group	PO Value
4500007922	10/14/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	340.21
4500007923	10/14/2016	Gillig LLC	B250-BUS REPAIR PARTS	624.24
4500007924	10/14/2016	Siemens Industry Inc	R160-RAIL/LRV ELECTRICAL	99,936.72
4500007925	10/14/2016	Don Oleson Inc	B200-BUS PWR TRAIN EQUIP	5,403.55
4500007926	10/14/2016	CDW LLC	I110-INFORMATION TECH	227.21
4500007927	10/14/2016	W.W. Grainger Inc	G140-SHOP SUPPLIES	111.44
4500007928	10/14/2016	IPC (USA), Inc.	A120-AUTO/TRUCK GASOLINE	18,951.21
4500007929	10/14/2016	Vinyard Doors	F150-DOORS, OVERHEAD	415.00
4500007930	10/14/2016	Dell Marketing L.P.	I110-INFORMATION TECH	2,145.89
4500007931	10/14/2016	CDW LLC	I110-INFORMATION TECH	32,236.93
4500007932	10/14/2016	Super Welding of Southern CA	R120-RAIL/LRV CAR BODY	2,106.00
4500007933	10/14/2016	Daniels Tire Service	A140-AUTO/TRUCK REPAIR	199.27
4500007934	10/17/2016	South Bay Fence Inc	F190-LANDSCAPING MAT'LS	1,312.00
4500007935	10/17/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,744.70
4500007936	10/17/2016	Work4 Labs Inc	P450-PERSONNEL SVCS	12,000.00
4500007937	10/17/2016	Wolfcom Enterprises	I110-INFORMATION TECH	2,400.00
4500007938	10/17/2016	Balfour Beatty Infrastructure, Inc.	M110-SUB STATION	6,141.43
4500007939	10/17/2016	Knorr Brake Company	R220-RAIL/LRV TRUCKS	8,889.33
4500007940	10/17/2016	Siemens Industry Inc	R160-RAIL/LRV ELECTRICAL	3,995.01
4500007941	10/17/2016	Cubic Transportation Systems	G290-FARE REVENUE EQUIP	26,400.47
4500007942	10/17/2016	Cembre Inc	G130-SHOP TOOLS	1,490.37
4500007943	10/17/2016	Costco	P480-EE MAINTENANCE	805.95
4500007944	10/17/2016	W.W. Grainger Inc	G170-LUBRICANTS	548.71
4500007945	10/17/2016	Schunk Carbon Technology LLC	R170-RAIL/LRV HVAC	267.84
4500007946	10/17/2016	Machinex, Inc.	R140-RAIL/LRV DOORS/RAMP	1,684.80
4500007947	10/17/2016	West-Lite Supply Co Inc	R160-RAIL/LRV ELECTRICAL	2,201.25
4500007948	10/17/2016	Professional Contractors Supplies	G140-SHOP SUPPLIES	544.96
4500007949	10/17/2016	Harbor Diesel & Equipment	B250-BUS REPAIR PARTS	403.02
4500007950	10/17/2016	Cameo Paper & Supply Co Inc	G180-JANITORIAL SUPPLIES	659.40
4500007951	10/17/2016	P & R Paper Supply Company Inc	G180-JANITORIAL SUPPLIES	398.13
4500007952	10/17/2016	Kaman Industrial Technologies	G160-PAINTS & CHEMICALS	278.94
4500007953	10/17/2016	Airgas Inc	G190-SAFETY/MED SUPPLIES	536.03
4500007954	10/17/2016	Westair Gases & Equipment Inc	G190-SAFETY/MED SUPPLIES	117.61
4500007955	10/17/2016	Decals By Design Inc	R120-RAIL/LRV CAR BODY	265.59
4500007956	10/17/2016	Waxie Sanitary Supply Inc	G180-JANITORIAL SUPPLIES	141.56
4500007957	10/17/2016	Sid Tool Co	G180-JANITORIAL SUPPLIES	84.76
4500007958	10/17/2016	Office Solutions	G280-FARE MATERIALS	13.33
4500007959	10/17/2016	Joseph R. Smith & Assoc. Inc.	G200-OFFICE SUPPLIES	5,022.77
4500007960	10/17/2016	Flyers Energy LLC	G170-LUBRICANTS	2,762.10
4500007961	10/18/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,720.04
4500007962	10/18/2016	Bergelectric Corp.	P280-GENERAL SVC AGRMNTS	266.40
4500007963	10/18/2016	NMS Management Inc	C120-SPECIALTY CONTRACTOR	77.44
4500007964	10/18/2016	Zoho Corporation	I110-INFORMATION TECH	795.00
4500007965	10/18/2016	Rayne - San Diego Inc	G120-SECURITY	440.00
4500007966	10/18/2016	Mile-X Equipment Inc	G130-SHOP TOOLS	5,731.13
4500007967	10/18/2016	PGH Wong Engineering Inc	M200-YARD FACILITIES	66,000.00
4500007968	10/18/2016	Soco Group Inc	A120-AUTO/TRUCK GASOLINE	21,307.61
4500007969	10/18/2016	Transit Holdings Inc	B130-BUS BODY	10,020.68
4500007970	10/18/2016	Knorr Brake Company	R220-RAIL/LRV TRUCKS	25,117.30
4500007971	10/18/2016	DoAll Company	P130-EQUIP MAINT REPR SVC	1,816.00
4500007972	10/18/2016	JKL Cleaning Systems	P130-EQUIP MAINT REPR SVC	397.23
4500007973	10/18/2016	W.W. Grainger Inc	G130-SHOP TOOLS	261.77
