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Agenda

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM AUDIT OVERSIGHT COMMITTEE

November 5, 2020

9:00 a.m.

Meeting will be held via webinar

To request an agenda in an alternative format or to request accommodations to facilitate meeting participation, please call the Clerk of the Board at least two working days prior to the meeting. Meeting webinar/teleconference instructions can be accessed at the following link:

<https://www.sdmts.com/about-mts-meetings-and-agendas/executive-committee>

ACTION RECOMMENDED

1. ROLL CALL

2. [APPROVAL OF MINUTES](#) – July 16, 2020

Approve

3. PUBLIC COMMENTS

COMMITTEE DISCUSSION ITEMS

4. [Draft of Fiscal Year 2020 Comprehensive Annual Financial Report \(CAFR\)](#)
[\(Erin Dunn with Ken Pun and Coley Delaney of the Pun Group\)](#)

Receive

Action would receive a draft of the Fiscal Year (FY) 2020 CAFR for review and discussion.

5. [Internal Audit Activity Update Report \(Toufic Tabshouri\)](#)

Informational

OTHER ITEMS

6. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

7. NEXT MEETING DATE: To be determined.

8. ADJOURNMENT

Please SILENCE electronics
during the meeting

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San Diego 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 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. MTS is also the For-Hire Vehicle administrator for nine cities.

DRAFT

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
AUDIT OVERSIGHT COMMITTEE
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

July 16, 2020

MINUTES

[Clerk's note: Except where noted, public, staff and board member comments are paraphrased. Note that the meeting was conducted via webinar to comply with public health orders].

1. ROLL CALL

Vice Chair Sotelo-Solis called the Audit Oversight Committee meeting to order at 9:02 a.m. A roll call sheet listing Audit Oversight Committee member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Arambula moved for approval of the minutes of the November 7, 2019, MTS Audit Oversight Committee meeting. Mr. Ward seconded the motion, and the vote was 4 to 0 in favor with Chair Fletcher absent.

3. PUBLIC COMMENTS

There were no Public Comments.

COMMITTEE DISCUSSION ITEMS

4. The Pun Group Engagement Letter for the Fiscal Year (FY) 2020 Audit (Erin Dunn)

Erin Dunn, MTS Controller, provided a brief update regarding The Pun Group Engagement Letter for FY 2020 Audit. Ms. Dunn noted that every year staff brings the audit Engagement Letter to the Audit Oversight Committee for their review. She noted that the letter is in the same form as the previous year with no differences.

Action Taken

No action taken.

5. Interim Audit (Erin Dunn and Coley Delaney of The Pun Group)

Ms. Dunn introduced Coley Delaney of The Pun Group to provide a report on the interim audit. Mr. Delaney discussed the scope of work; management responsibilities; auditor responsibilities; approach to the audit; planning and risk assessment details; and the implementation of new Governmental Accounting Standards Board (GASB) standards.

Action Taken

No action taken.

6. Internal Audit Activity Update Report (Toufic Tabshouri)

Toufic Tabshouri, Internal Auditor, provided a presentation on the internal audit activity. He reviewed the details of recent completed audits; audits in process; risk assessment and audit selections; tentative audits for calendar year 2021; and other activities and initiatives.

Mr. Arambula commented about the risk management and public liability claims audit. He noted he would be recommending in the future for staff to determine if it would be beneficial to retain a third party administrator to help reduce costs.

Action Taken

No action taken.

OTHER ITEMS

7. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no Committee Member communications.

8. NEXT MEETING DATE

The next Audit Oversight Committee meeting will be determined.

9. ADJOURNMENT

Vice Chair Sotelo-Solis adjourned the meeting at 9:31 a.m.

Chairperson

Attachment: Roll Call Sheet

AUDIT OVERSIGHT COMMITTEE
SAN DIEGO METROPOLITAN TRANSIT SYSTEM

ROLL CALL

MEETING OF (DATE) July 16, 2020

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

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 9:31 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ARAMBULA	<input checked="" type="checkbox"/> (Hall) <input type="checkbox"/>	9:00 a.m.	9:31 a.m.
FLETCHER (Chair)	<input type="checkbox"/> (Cox) <input type="checkbox"/>		
SALAS	<input checked="" type="checkbox"/> (Sandke) <input type="checkbox"/>	9:00 a.m.	9:31 a.m.
SOTELO-SOLIS	<input checked="" type="checkbox"/> (Vice Chair – no alternate)	9:00 a.m.	9:31 a.m.
WARD	<input checked="" type="checkbox"/> (Montgomery) <input type="checkbox"/>	9:00 a.m.	9:31 a.m.

SIGNED BY THE CLERK OF THE BOARD:

for Julia Turner

CONFIRMED BY THE GENERAL COUNSEL:

Kelli Cord



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Agenda Item No. 4

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM AUDIT OVERSIGHT COMMITTEE

November 5, 2020

SUBJECT:

DRAFT OF FISCAL YEAR 2020 COMPREHENSIVE ANNUAL FINANCIAL REPORT
(CAFR) (ERIN DUNN WITH KEN PUN AND COLEY DELANEY OF THE PUN GROUP)

RECOMMENDATION:

That the Audit Oversight Committee receive a draft of the Fiscal Year (FY) 2020 CAFR for review and discussion.

Budget Impact

None.

DISCUSSION:

The Finance Department presents for review and discussion the FY 2020 CAFR.

As of this distribution date, staff expects no material changes to the financial report with the following exceptions:

1. Formatting and final proofreading.
2. Note 14, Subsequent Events, is subject to change until the report is published.

Key financial highlights for the year can be found in the Management's Discussion and Analysis included in the CAFR. Ken Pun and Coley Delaney from The Pun Group will be present to provide comments regarding the external audit and draft financial report.