4500007974	10/18/2016	Robcar Corporation	G140-SHOP SUPPLIES	3,283.20
4500007975	10/18/2016	A.O. Reed & Co	F110-SHOP/BLDG MACHINERY	999.00
4500007976	10/18/2016	Knorr Brake Company	G130-SHOP TOOLS	2,777.59
4500007977	10/18/2016	W.W. Grainger Inc	G140-SHOP SUPPLIES	33.14
4500007978	10/19/2016	Siemens Industry Inc	R120-RAIL/LRV CAR BODY	32,876.55
4500007979	10/19/2016	Selective Transit Parts Inc	R220-RAIL/LRV TRUCKS	19,133.28

Purchase Orders				
PO Number	PO Date	Name	Material Group	PO Value
4500007980	10/19/2016	W.W. Grainger Inc	F110-SHOP/BLDG MACHINERY	3,301.57
4500007981	10/19/2016	Kenneth Place	F190-LANDSCAPING MAT'LS	50.00
4500007982	10/19/2016	Home Depot USA Inc	G140-SHOP SUPPLIES	898.39
4500007983	10/19/2016	Total Filtration Services Inc	R230-RAIL/LRV MECHANICAL	602.60
4500007984	10/19/2016	Staples Contract & Commercial Inc	G200-OFFICE SUPPLIES	507.67
4500007985	10/19/2016	Chromate Industrial Corporation	G140-SHOP SUPPLIES	459.21
4500007986	10/19/2016	San Diego Friction Products, Inc.	B140-BUS CHASSIS	104.77
4500007987	10/19/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,713.87
4500007988	10/19/2016	Citywide Auto Glass Inc	B250-BUS REPAIR PARTS	207.36
4500007989	10/19/2016	Reefco LLC	B250-BUS REPAIR PARTS	712.80
4500007990	10/19/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	413.51
4500007991	10/19/2016	R.B. Hornberger Co Inc	M150-PWR SWITCHES/LOCKS	780.57
4500007992	10/19/2016	Wesco Distribution Inc	F110-SHOP/BLDG MACHINERY	64.42
4500007993	10/19/2016	W.W. Grainger Inc	G140-SHOP SUPPLIES	45.10
4500007994	10/19/2016	Harbor Diesel & Equipment	B250-BUS REPAIR PARTS	422.01
4500007995	10/19/2016	Gillig LLC	B250-BUS REPAIR PARTS	1,789.78
4500007996	10/19/2016	Cummins Pacific LLC	P190-REV VEHICLE REPAIRS	1,822.78
4500007997	10/19/2016	Ferguson Enterprises	F110-SHOP/BLDG MACHINERY	102.77
4500007998	10/19/2016	TK Services Inc	B250-BUS REPAIR PARTS	1,352.08
4500007999	10/19/2016	Transit Holdings Inc	B130-BUS BODY	2,811.91
4500008000	10/19/2016	Denlo Inc	G130-SHOP TOOLS	23.71
4500008001	10/19/2016	Cummins Pacific LLC	P190-REV VEHICLE REPAIRS	858.42
4500008002	10/19/2016	TK Services Inc	B250-BUS REPAIR PARTS	428.59
4500008003	10/19/2016	Harbor Diesel & Equipment	B200-BUS PWR TRAIN EQUIP	1,697.47
4500008004	10/19/2016	Jeyco Products Inc	G130-SHOP TOOLS	42.67
4500008005	10/19/2016	Gillig LLC	B110-BUS HVAC SYSTEMS	2,986.67
4500008006	10/19/2016	Buswest LLC	B160-BUS ELECTRICAL	135.71
4500008007	10/19/2016	San Diego Glass, Inc.	P110-BLDG MAINTENANCE	325.00
4500008008	10/19/2016	Robcar Corporation	F180-BUILDING MATERIALS	86.40
4500008009	10/20/2016	Airgas Inc	G140-SHOP SUPPLIES	19.53
4500008010	10/20/2016	Byrne Doughty Mgt Corp	G200-OFFICE SUPPLIES	3,256.93
4500008011	10/20/2016	Monoprice Inc	I110-INFORMATION TECH	445.56
4500008012	10/20/2016	Staples Contract & Commercial Inc	G200-OFFICE SUPPLIES	70.11
4500008013	10/20/2016	Golden Star Technology Inc	I110-INFORMATION TECH	1,744.85
4500008014	10/20/2016	Industrial Maintenance Supply LLC	G130-SHOP TOOLS	252.02
4500008015	10/20/2016	Neopart	B130-BUS BODY	185.97
4500008016	10/20/2016	Newegg Business, Inc.	I110-INFORMATION TECH	73.16
4500008017	10/20/2016	Gillig LLC	B160-BUS ELECTRICAL	3,145.87
4500008018	10/20/2016	Lucerix International Corporation	B130-BUS BODY	309.64
4500008019	10/20/2016	Cummins Pacific LLC	B200-BUS PWR TRAIN EQUIP	2,599.46
4500008020	10/20/2016	Mission Janitorial Supplies	G180-JANITORIAL SUPPLIES	545.16
4500008021	10/20/2016	Kaman Industrial Technologies	G170-LUBRICANTS	2,785.36
4500008022	10/20/2016	Delphin Computer Supply	G200-OFFICE SUPPLIES	404.98
4500008023	10/20/2016	R.S. Hughes Co Inc	G160-PAINTS & CHEMICALS	163.44
4500008024	10/20/2016	W.W. Grainger Inc	G130-SHOP TOOLS	373.09
4500008025	10/20/2016	Mohawk Mfg & Supply Co	B140-BUS CHASSIS	616.43
4500008026	10/20/2016	Waxie Sanitary Supply Inc	G180-JANITORIAL SUPPLIES	313.11
4500008027	10/20/2016	Siemens Industry Inc	R160-RAIL/LRV ELECTRICAL	20,838.61
4500008028	10/20/2016	Westair Gases & Equipment Inc	B200-BUS PWR TRAIN EQUIP	158.16
4500008029	10/20/2016	Transtech Corp USA	R160-RAIL/LRV ELECTRICAL	8,770.39
4500008030	10/20/2016	Transwest San Diego LLC	B130-BUS BODY	655.76
4500008031	10/20/2016	TK Services Inc	B110-BUS HVAC SYSTEMS	1,925.15
4500008032	10/20/2016	State Water Resources Control Board	P280-GENERAL SVC AGRMNTS	200.00
4500008033	10/20/2016	New Technical Solutions, Inc.	I110-INFORMATION TECH	25,928.00
4500008034	10/20/2016	Muncie Transit Supply	B130-BUS BODY	274.61
4500008035	10/20/2016	Sid Tool Co	G130-SHOP TOOLS	104.89
4500008036	10/20/2016	Cellco Partnership	I130-IT CAPITAL HARDWARE	8,649.46
4500008037	10/20/2016	Westair Gases & Equipment Inc	G130-SHOP TOOLS	12,972.13

Purchase Orders				
PO Number	PO Date	Name	Material Group	PO Value
4500008038	10/20/2016	Willy's Electronic Supply Co	R150-RAIL/LRV COMM EQUIP	314.70
4500008039	10/20/2016	R.S. Hughes Co Inc	G190-SAFETY/MED SUPPLIES	284.48
4500008040	10/20/2016	Don Oleson Inc	B200-BUS PWR TRAIN EQUIP	2,701.78
4500008041	10/20/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,701.54
4500008042	10/20/2016	Transit Holdings Inc	B200-BUS PWR TRAIN EQUIP	2,760.22
4500008043	10/20/2016	Mohawk Mfg & Supply Co	B140-BUS CHASSIS	146.07
4500008044	10/20/2016	Proclip USA Inc	I130-IT CAPITAL HARDWARE	10,205.11
4500008045	10/20/2016	Controlled Motion Solutions Inc	R220-RAIL/LRV TRUCKS	1,504.06
4500008046	10/20/2016	J. J. Keller & Associates Inc	P540-MAINTENANCE TRAINING	1,213.65
4500008047	10/20/2016	IPC (USA), Inc.	A120-AUTO/TRUCK GASOLINE	18,414.86
4500008048	10/20/2016	Softchoice Corporation	I120-INFO TECH, SVCS	9,505.20
4500008049	10/20/2016	W.W. Grainger Inc	F110-SHOP/BLDG MACHINERY	186.09
4500008050	10/20/2016	Acuity Specialty Products Inc	F110-SHOP/BLDG MACHINERY	130.26
4500008051	10/20/2016	Harmony Environmental Services Inc	P280-GENERAL SVC AGRMNTS	463.25
4500008052	10/20/2016	Citywide Auto Glass Inc	R120-RAIL/LRV CAR BODY	4,635.05
4500008053	10/20/2016	West-Lite Supply Co Inc	R180-RAIL/LRV LIGHTING	631.83
4500008054	10/20/2016	W.W. Grainger Inc	M130-CROSSING MECHANISM	417.72
4500008055	10/21/2016	Dellner Inc	R130-RAIL/LRV COUPLER	1,150.51
4500008056	10/21/2016	Newark Corporation	R160-RAIL/LRV ELECTRICAL	118.75
4500008057	10/21/2016	Westair Gases & Equipment Inc	G130-SHOP TOOLS	4,837.20
4500008058	10/21/2016	Professional Contractors Supplies	G160-PAINTS & CHEMICALS	28.03
4500008059	10/21/2016	Culligan of San Diego	G140-SHOP SUPPLIES	2,100.00
4500008060	10/21/2016	Charter Industrial Supply Inc	B120-BUS MECHANICAL PARTS	87.77
4500008061	10/21/2016	Dartco Transmission	B200-BUS PWR TRAIN EQUIP	558.30
4500008062	10/21/2016	Tribologik Corporation	G140-SHOP SUPPLIES	1,023.07
4500008063	10/21/2016	Bonsall Petroleum Construction Inc	F110-SHOP/BLDG MACHINERY	316.56
4500008064	10/21/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	107.31
4500008065	10/21/2016	Charlie Shoaf	P310-ADVERTISING SERVICES	950.00
4500008066	10/21/2016	OneSource Distributors, LLC	G140-SHOP SUPPLIES	1,862.63
4500008067	10/21/2016	Applied Industrial Technologies-CA	G140-SHOP SUPPLIES	875.36
4500008068	10/21/2016	M Power Truck & Diesel Repair	P210-NON-REV VEH REPAIRS	228.58
4500008069	10/21/2016	W.W. Grainger Inc	P190-REV VEHICLE REPAIRS	587.07
4500008070	10/21/2016	Simmons Boardman Books Inc	P540-MAINTENANCE TRAINING	2,029.56
4500008071	10/21/2016	Transwest San Diego LLC	B140-BUS CHASSIS	889.92
4500008073	10/21/2016	W.W. Grainger Inc	F110-SHOP/BLDG MACHINERY	782.48
4500008074	10/21/2016	Wesco Distribution Inc	F110-SHOP/BLDG MACHINERY	93.25