/S/ Sharon Cooney _____
Sharon Cooney
Chief Executive Officer

Key Staff Contact: Julia Tuer, 619.557.4515, Julia.Tuer@sdmts.com

Attachment: A. FY 2020 CAFR Draft





Comprehensive Annual Financial Report

for the Fiscal Years Ended
June 30, 2020 and 2019

San Diego, California



Metropolitan Transit System



A-1

DRAFT 10-26-2020 IL

San Diego Metropolitan Transit System

San Diego, California

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

For the Years Ended June 30, 2020 and 2019

PREPARED BY SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINANCE DEPARTMENT

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San Diego Metropolitan Transit System

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San Diego Metropolitan Transit System

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INTRODUCTORY SECTION

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Board of Directors and Transit Riders
San Diego Metropolitan Transit System

The comprehensive annual financial report of the San Diego Metropolitan Transit System (MTS) for the fiscal years ended June 30, 2020 and 2019 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 comprehensive 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, 2020 and 2019 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, 2020 and 2019 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 was also designed to meet the requirements of a broader, federally mandated "Single Audit" and 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 ten 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 four Light Rail Transit (LRT) routes: the UC San Diego Blue Line from the America Plaza Station to San Ysidro at the International Border, the Orange Line from the Courthouse station through Centre City and then east to El Cajon, the Sycuan Green Line from the 12th and Imperial Transit Center Bayside platform to Santee and the SDG&E Silver Line that makes stops along the downtown loop using three restored vintage cars from the 1940's and 1981. SDTI operates on a total of 54.3 miles of track. SDTC operates 27 routes with an active fleet of 276 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 76 fixed-route bus lines and paratransit services with an active fleet of 508 buses. The contracts require full operation and maintenance of the bus services. Contract services are accounted for in the MTS - 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 UC San Diego Blue Line (downtown San Diego south to San Ysidro) and Orange Line (downtown San Diego east to El Cajon) trolley segments. MTS provides no subsidy to SDIV, but does receive a portion of its gross revenue. SD&AE is considered a blended component unit for financial reporting purposes.

MTS is financially accountable for the operation of Taxicab Administration and currently has contracts with the following cities through June 30, 2024: San Diego, National City, El Cajon, Imperial Beach, La Mesa, Lemon Grove, Poway, Santee and Chula Vista. 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 City of San Diego (the Mayor of San Diego and three San Diego City Council Members), two appointed from the City of Chula Vista (the Mayor of Chula Vista and a Chula Vista City Council Member), one appointed from each City Council of Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, and Santee, and one appointed from the San Diego County Board of Supervisors.

ECONOMIC CONDITION AND OUTLOOK

San Diego's economy was significantly impacted by response to the global COVID-19 pandemic beginning in March 2020. While we anticipate the effects to last for several years, with the stay at home orders being lifted, we do hope to see some short term improvements. Industries projected to lead the region's growth include Biotech and Healthcare which were not severely impacted by the pandemic. However, hospitality and tourism is a significant source of income for the local economy and that took a big hit in 2020. San Diego's gross domestic product (GDP), accounted for 8.1% of California's GDP at \$219.4 billion, up from 202.0 billion in 2018. Although 2019 closed with an increase in annual growth, 2020 is projected to decline 5% in quarter one, 7.5% in quarter two and 1.25% in quarter three. The unemployment rate was 13.9% in June 2020. Due to COVID-19, this is notably higher than the 3.1% average for the first half of fiscal year 2020, 3.3% in 2019 and 3.3% in 2018. San Diego continues to compare favorably to the unemployment rate in California but slightly higher than the national average.

Long-term financial planning

The long-term goal of MTS is to fund operations solely with recurring revenues, but for the next few years that will not be the case. The global COVID-19 pandemic continues to have a dramatic effect on MTS operations. Over the last four months of the fiscal year, MTS lost \$16 million of passenger fare revenue, from a pre-pandemic forecast of \$31.6 million to actual revenues of \$15.6 million, a reduction of 51%. For FY21, the approved budget assumed a 46% reduction in fare revenues compared to the pre-pandemic run rate. The pandemic will also impact sales tax receipts throughout California, which impacts subsidy revenue available to MTS from both TDA and funds. While that impact was muted for FY20 due to the lag in cash receipts being distributed by the state, the FY21 budget assumes a drop of 17% or \$23 million. State Transit Assistance (STA) funding is also expected to drop from \$30 million to approximately \$17 million, a 43% reduction. On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provided \$25 billion to the transit industry nationwide. MTS was apportioned \$220 million in CARES Act funding, which will be utilized over multiple fiscal years to supplement lost revenues and increased expenses related to the pandemic. For FY20, \$17.9 million was used to supplement lost revenues. The FY21 approved budget assumes another \$101.5 million of CARES will be utilized, leaving a balance of approximately \$100 million for future fiscal years. At this point, the pandemic's effects on passenger fare and sales tax generated revenues are expected to continue into FY23. Additionally, MTS has a contingency reserve balance of 12.7% of the operating budget at its disposal.

Major Initiatives

MTS commissioned the Fermanian Business & Economic Institute at Pt. Loma Nazarene University to conduct a study based on economic data from the fiscal year ending in June 2018. Fermanian specializes in economic studies that discover insights that affect change for organizations around the globe. The report concluded that MTS outperforms the transit systems of the other 15 largest metropolitan areas in the U.S., with highest cost recovery and lowest rider costs. Every dollar the public had invested in MTS, the public received \$2.82 in the form of jobs, infrastructure investment, productivity gains, environmental benefits and money saved by riders. MTS generated \$1 billion in positive economic impact for the region, \$625 million in total personal income, reduced greenhouse gas emissions equivalent to 403 million fewer car miles driven and is a major economic gateway between Mexico and San Diego providing 19,000 bus and trolley trips for U.S.-Mexico workers.