4500008075	10/21/2016	Mohawk Mfg & Supply Co	B140-BUS CHASSIS	591.44
4500008076	10/21/2016	Soco Group Inc	A120-AUTO/TRUCK GASOLINE	1,905.61
4500008077	10/21/2016	Soco Group Inc	A120-AUTO/TRUCK GASOLINE	19,476.57
4500008078	10/21/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,652.22
4500008079	10/21/2016	Interworld Highway, LLC	I110-INFORMATION TECH	1,076.79
4500008080	10/21/2016	Pressnet Express Inc	G230-PRINTED MATERIALS	1,166.40
4500008082	10/21/2016	West-Lite Supply Co Inc	R180-RAIL/LRV LIGHTING	47.91
4500008083	10/21/2016	Transit Products and Services	B130-BUS BODY	3,304.00
4500008084	10/21/2016	Kidde Technologies Inc	B200-BUS PWR TRAIN EQUIP	2,789.73
4500008085	10/21/2016	Transit Holdings Inc	B140-BUS CHASSIS	929.09
4500008088	10/24/2016	Western Pump Inc	F110-SHOP/BLDG MACHINERY	508.69
4500008089	10/24/2016	Mohawk Mfg & Supply Co	B140-BUS CHASSIS	1,078.97
4500008090	10/24/2016	Mohawk Mfg & Supply Co	B140-BUS CHASSIS	2,046.53
4500008091	10/24/2016	Bank of New York Mellon	P400-FINANCIAL & AUDIT	6,300.00
4500008092	10/24/2016	Harbor Diesel & Equipment	B250-BUS REPAIR PARTS	170.55
4500008093	10/24/2016	TK Services Inc	B250-BUS REPAIR PARTS	248.14
4500008094	10/24/2016	M Power Truck & Diesel Repair	P210-NON-REV VEH REPAIRS	770.85
4500008095	10/24/2016	Jeyco Products Inc	G140-SHOP SUPPLIES	302.93
4500008096	10/24/2016	Staples Contract & Commercial Inc	G200-OFFICE SUPPLIES	226.14
4500008097	10/24/2016	ABC Construction Co., Inc.	G110-BUS/TROLLEY SIGNAGE	51,917.93
4500008098	10/24/2016	R.S. Hughes Co Inc	G140-SHOP SUPPLIES	1,051.62
4500008099	10/24/2016	Kaman Industrial Technologies	G140-SHOP SUPPLIES	2,217.70

Purchase Orders				
PO Number	PO Date	Name	Material Group	PO Value
4500008100	10/24/2016	Prochem Speciality Products Inc	G170-LUBRICANTS	1,222.82
4500008101	10/24/2016	The Gordian Group Inc	G110-BUS/TROLLEY SIGNAGE	1,347.77
4500008102	10/24/2016	Tribologik Corporation	G140-SHOP SUPPLIES	1,203.60
4500008103	10/24/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,646.06
4500008104	10/24/2016	ABC Construction Co., Inc.	C130-CONSTRUCTION SVCS	84,008.06
4500008105	10/24/2016	Denlo Inc	G160-PAINTS & CHEMICALS	375.17
4500008106	10/24/2016	Gillig LLC	B140-BUS CHASSIS	3,071.19
4500008107	10/24/2016	Siemens Industry Inc	R160-RAIL/LRV ELECTRICAL	71,774.64
4500008108	10/24/2016	ABC Construction Co., Inc.	F120-BUS/LRV PAINT BOOTHS	37,784.62
4500008109	10/24/2016	The Gordian Group Inc	F120-BUS/LRV PAINT BOOTHS	980.87
4500008110	10/24/2016	W.W. Grainger Inc	G160-PAINTS & CHEMICALS	335.85
4500008111	10/24/2016	Transwest San Diego LLC	B200-BUS PWR TRAIN EQUIP	2,254.39
4500008112	10/24/2016	ABC Construction Co., Inc.	P120-BLDG/FACILITY REPRS	38,665.37
4500008113	10/24/2016	Neopart	B160-BUS ELECTRICAL	396.22
4500008114	10/24/2016	Southwest Paint Products Inc	B130-BUS BODY	273.07
4500008115	10/24/2016	The Gordian Group Inc	P120-BLDG/FACILITY REPRS	1,003.74
4500008116	10/24/2016	Citywide Auto Glass Inc	B130-BUS BODY	159.31
4500008117	10/24/2016	Gillig LLC	B130-BUS BODY	3,025.64
4500008118	10/24/2016	Waxie Sanitary Supply Inc	G180-JANITORIAL SUPPLIES	1,165.99
4500008119	10/24/2016	Industrial Maintenance Supply LLC	G150-FASTENERS	78.15
4500008120	10/24/2016	Muncie Transit Supply	B160-BUS ELECTRICAL	991.86
4500008121	10/24/2016	Gillig LLC	B250-BUS REPAIR PARTS	1,862.11
4500008122	10/24/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	1,072.10
4500008123	10/24/2016	Mcmaster-Carr Supply Co	B250-BUS REPAIR PARTS	159.52
4500008124	10/24/2016	Charter Industrial Supply Inc	B250-BUS REPAIR PARTS	1,013.34
4500008125	10/24/2016	Transit Holdings Inc	B120-BUS MECHANICAL PARTS	2,663.09
4500008126	10/24/2016	San Diego Friction Products, Inc.	B140-BUS CHASSIS	2,858.55
4500008127	10/24/2016	Buswest LLC	B200-BUS PWR TRAIN EQUIP	230.00