On September 1, 2019, a new fare structure for the San Diego region went into effect and was the first fare change since 2009. The most significant changes include:

- Addition of a \$3 Day Pass for Seniors/Disabled/Medicare (SDM) and Youth riders for non-premium services
- Increase the Adult Day Pass from \$5 to \$6
- Reduce the monthly discounted pass price for Youth from \$36 to \$23 for non-premium services
- Increase the monthly discounted pass price for SDM passengers from \$18 to \$23 for non-premium services
- Increase the minimum age for senior discounts from 60 to 65 years (people born on or before Sept. 1, 1959 will remain eligible for reduced fares)
- Create a single one-way fare price (\$2.50) for non-premium services
- Elimination of free Trolley transfers to align with bus fare policy

In another effort to spur ridership, MTS held its second Free Ride Day on Wednesday, October 2, 2019. MTS recorded more than 100,000 additional riders than on the same Wednesday the prior year. MTS ridership increased by 30 percent and logged a total of 391,359 passenger trips on Free Ride Day. The success of the day was due, in part, to the extensive partnerships across the county. All cities, the county, large employers, the Navy and universities worked in concert to encourage ridership. The day was held in conjunction with California Clean Air Day and the San Diego Association of Government's Rideshare Week. The North County Transit District also provided free rides on the day. Lyft rideshare and Bird scooters offered discounts to transit riders for first and last mile services, as well.

For most of FY19 and through March of 2020, MTS conducted an aggressive marketing campaign to increase system wide ridership in conjunction with the agency's investment in additional frequency and span on highly utilized routes. The efforts were paying off. At the end of February, 2020, eight months into FY20, ridership was up 3.2% for bus and 3.9% for Trolley, or a total of about 2 million more trips. Ridership for FY20 was on its way to break a three-year downward trend before ridership plummeted due to stay-at-home orders for COVID-19. Calendar year 2019 ridership was 86.5 million, an increase of 1.4% over the calendar year 2018 totals of 85.3 million despite the fare increase in September 2019.

As part of this ridership review and ease of use of the system, MTS had undertaken an initiative of upgrading the region's current fare collection system. MTS hired INIT (Innovations in Transportation, Inc.) to develop and implement the region's new fare collection system. INIT has implemented the highly successful HOP system for TriMet in Portland, Oregon. This new fare system will allow MTS to keep pace with technologies riders want, such as guaranteed best fare based on the number of trips, real-time account management and much more. MTS is in the final stages of branding this new fare collection system and will begin introducing it publicly in the second half of 2020. The Compass Card system will be phased out, and the new system will be branded as PRONTO. It will include all new hardware and MTS will sell fares at hundreds of retail outlets (not at just the 50 Vons/Albertsons locations available today). The new fare collection system will be phased in beginning early 2021, and it will become fully operational by the end of the year.

Over the last decade, MTS has made funding the Capital Improvement Plan (CIP) a priority to bring the system up to a state of good repair, with almost \$900 million of funding spent on Capital. MTS and SANDAG completed the rehabilitation of the UC San Diego Blue Line and replaced both the East County and South Bay Bus facilities. The bus fleet replacement plan has been adjusted to keep the number of buses replaced to a manageable figure each year. The U2 light rail vehicle (LRV) fleet has been replaced and the replacements for the 2000 vehicle series (SD100 fleet), which are now nearing 25-years old, begin arriving in the spring of 2021. This will be the final step for MTS to become 100% low-floor across the entire Trolley fleet. MTS has committed \$100 million for CIP in FY21, funding 45 projects focused on fleet replacement and maintaining a state of good repair.

The 11-mile extension of the UC San Diego Blue Line, named the Mid-Coast Corridor Transit Project (Mid-Coast) is also currently under construction from the Old Town Transit Center to the University City community. It will feature nine new stations, serving major activity centers such as the Veterans Administration Medical Center, UCSD, and Westfield UTC. The project is funded by SANDAG and the Federal Transit Administration (FTA) New Starts Program. The project remains on track and Mid-Coast is anticipated to begin service in November 2021.

MTS has a long record for having one the greenest fleets in the nation. This year, it became a little greener with the launch of the region's first Zero-Emission Bus (ZEB) Pilot Program in November 2019. MTS has acquired eight zero emission electric battery buses, six of which are from New Flyer and two from Gillig. The electric buses have an average estimated range of 150 miles per charge and many MTS bus routes are 150 miles or less, making them appropriate for this pilot program. The pilot program will allow MTS to gather operational knowledge of these new technologies in advance of a full system rollout. The Innovative Clean Transit (ICT) rule passed in December of 2018 by the California Air Resources Board (CARB) mandated purchase requirements of ZEBs for transit operators with fleets larger than 100 buses starting in 2023. The ICT requires transit agencies to submit a Rollout Plan to CARB to indicate compliance with the ZEB purchase mandate. The Rollout Plan approved by the MTS Board details the fleet conversion process through 2040. It is expected this program will require an additional \$850 million in funding over the existing natural gas fleet plan in order for MTS to be compliant with ICT.

AWARDS AND ACKNOWLEDGMENTS



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, 2019. This was the fourteenth consecutive year and the twenty-fourth 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.