4500008128	10/24/2016	Mission Janitorial Supplies	G180-JANITORIAL SUPPLIES	689.93
4500008129	10/24/2016	San Diego Friction Products, Inc.	B140-BUS CHASSIS	2,350.08
4500008130	10/24/2016	American Seating Company	B130-BUS BODY	124.04
4500008131	10/24/2016	Louis Sardo Upholstery Inc	B130-BUS BODY	510.96
4500008132	10/24/2016	Delphin Computer Supply	G200-OFFICE SUPPLIES	813.06
4500008133	10/24/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	1,527.67
4500008134	10/24/2016	Cummins Pacific LLC	P190-REV VEHICLE REPAIRS	2,503.57
4500008135	10/24/2016	CASEI	F180-BUILDING MATERIALS	642.66
4500008136	10/24/2016	Cummins Pacific LLC	B200-BUS PWR TRAIN EQUIP	2,699.91
4500008137	10/24/2016	Mohawk Mfg & Supply Co	B140-BUS CHASSIS	75.78
4500008138	10/24/2016	AxleTech LLC	B140-BUS CHASSIS	1,016.41
4500008139	10/24/2016	Cummins Pacific LLC	B200-BUS PWR TRAIN EQUIP	8,003.10
4500008140	10/24/2016	Airgas Inc	G140-SHOP SUPPLIES	105.67
4500008141	10/24/2016	Transit Holdings Inc	B160-BUS ELECTRICAL	2,946.08
4500008142	10/24/2016	Battery Systems Inc	B160-BUS ELECTRICAL	2,775.36
4500008143	10/24/2016	Transwest San Diego LLC	B110-BUS HVAC SYSTEMS	1,127.26
4500008144	10/24/2016	Transit Holdings Inc	B140-BUS CHASSIS	34,634.34
4500008145	10/24/2016	Cummins Pacific LLC	B250-BUS REPAIR PARTS	62.91
4500008146	10/25/2016	Staples Contract & Commercial Inc	G200-OFFICE SUPPLIES	420.99
4500008147	10/25/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,646.06
4500008148	10/25/2016	Transit Holdings Inc	B200-BUS PWR TRAIN EQUIP	572.03
4500008149	10/25/2016	Freeby Signs	G140-SHOP SUPPLIES	140.40
4500008150	10/25/2016	Jon-Don, Inc.	G130-SHOP TOOLS	16,655.91
4500008151	10/25/2016	Knorr Brake Company	P130-EQUIP MAINT REPR SVC	4,893.66
4500008152	10/25/2016	Comfort Mechanical Inc	M190-SDSU ELECTRICAL	8,640.00
4500008153	10/25/2016	Golden Star Technology Inc	I110-INFORMATION TECH	36,585.94
4500008154	10/25/2016	San Diego Friction Products, Inc.	B140-BUS CHASSIS	2,053.20
4500008155	10/25/2016	NS Corporation	F110-SHOP/BLDG MACHINERY	1,168.49
4500008156	10/25/2016	Kiel NA LLC	B250-BUS REPAIR PARTS	948.72
4500008157	10/25/2016	Office Solutions	G200-OFFICE SUPPLIES	317.22

Purchase Orders				
PO Number	PO Date	Name	Material Group	PO Value
4500008158	10/25/2016	Eran Hason	P120-BLDG/FACILITY REPRS	400.00
4500008159	10/25/2016	DoAll Company	F110-SHOP/BLDG MACHINERY	1,078.42
4500008160	10/25/2016	San Diego Seal Inc	M120-OVRHEAD CATENARY SYS	736.50
4500008161	10/25/2016	Schunk Carbon Technology LLC	R190-RAIL/LRV PANTOGRAPH	460.36
4500008162	10/25/2016	Merrimac Petroleum Inc	A120-AUTO/TRUCK GASOLINE	17,789.11
4500008163	10/25/2016	OneSource Distributors, LLC	M130-CROSSING MECHANISM	572.58
4500008164	10/25/2016	Professional Contractors Supplies	G160-PAINTS & CHEMICALS	217.24
4500008165	10/25/2016	Airgas Inc	G190-SAFETY/MED SUPPLIES	454.86
4500008166	10/25/2016	Home Depot USA Inc	G180-JANITORIAL SUPPLIES	338.29
4500008167	10/25/2016	Mission Janitorial Supplies	G180-JANITORIAL SUPPLIES	280.80
4500008168	10/26/2016	Coast United Advertising	P310-ADVERTISING SERVICES	1,470.00
4500008169	10/26/2016	TK Services Inc	B250-BUS REPAIR PARTS	353.51
4500008170	10/26/2016	W.W. Grainger Inc	G140-SHOP SUPPLIES	195.27
4500008171	10/26/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,633.73
4500008172	10/26/2016	Siemens Industry Inc	R180-RAIL/LRV LIGHTING	1,156.40
4500008173	10/26/2016	Wal-Mart	P480-EE MAINTENANCE	6,615.24
4500008174	10/26/2016	Jamaica Bearings Co Inc	R170-RAIL/LRV HVAC	89.68
4500008176	10/26/2016	Transit Holdings Inc	B140-BUS CHASSIS	3,001.13
4500008177	10/26/2016	Solarwinds Inc	I110-INFORMATION TECH	618.00
4500008178	10/26/2016	Allied Refrigeration Inc	R230-RAIL/LRV MECHANICAL	1,002.49
4500008179	10/26/2016	Flyers Energy LLC	R230-RAIL/LRV MECHANICAL	1,773.07