Sharon Cooney
Chief Executive Officer

Larry Marinesi
Chief Financial Officer

October XX, 2020

Dedication to Paul Jablonski, former Chief Executive Officer of MTS

A special acknowledgment is due to Paul Jablonski, the Chief Executive Officer of MTS from 2004 until his passing in May 2020. Mr. Jablonski's commitment to fiscal responsibility was instilled into the entire MTS organization. The agency's record of producing award-winning CAFRs is just one manifestation of its overall excellence. CAFRs tell the MTS story in numbers each year. From these numbers, people can see the agency's dedication to operational efficiency. From the capital budget, you can understand its commitment to a State of Good Repair. The numbers, however, are just one way to appreciate the bottom line. For Mr. Jablonski, the real bottom-line was hard work, integrity, and loyalty. By expecting this from all MTS employees – and by the employees giving it their all to meet his expectations – Mr. Jablonski knew that excellence would be the result. The success of his approach is undeniable. MTS has been judged perfect by many independent audits. By almost any metric, the agency is one of the best-run agencies in North America. He was immensely proud of those achievements. More so, he was proud of the people who helped realize his vision. Mr. Jablonski was a true champion of transit, and his 40-plus-years career in transit benefited the entire industry. As a result, Mr. Jablonski was inducted into the American Public Transportation Association's Hall of Fame this year. Of course, Mr. Jablonski will be missed, but we know that his legacy will live on at MTS. And it is to that legacy that we dedicate this CAFR.

PAUL JABLONSKI



San Diego Metropolitan Transit System

Listing of Board of Directors and Management

BOARD OF DIRECTORS

Members	Board position (elected position)
Nathan Fletcher	Chair, since 1/20; Board Member, since 1/19 (Supervisor, County Board of Supervisors)
Alejandra Sotelo-Solis	Vice Chair, since 1/20; Board Member, since 11/19 (Mayor, National City)
Paloma Aguirre	Board Member, since 12/18 (Councilmember, City of Imperial Beach)
David Arambula	Board Member, since 1/17 (Councilmember, City of Lemon Grove)
Kevin Faulconer	Board Member, since 1/18 (Mayor, City of San Diego)
Caylin Frank	Board Member, since 12/18 (Councilmember, City of Poway)
Jill Galvez	Board Member, since 1/19 (Councilmember, City of Chula Vista)
Georgette Gómez	Board Member, since 1/17 (Council President, City of San Diego)
Ronn Hall	Board Member, since 5/17 (Councilmember, City of Santee)
Bob McClellan	Board Member, since 4/08 (Councilmember, City of El Cajon)
Monica Montgomery	Board Member, since 12/18 (Councilmember, City of San Diego)
Mary Salas	Board Member, since 2/13 (Mayor, City of Chula Vista)
Bill Sandke	Chair Pro Tem, since 1/20, Board Member, since 1/17 (Councilmember, City of Coronado)
Chris Ward	Board Member, since 12/18 (Councilmember, City of San Diego)
Akilah Weber	Board Member, since 1/20 (Councilmember, City of La Mesa)

BOARD COMMITTEE MEMBERSHIP

Executive Committee	Accessible Services Advisory Committee	Airport Authority Advisory Committee	Public Security Committee
Nathan Fletcher, Chair	Alejandra Sotelo-Solis	Bill Sandke	Monica Montgomery, Chair
Alejandra Sotelo-Solis		Ronn Hall	Paloma Aguirre
David Arambula			David Arambula
Mary Salas			Jill Galvez
Chris Ward			Bill Sandke
			Akilah Webber
Audit Oversight Committee	Budget Development Committee	Los Angeles-San Diego Rail Corridor Agency	Taxicab Advisory Committee
Nathan Fletcher, Chair	Mary Salas, Chair	Caylin Frank	Chris Ward
Alejandra Sotelo-Solis	David Arambula	Bill Sandke	
David Arambula	Kevin Faulconer		
Mary Salas	Nathan Fletcher		
Chris Ward	Bill Sandke		
SANDAG Board	SANDAG Regional Planning Committee	SANDAG Transportation Committee	
Paloma Aguirre	Jill Galvez	Alejandra Sotelo-Solis	
Bill Sandke		Ronn Hall	

San Diego Metropolitan Transit System

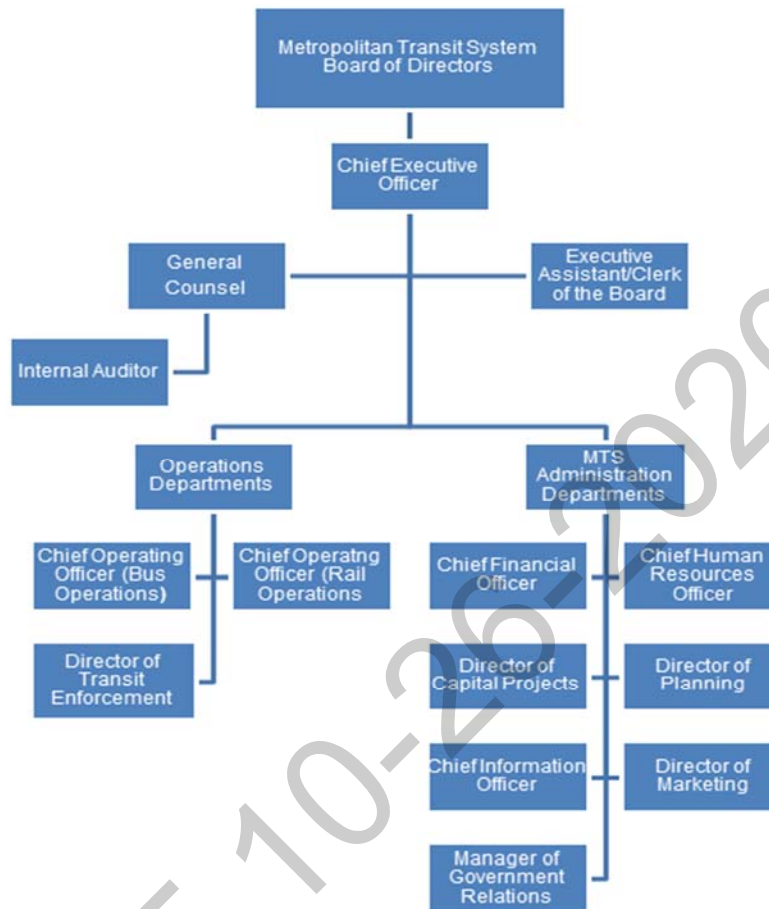
Listing of Board of Directors and Management (Continued)