4500008180	10/26/2016	Willy's Electronic Supply Co	M180-STATION ELECTRICAL	115.05
4500008181	10/26/2016	Waxie Sanitary Supply Inc	G180-JANITORIAL SUPPLIES	259.95
4500008182	10/26/2016	Nth Generation Computing Inc	I110-INFORMATION TECH	2,576.00
4500008183	10/26/2016	America Fujikura LTD	M120-OVRHEAD CATENARY SYS	9,960.75
4500008184	10/26/2016	CDW LLC	I110-INFORMATION TECH	6,970.64
4500008185	10/26/2016	Sherwin Williams Company	G140-SHOP SUPPLIES	911.43
4500008186	10/26/2016	Fastenal Company	B250-BUS REPAIR PARTS	75.52
4500008187	10/26/2016	Kaman Industrial Technologies	B250-BUS REPAIR PARTS	319.08
4500008188	10/26/2016	Gillig LLC	B250-BUS REPAIR PARTS	2,133.51
4500008189	10/26/2016	Valley Power Systems Inc	B250-BUS REPAIR PARTS	954.03
4500008190	10/26/2016	Battery Systems Inc	F110-SHOP/BLDG MACHINERY	81.01
4500008191	10/26/2016	Transwest San Diego LLC	B200-BUS PWR TRAIN EQUIP	1,504.47
4500008192	10/26/2016	Konecranes Inc	P130-EQUIP MAINT REPR SVC	5,343.82
4500008193	10/26/2016	OPW Fueling Components	B200-BUS PWR TRAIN EQUIP	749.66
4500008194	10/26/2016	Merrimac Petroleum Inc	A120-AUTO/TRUCK GASOLINE	17,789.11
4500008195	10/26/2016	Robcar Corporation	M200-YARD FACILITIES	268.95
4500008196	10/26/2016	Don Oleson Inc	B200-BUS PWR TRAIN EQUIP	8,105.33
4500008197	10/26/2016	Byrne Doughty Mgt Corp	G200-OFFICE SUPPLIES	3,268.87
4500008198	10/26/2016	Jeyco Products Inc	G180-JANITORIAL SUPPLIES	576.98
4500008199	10/26/2016	Transit Holdings Inc	B130-BUS BODY	2,277.35
4500008200	10/26/2016	Cummins Pacific LLC	B200-BUS PWR TRAIN EQUIP	2,337.55
4500008201	10/26/2016	Prudential Overall Supply	G140-SHOP SUPPLIES	953.21
4500008202	10/26/2016	Prochem Speciality Products Inc	G180-JANITORIAL SUPPLIES	1,215.92
4500008203	10/26/2016	San Diego Friction Products, Inc.	B140-BUS CHASSIS	6,632.06
4500008204	10/26/2016	Kaman Industrial Technologies	B130-BUS BODY	251.16
4500008205	10/26/2016	Mohawk Mfg & Supply Co	B140-BUS CHASSIS	1,458.48
4500008206	10/26/2016	San Diego Friction Products, Inc.	B140-BUS CHASSIS	2,667.84
4500008207	10/26/2016	Recaro North America Inc	B130-BUS BODY	376.66
4500008208	10/27/2016	Allied Refrigeration Inc	B250-BUS REPAIR PARTS	131.55
4500008209	10/27/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	6,287.04
4500008210	10/27/2016	CDW LLC	I110-INFORMATION TECH	1,323.61
4500008211	10/27/2016	MCAS Miramar Vet	G120-SECURITY	55.00
4500008212	10/27/2016	W.W. Grainger Inc	F110-SHOP/BLDG MACHINERY	131.68
4500008213	10/27/2016	HI-TEC Enterprises	R160-RAIL/LRV ELECTRICAL	2,171.20
4500008214	10/27/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,707.71
4500008215	10/27/2016	PKS Equipment & Engineering Inc	P130-EQUIP MAINT REPR SVC	5,965.44
4500008217	10/27/2016	Office Solutions	G200-OFFICE SUPPLIES	30.71

Purchase Orders				
PO Number	PO Date	Name	Material Group	PO Value
4500008218	10/27/2016	Soco Group Inc	A120-AUTO/TRUCK GASOLINE	2,005.76
4500008219	10/27/2016	The Gordian Group Inc	C130-CONSTRUCTION SVCS	2,180.82
4500008221	10/27/2016	Siemens Industry Inc	R220-RAIL/LRV TRUCKS	4,618.52
4500008222	10/27/2016	Kaman Industrial Technologies	G140-SHOP SUPPLIES	94.92
4500008223	10/27/2016	Steven Timme	C120-SPECIALTY CONTRACTOR	234.62
4500008224	10/27/2016	Knorr Brake Company	R220-RAIL/LRV TRUCKS	5,760.75
4500008225	10/27/2016	Maintex Inc	G170-LUBRICANTS	1,178.77
4500008226	10/27/2016	OneSource Distributors, LLC	G140-SHOP SUPPLIES	839.88
4500008227	10/27/2016	American Battery Corporation	M130-CROSSING MECHANISM	654.68
4500008228	10/27/2016	General Signals Inc	M130-CROSSING MECHANISM	3,766.56
4500008229	10/27/2016	Professional Contractors Supplies	G190-SAFETY/MED SUPPLIES	55.02
4500008230	10/27/2016	Westair Gases & Equipment Inc	G140-SHOP SUPPLIES	503.54