MIS MANAGEMENT

Staff	Position
Sharon Cooney	Chief Executive Officer
Karen Landers	General Counsel
Larry Marinesi	Chief Financial Officer
Mike Wygant	Chief Operating Officer, Transit Systems
E. Wayne Terry	Chief Operating Officer, Rail
Jeff Stumbo	Chief Human Resources Officer
Karun Kapur	Chief Information Officer
Denis Desmond	Director, Planning
Robert Schupp	Director, Marketing and Communications
Heather Furey	Director, Capital Projects
<i>Current Opening</i>	Director, Transit Enforcement
Julia Tuer	Manager of Government Relations

San Diego Metropolitan Transit System

Executive Level Organization Chart



San Diego Metropolitan Transit System

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Government Finance Officers Association

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Presented to

**San Diego Metropolitan Transit System
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

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, 2020 and 2019, 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 basic 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.

Auditors' Responsibility

Our responsibility is to express opinions 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, 2020 and 2019, 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.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability and Related Ratio, Schedules of Changes in Net Pension Liability and Related Ratios, Schedules of Contributions – Pension Plans, and Schedules of Changes in Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **October XX, 2020**, 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.

October XX, 2020

San Diego Metropolitan Transit System Management's Discussion and Analysis June 30, 2020 and 2019

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, 2020 and 2019. This information should be used in conjunction with the Letter of Transmittal, which can be found on pages i through v of this report.

Financial Highlights

- Net position, as reported in the statement of net position, totaled \$1,863 million as of June 30, 2020, \$1,770 million as of June 30, 2019 and \$1,735 million as of June 30, 2018. Of this amount, \$(12) million was the unrestricted deficit as of June 30, 2020, \$(53) million was the unrestricted deficit as of June 30, 2019 and \$(55) million was the unrestricted deficit as of June 30, 2018. Total net position increased by \$93 million in the current year and increased by \$35 million in the prior year. The current year increase is primarily due to a \$119 million in contributed capital from SANDAG.
- For the year ended June 30, 2020, 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 28.05% compared to 34.21% for the year ended June 30, 2019 and 33.33% for the year ended June 30, 2018. The current year decrease is primarily due to an decrease in passenger revenue related to Covid-19 and increase in risk management costs.

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, 2020 and 2019

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 net pension liability and net other post-employment benefits liability for 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 \$1,863 million at the close of the most recent fiscal year and \$1,770 million at the end of FY2019.

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 and deferred inflows and outflows of resources (Net Investment in Capital Asset). Most of the investment in capital assets is comprised of trolley system assets, buses, and construction-in-progress totaling \$64 million, of which the largest projects are the replacement of our SD100 Light Revenue Vehicles and the new Fare System project, at \$26.9 and \$11.2 million respectively. Prior year construction-in-progress totaled \$42 million, of which the largest projects were the Courthouse trolley station and the Transit Asset Management project, at \$12.8 and \$9.7 million respectively. 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 FY2020, MTS transferred completed projects worth \$33.0 million to SDTC, SDTI and MTS - Contracted Services compared to \$60.2 million in FY2019.

The balance in the unrestricted component of net position increased by \$41.1 million during the current year and increased by \$2.2 million in the prior year. Total assets increased by \$87 million primarily due to capital assets increasing by \$51 million and due from other governments increasing by \$23 million. In FY2019, total assets increased by \$79 million. In the current fiscal year, total liabilities decreased by \$1 million primarily due to a decrease in accounts payable of \$9 million and a decrease in unearned revenue of \$8 million offset by an increase in pension liability of \$16 million. In the previous year, total liabilities increased by \$29 million.

	2020	2019	Change	2018	Change
Current and other assets	\$ 294,393,551	\$ 258,548,635	\$ 35,844,916	\$ 215,737,517	\$ 42,811,118
Capital assets	1,874,319,606	1,823,323,569	50,996,037	1,787,009,020	36,314,549
Total assets	2,168,713,157	2,081,872,204	86,840,953	2,002,746,537	79,125,667
Deferred outflows of resources	44,104,664	39,436,807	4,667,857	54,287,513	(14,850,706)
Current and other liabilities	75,101,849	91,121,531	(16,019,682)	57,240,387	33,881,144
Long-term liabilities outstanding	266,405,664	251,475,903	14,929,761	256,544,202	(5,068,299)
Total liabilities	341,507,513	342,597,434	(1,089,921)	313,784,589	28,812,845
Deferred inflows of resources	8,796,023	8,736,010	60,013	8,303,149	432,861
Net position:					
Net investment in capital assets	1,874,319,606	1,822,922,233	51,397,373	1,785,807,650	37,114,583
Restricted	218,452	212,422	6,030	4,545,522	(4,333,100)
Unrestricted (deficit)	(12,023,773)	(53,159,088)	41,135,315	(55,406,860)	2,247,772
Total net position	\$ 1,862,514,285	\$ 1,769,975,567	\$ 92,538,718	\$ 1,734,946,312	\$ 35,029,255

San Diego Metropolitan Transit System
Management's Discussion and Analysis (Continued)
June 30, 2020 and 2019

The decreases in operating revenue is attributable to a decrease in passenger revenue of \$13 million due to the Covid-19 pandemic. Variances between FY2020 and FY2019 nonoperating revenues are attributable to a significant increase in Federal revenue due to \$18 million in CARES Act revenue, \$28 million increase in State Revenue and \$18 million in Other Local Subsidies. Operating expenses increased due to risk management increasing by \$5.7 million along with depreciation expense increasing by \$4.0 million and slight increases in personnel costs and outside services.