4500008232	10/27/2016	Robcar Corporation	G140-SHOP SUPPLIES	273.76
4500008233	10/27/2016	Penn Machine Company LLC	R220-RAIL/LRV TRUCKS	32,831.19
4500008234	10/27/2016	RR Donnelley and Sons Co	G230-PRINTED MATERIALS	1,802.53
4500008235	10/27/2016	BCP Systems Inc	G290-FARE REVENUE EQUIP	3,212.74
4500008236	10/27/2016	RR Donnelley and Sons Co	G230-PRINTED MATERIALS	4,981.82
4500008237	10/27/2016	Merrimac Petroleum Inc	A120-AUTO/TRUCK GASOLINE	22,437.52
4500008238	10/28/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	378.68
4500008239	10/28/2016	Transwest San Diego LLC	B250-BUS REPAIR PARTS	2,212.51
4500008240	10/28/2016	Gillig LLC	B250-BUS REPAIR PARTS	333.61
4500008241	10/28/2016	Tacos & Gorditas para sus Fiestas	P540-MAINTENANCE TRAINING	865.00
4500008242	10/28/2016	Genuine Parts Co	B250-BUS REPAIR PARTS	102.06
4500008243	10/28/2016	Gillig LLC	B130-BUS BODY	1,324.09
4500008244	10/28/2016	Mohawk Mfg & Supply Co	B140-BUS CHASSIS	2,682.00
4500008245	10/28/2016	Transwest San Diego LLC	B200-BUS PWR TRAIN EQUIP	280.09
4500008246	10/28/2016	W.W. Grainger Inc	A140-AUTO/TRUCK REPAIR	200.60
4500008247	10/28/2016	Tolar Manufacturing Co Inc	G300-GENERAL CAPITAL EQP	2,970.00
4500008248	10/28/2016	Vallen Distribution Inc.	G120-SECURITY	1,937.81
4500008249	10/28/2016	Soco Group Inc	A120-AUTO/TRUCK GASOLINE	2,175.31
4500008250	10/28/2016	Herzog Contracting Co	T150-TRACK, BRIDGES	13,614.07
4500008251	10/28/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,750.86
4500008252	10/28/2016	The Gordian Group Inc	T150-TRACK, BRIDGES	353.42
4500008253	10/28/2016	Sherri Cameron	R120-RAIL/LRV CAR BODY	3,755.35
4500008254	10/28/2016	M Power Truck & Diesel Repair	P210-NON-REV VEH REPAIRS	1,284.50
4500008255	10/28/2016	OneSource Distributors, LLC	M110-SUB STATION	534.30
4500008256	10/28/2016	Carlos Guzman Inc	G180-JANITORIAL SUPPLIES	1,895.08
4500008257	10/28/2016	Team One Repair Inc	G290-FARE REVENUE EQUIP	2,556.90
4500008258	10/28/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	659.93
4500008259	10/28/2016	West-Lite Supply Co Inc	M180-STATION ELECTRICAL	1,363.18
4500008260	10/28/2016	Transit Holdings Inc	B120-BUS MECHANICAL PARTS	6,167.00
4500008261	10/28/2016	CASEI	B250-BUS REPAIR PARTS	542.16
4500008262	10/28/2016	Soco Group Inc	A120-AUTO/TRUCK GASOLINE	22,082.36
4500008263	10/28/2016	Knorr Brake Company	R220-RAIL/LRV TRUCKS	14,006.32
4500008264	10/28/2016	Applied Industrial Technologies-CA	G160-PAINTS & CHEMICALS	335.59
4500008265	10/28/2016	Gillig LLC	B140-BUS CHASSIS	231.54
4500008266	10/28/2016	TK Services Inc	B200-BUS PWR TRAIN EQUIP	63.25
4500008267	10/28/2016	Mohawk Mfg & Supply Co	B140-BUS CHASSIS	271.68
4500008268	10/28/2016	Madden Construction Inc	C130-CONSTRUCTION SVCS	9,690.00
4500008269	10/31/2016	Body Beautiful Car Wash Inc	G120-SECURITY	255.00
4500008270	10/31/2016	Supreme Oil Company	A120-AUTO/TRUCK GASOLINE	1,646.06
4500008271	10/31/2016	Phil's BBQ	P480-EE MAINTENANCE	4,039.83
4500008272	10/31/2016	Sunroad Auto LLC	P210-NON-REV VEH REPAIRS	2,128.88
4500008273	10/31/2016	Team One Repair Inc	G290-FARE REVENUE EQUIP	1,512.53
4500008274	10/31/2016	Siemens Industry Inc	R220-RAIL/LRV TRUCKS	20,658.24
4500008275	10/31/2016	Siemens Industry Inc	R160-RAIL/LRV ELECTRICAL	29,088.72
4500008276	10/31/2016	R.S. Hughes Co Inc	F110-SHOP/BLDG MACHINERY	231.57
4500008277	10/31/2016	JKL Cleaning Systems	F110-SHOP/BLDG MACHINERY	62.64

Purchase Orders				
PO Number	PO Date	Name	Material Group	PO Value
4500008278	10/31/2016	Rush Truck Centers of California	B200-BUS PWR TRAIN EQUIP	593.70
4500008279	10/31/2016	Citywide Auto Glass Inc	B130-BUS BODY	172.81
4500008280	10/31/2016	Praxair Distribution Inc.	G130-SHOP TOOLS	66.29
4500008281	10/31/2016	Gillig LLC	B130-BUS BODY	3,071.36
4500008282	10/31/2016	Chromate Industrial Corporation	R160-RAIL/LRV ELECTRICAL	1,016.69