	2020	2019	Change	2018	Change
Revenues:					
Operating revenues:					
Passenger revenue	\$ 79,531,924	\$ 92,225,166	\$ (12,693,242)	\$ 90,235,809	\$ 1,989,357
Other operating revenue	21,193,172	20,434,869	758,303	18,535,281	1,899,588
Nonoperating revenues:					
Federal revenue	90,452,130	66,068,502	24,383,628	86,930,893	(20,862,391)
Transportation Development Act	105,032,033	96,654,680	8,377,353	94,111,445	2,543,235
State Transit Assistance	28,595,958	32,382,645	(3,786,687)	21,680,915	10,701,730
State revenue - other	29,636,442	1,828,998	27,807,444	4,886,993	(3,057,995)
TransNet funds	40,315,353	45,550,475	(5,235,122)	40,195,362	5,355,113
Other nonoperating revenue	22,275,984	659,457	21,616,527	5,623,649	(4,964,192)
Total revenues	417,032,996	355,804,792	61,228,204	362,200,347	(6,395,555)
Expenses:					
Operating expenses	443,146,547	426,696,248	16,450,299	423,132,790	3,563,458
Nonoperating expenses	572,738	671,402	(98,664)	809,318	(137,916)
Total expenses	443,719,285	427,367,650	16,351,635	423,942,108	3,425,542
Increase (decrease) in net position before capital contributions	(26,686,289)	(71,562,858)	44,876,569	(61,741,761)	(9,821,097)
Capital contributions	119,225,007	106,592,113	12,632,894	99,550,659	7,041,454
Increase (decrease) in net position	92,538,718	35,029,255	57,509,463	37,808,898	(2,779,643)
Net position:					
Beginning of year	1,769,975,567	1,734,946,312	35,029,255	1,697,137,414	37,808,898
End of year	<u>\$1,862,514,285</u>	<u>\$1,769,975,567</u>	<u>\$ 92,538,718</u>	<u>\$1,734,946,312</u>	<u>\$ 35,029,255</u>

San Diego Metropolitan Transit System
Management's Discussion and Analysis (Continued)
June 30, 2020 and 2019

Capital Asset and Debt Administration

Capital assets. MTS's investment in capital assets net of accumulated depreciation as of June 30, 2020 and 2019 amounted to \$1,874 million and \$1,823 million, respectively. 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 FY2020, MTS placed 12 new buses into service totaling \$7.6 million.
- MTS completed the Courthouse Trolley Station project at a total cost of \$12.0 million as well as the ERP and Transit Asset Management Project for \$9.8 million.
- Completed capital projects totaling \$119 million were transferred from SANDAG to MTS and its component units during FY2020, of which \$107 million were 26 light rail vehicles (LRVs).

CAPITAL ASSETS
 (Net of Accumulated Depreciation)

	2020	2019	2018
Land	\$ 256,909,683	\$ 256,922,883	\$ 256,922,883
Buildings	1,002,480,694	1,041,617,309	996,361,733
Vehicles	504,332,108	437,802,630	432,560,716
Equipment & other	46,932,431	45,059,343	48,553,881
Construction-in-progress	63,664,690	41,921,404	52,609,807
Total	<u>\$ 1,874,319,606</u>	<u>\$ 1,823,323,569</u>	<u>\$ 1,787,009,020</u>

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

Long-term debt. MTS has one finance obligation outstanding relating to Pension Obligation Bonds issued in fiscal year 2005 for a total obligation of \$10.4 million.

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 "A+", a higher rating than the "AA-" that was received in 2019. 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

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San Diego Metropolitan Transit System**Statements of Net Position****June 30, 2020 and 2019**

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 104,119,654	\$ 98,640,856
Cash and cash equivalents restricted for capital support	20,127,449	22,690,668
Accounts and other receivables	11,694,833	10,663,281
Due from other governments	125,312,461	102,071,466
Inventory	27,858,581	20,747,837
Prepaid items and other current assets	5,280,573	3,734,527
Total current assets	294,393,551	258,548,635
Noncurrent assets:		
Capital assets, net of accumulated depreciation	1,874,319,606	1,823,323,569
Total noncurrent assets	1,874,319,606	1,823,323,569
Total assets	2,168,713,157	2,081,872,204
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows of resources	41,198,030	38,028,421
OPEB-related deferred outflows of resources	2,906,634	1,408,386
Total deferred outflows of resources	44,104,664	39,436,807
LIABILITIES		
Current liabilities:		
Accounts payable	20,457,121	29,425,726
Due to other governments	2,343,547	6,908,807
Unearned revenue	24,143,533	32,259,264
Accrued expenses	5,291,408	3,114,362
Retentions payable	8,947,830	5,446,937
Due within one year:		
Compensated absences	6,748,487	6,049,951
Accrued damage, injury, and employee claims	4,479,923	4,998,412
Long-term debt, current portion	2,690,000	2,918,072
Total current liabilities	75,101,849	91,121,531
Noncurrent liabilities:		
Due in more than one year:		
Compensated absences	4,258,619	4,808,050
Accrued damage, injury, and employee claims	11,971,359	10,838,239
Long-term debt	7,665,000	10,355,000
Aggregate net pension liability	194,191,281	178,363,411
Aggregate total OPEB liability	48,319,405	47,111,203
Total noncurrent liabilities	266,405,664	251,475,903
Total liabilities	341,507,513	342,597,434
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on debt refunding related to capital assets	-	38,264
Pension-related deferred inflows of resources	3,646,565	5,306,122
OPEB-related deferred inflows of resources	5,149,458	3,391,624
Total deferred inflows of resources	8,796,023	8,736,010
NET POSITION		
Net investment in capital assets	1,874,319,606	1,822,922,233
Restricted for capital assets	218,452	212,422
Unrestricted (deficit)	(12,023,773)	(53,159,088)
Total net position	\$ 1,862,514,285	\$ 1,769,975,567

San Diego Metropolitan Transit System
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues:		
Passenger revenue	\$ 79,531,924	\$ 92,225,166
Advertising	2,027,212	1,604,025
Miscellaneous	19,165,960	18,830,844
Total operating revenues	<u>100,725,096</u>	<u>112,660,035</u>
Operating Expenses:		
Personnel costs	149,331,486	146,005,624
Outside services	110,590,408	107,845,799
Transit operations funding	522,959	498,181
Materials and supplies	14,274,837	12,926,523
Energy costs	28,587,068	28,784,063
Risk management	7,857,880	2,183,096
Miscellaneous	5,011,017	5,446,266
Depreciation	126,970,892	123,006,696
Total operating expenses	<u>443,146,547</u>	<u>426,696,248</u>
Operating (Loss)	<u>(342,421,451)</u>	<u>(314,036,213)</u>
Public Support and Nonoperating Revenues (Expenses):		
Federal revenue	90,452,130	66,068,502
Transportation Development Act (TDA) funds	105,032,033	96,654,680
State Transit Assistance (STA) funds	28,595,958	32,382,645
State revenue - other	29,636,442	1,828,998
<i>TransNet</i> funds	40,315,353	45,550,475
Other local subsidies	18,673,163	1,058,481
Investment earnings	1,360,307	1,952,467
Interest expenses	(572,738)	(671,402)
Gain (Loss) on disposal of assets	2,242,514	(2,351,491)
Total public support and nonoperating revenues (expenses)	<u>315,735,162</u>	<u>242,473,355</u>
(Loss) Before Contributed Capital	(26,686,289)	(71,562,858)
Contributed capital, net	<u>119,225,007</u>	<u>106,592,113</u>
Changes in Net Position	92,538,718	35,029,255
Net Position:		
Beginning of year	1,769,975,567	1,734,946,312
End of year	<u><u>\$ 1,862,514,285</u></u>	<u><u>\$ 1,769,975,567</u></u>

San Diego Metropolitan Transit System
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 100,241,897	\$ 113,620,347
Payments to suppliers	(162,047,347)	(153,840,907)
Payments to employees	(134,104,418)	(132,594,038)
Payments for damage and injury	(3,240,586)	(1,478,061)
Net cash (used in) operating activities	(199,150,454)	(174,292,659)
Cash Flows From Noncapital Financing Activities:		
Public support funds received	281,544,918	252,016,258
Net cash provided by noncapital financing activities	281,544,918	252,016,258
Cash Flows From Capital and Related Financing Activities:		
Debt service costs	(3,519,997)	(3,865,578)
Property acquisition	(79,977,392)	(55,892,229)
Proceeds from disposal of assets	2,106,103	122,231
Net cash (used in) capital and related financing activities	(81,391,286)	(59,635,576)
Cash Flows From Investing Activities:		
Interest received on investments	1,912,401	1,408,439
Net cash provided by investing activities	1,912,401	1,408,439
Net increase in cash and cash equivalents	2,915,579	19,496,462
Cash and Cash Equivalents:		
Beginning of year	121,331,524	101,835,062
End of year	<u>\$ 124,247,103</u>	<u>\$ 121,331,524</u>
Reconciliation of Cash and Cash Equivalents to Statements of Net Position:		
Cash and cash equivalents	\$ 104,119,654	\$ 98,640,856
Cash and cash equivalents restricted for capital support	20,127,449	22,690,668
Total cash and cash equivalents	<u>\$ 124,247,103</u>	<u>\$ 121,331,524</u>

San Diego Metropolitan Transit System
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of Operating (Loss) to Net Cash (Used In) Operating Activities:		
Operating (loss)	\$ (342,421,451)	\$ (314,036,213)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	126,970,892	123,006,696
(Increase) decrease in:		
Accounts and other receivables	(1,031,552)	(1,232,070)
Due from other governments	660,612	799,454
Inventory	(446,418)	(2,501,534)
Prepaid items and other current assets	(1,546,046)	(82,506)
Increase (decrease) in:		
Accounts payable	2,088,712	3,960,874
Due to other governments	355,043	(487,022)
Accrued expenses	2,177,046	123,596
Unearned revenue	(68,978)	1,482,067
Aggregate net pension liability	13,044,967	11,598,598
Aggregate total OPEB liability	1,532,245	1,517,653
Compensated absences	149,105	104,247
Accrued damage, injury and employee claims	(614,631)	1,453,501
Total adjustments	143,270,997	139,743,554
Net cash (used in) operating activities	\$ (199,150,454)	\$ (174,292,659)
Noncash investing, capital, and financing activities:		
Contributions of capital assets and inventory parts from SANDAG	\$ 119,225,007	\$ 106,592,113
Increase in fair value of investments	\$ 208,862	\$ 59,251

NOTES TO BASIC FINANCIAL STATEMENTS

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San Diego Metropolitan Transit System
Index to the Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

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San Diego Metropolitan Transit System
Notes to Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

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 City of San Diego (the Mayor and three Council Members), two appointees from the City of Chula Vista (the Mayor and one Council Member), one appointee from the cities of Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, and Santee, and one appointee from the San Diego County Board of Supervisors.