4500008283	10/31/2016	Harbor Diesel & Equipment	G170-LUBRICANTS	15,595.47
4500008284	10/31/2016	Transit Holdings Inc	B140-BUS CHASSIS	2,632.99
4500008285	10/31/2016	Cummins Pacific LLC	B200-BUS PWR TRAIN EQUIP	7,215.92
4500008286	10/31/2016	Mohawk Mfg & Supply Co	B130-BUS BODY	177.80
4500008287	10/31/2016	TK Services Inc	B120-BUS MECHANICAL PARTS	2,423.50
4500008288	10/31/2016	Transwest San Diego LLC	G140-SHOP SUPPLIES	52.64
4500008289	10/31/2016	Cummins Pacific LLC	B200-BUS PWR TRAIN EQUIP	2,556.24
4500008290	10/31/2016	San Diego Compressed Air Power LLC	F180-BUILDING MATERIALS	287.92
4500008291	10/31/2016	CASEI	F180-BUILDING MATERIALS	641.92
4500008292	10/31/2016	Freeby Signs	B250-BUS REPAIR PARTS	202.96
4500008293	10/31/2016	Gillig LLC	B250-BUS REPAIR PARTS	1,584.82
4500008294	10/31/2016	Transit Holdings Inc	B250-BUS REPAIR PARTS	2,418.54
4500008295	10/31/2016	Kaman Industrial Technologies	B120-BUS MECHANICAL PARTS	1,209.36
4500008296	10/31/2016	W.W. Grainger Inc	G140-SHOP SUPPLIES	47.53
4500008297	10/31/2016	FinishMaster Inc	G130-SHOP TOOLS	4,099.21
4500008298	10/31/2016	Jeyco Products Inc	G170-LUBRICANTS	346.15
4500008299	10/31/2016	Dimensional Silk Screen Inc	G230-PRINTED MATERIALS	540.68
4500008300	10/31/2016	Louis Sardo Upholstery Inc	P280-GENERAL SVC AGRMNTS	89,625.00
4500008301	10/31/2016	Staples Contract & Commercial Inc	G200-OFFICE SUPPLIES	2,438.93
4500008302	10/31/2016	UniFirst Corporation	C120-SPECIALTY CONTRACTOR	304.00
4500008303	10/31/2016	Steven Timme	G110-BUS/TROLLEY SIGNAGE	340.54
4500008304	10/31/2016	Transit Holdings Inc	B160-BUS ELECTRICAL	3,221.52
4500008305	10/31/2016	Industrial Maintenance Supply LLC	G150-FASTENERS	130.98
4500008306	10/31/2016	Charter Industrial Supply Inc	G140-SHOP SUPPLIES	109.84
4500008307	10/31/2016	Muncie Transit Supply	B160-BUS ELECTRICAL	487.91
4500008308	10/31/2016	Jeyco Products Inc	B140-BUS CHASSIS	44.74
4500008309	10/31/2016	Cintas Corporation No 2	C120-SPECIALTY CONTRACTOR	134.22
4500008310	10/31/2016	Transit Holdings Inc	B200-BUS PWR TRAIN EQUIP	2,695.11
4500008311	10/31/2016	Mohawk Mfg & Supply Co	B200-BUS PWR TRAIN EQUIP	328.04
4500008312	10/31/2016	Trentman Corporation	G110-BUS/TROLLEY SIGNAGE	40.08
4500008313	10/31/2016	Gillig LLC	B130-BUS BODY	1,119.66
4500008314	10/31/2016	W.W. Grainger Inc	G140-SHOP SUPPLIES	143.77
4500008315	10/31/2016	MCI Service Parts Inc	B130-BUS BODY	140.60
4500008316	10/31/2016	Golden State Supply LLC	G140-SHOP SUPPLIES	40.12
4500008317	10/31/2016	Robcar Corporation	G110-BUS/TROLLEY SIGNAGE	626.40
4500008318	10/31/2016	W.W. Grainger Inc	F120-BUS/LRV PAINT BOOTHS	329.71
4500008319	10/31/2016	United Refrigeration Inc	G170-LUBRICANTS	77.10
4500008320	10/31/2016	Cummins Pacific LLC	B130-BUS BODY	3,334.36
4500008321	10/31/2016	Home Depot USA Inc	G140-SHOP SUPPLIES	490.69
4500008322	10/31/2016	Genuine Parts Co	B250-BUS REPAIR PARTS	82.62
4500008323	10/31/2016	Lucerix International Corporation	B130-BUS BODY	309.64
4500008324	10/31/2016	Valley Power Systems Inc	B200-BUS PWR TRAIN EQUIP	1,921.63
4500008325	10/31/2016	Kidde Technologies Inc	G140-SHOP SUPPLIES	930.88
4500008326	10/31/2016	Transit Holdings Inc	B130-BUS BODY	2,505.17
4500008327	10/31/2016	Gillig LLC	B140-BUS CHASSIS	2,698.67
4500008328	10/31/2016	Zep Vehicle Care Inc	G180-JANITORIAL SUPPLIES	984.78
4500008329	10/31/2016	Mcmaster-Carr Supply Co	G140-SHOP SUPPLIES	100.25
4500008330	10/31/2016	PGH Wong Engineering Inc	C130-CONSTRUCTION SVCS	12,900.00
4500008331	10/31/2016	Carlson & Beauloye Machine Shop	R190-RAIL/LRV PANTOGRAPH	455.00
4500008332	10/31/2016	Annex Automotive and	F120-BUS/LRV PAINT BOOTHS	9,989.51
4500008333	10/31/2016	Pacific Rigging Loft Inc	G130-SHOP TOOLS	187.81
4500008334	10/31/2016	A.O. Reed & Co	P260-TESTING & ANALYSIS	160.00