On January 1, 2003, California Senate Bill 1703 (SB 1703) became effective. SB 1703 required the consolidation of the planning and programming functions of MTS and the North County Transit District (NCTD) into the San Diego Association of Governments (SANDAG) in an initial transfer to take place prior to July 1, 2003. SB 1703 also required the consolidation of certain project development and construction functions of MTS and NCTD into SANDAG in a subsequent transfer to take place prior to January 30, 2004. The initial transfer occurred on July 1, 2003, and the subsequent transfer occurred on October 13, 2003. With these actions, employees were transferred from MTS and NCTD to SANDAG, and certain planning, development, and construction functions were also transferred. As a result, MTS's activities since the consolidation have been focused on operating public transit systems in the urbanized area identified above. In addition to the consolidation required by SB 1703, MTS dissolved the independent Board of Directors of San Diego Transit Corporation (SDTC) and Board of Directors of San Diego Trolley, Inc. (SDTI). MTS now acts as the Board of Directors for all three agencies: MTS, SDTC, and SDTI. Beginning in FY2004, SDTC and SDTI are presented as blended component units.

These basic financial statements present MTS and its legally separate component units, entities for which MTS is considered to be financially accountable. Because MTS appoints a majority of the component units' boards of directors, the boards are substantively the same, and MTS is able to impose its will on the component units, MTS presents blended component units. Blended component units, although legally separate entities, are, in substance, part of MTS's operations.

Included within the reporting entity as blended component units:

San Diego Transit Corporation: On July 1, 1985, MTS purchased the assets used by and acquired sole ownership of San Diego Transit Corporation (SDTC) from the City of San Diego for \$1. SDTC has entered into an operating agreement with MTS to operate a public transportation bus system in the City of San Diego and certain regional routes within MTS's jurisdictions. The current agreement, which was approved in December 2006, was renewed on June 23, 2011, as an open-ended agreement terminable upon six months' notice by either party. SDTC continues to provide local service to a number of adjoining cities under pre-existing contracts. Purchases or construction of bus capital items are made by MTS, with whom title remains, and are contributed to SDTC upon completion of a project or when individually purchased by MTS. SDTC's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses are included in MTS's financial statements as a blended component unit. This agency has the same governing board as MTS and provides services directly to the public.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

San Diego Trolley, Inc.: San Diego Trolley, Inc. (SDTI) was organized by MTS in August 1980. SDTI was created to operate and maintain the Light Rail Transit (LRT) system pursuant to an operating agreement with MTS. The current agreement, which was approved in December 2006, was renewed on June 23, 2011, as an open-ended agreement terminable upon six months' notice by either party. Purchases or construction of LRT capital items are made by MTS, with whom title remains, and are contributed to SDTI upon completion of a project or when individually purchased by MTS. SDTI's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses are included in MTS's financial statements as a blended component unit. This agency has the same governing board as MTS and provides services directly to the public.

San Diego and Arizona Eastern Railway Company: MTS purchased the San Diego and Arizona Eastern Railway Company (SD&AE) in 1979. SDTI operates on a portion of the line and private operators provide freight service on a portion of the line. Purchases of capital items are made by MTS, with whom title remains, and are contributed to SD&AE. Since SD&AE provides almost exclusive benefit to MTS, its assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses are included in MTS's financial statements as a blended component unit. Separate financial reports are not available.

B. Financial Statements

The Financial Statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the primary government and its component units. 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 revenue until that time.

**San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019**

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 26 percent and 32 percent of MTS's \$309.4 million and \$290.5 million operating budget for FY2020 and FY2019 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, naming rights, interest income, energy credits, rental and land management income, income related to Taxicab administration, income from the SD&AE Railway Company, 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.

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provided \$25 billion to the transit industry nationwide. MTS is expected to receive \$220 million in CARES Act funding over multiple fiscal years to supplement lost revenues and increased expenses related to the COVID-19 pandemic, of which \$18 million was received in FY20.

Transportation Development Act (TDA)

TDA provides funding for public transit operators. This state fund is one quarter of a percent of the 7.75 percent sales tax assessed in the region. SANDAG is responsible for apportionment of these funds within the San Diego region. As economic conditions deteriorate as a result of the current recession, sales tax receipts have decreased over the prior year, and as a result, the TDA funds available for disbursement will decrease 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 diesel fuels. These funds are appropriated by the legislature with a formula based upon population and local revenue generated.

STA State of Good Repair Program (SGR)

The SGR Program is another new revenue source as a result of Senate Bill (SB) 1 and is funded from a portion of a new Transportation Improvement Fee on vehicle registrations due on or after January 1, 2018. The funds are allocated with the same STA Program formula.

**San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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. The *TransNet* Program also reimburses MTS for the net operating cost of the Bus Rapid Transit and Superloop projects that were approved as part of the extension. These costs are billed to SANDAG on a monthly basis. *TransNet* funds are also apportioned by SANDAG.

Transit and Intercity Rail Capital Program (TIRCP)

The TIRCP is a discretionary program that was created by Senate Bill (SB) 862 (Chapter 36, Statutes of 2014) and modified by Senate Bill 9 (Chapter 710, Statutes of 2015) to provide grants from the Greenhouse Gas Reduction Fund to fund transformative capital improvements that will modernize California's intercity, commuter, and urban rail systems, and bus and ferry transit systems to reduce emissions of greenhouse gases by reducing congestion and vehicle miles travelled throughout California. MTS was awarded \$40.1 million in 2018 for the Blue Line Rail Corridor Transit Enhancements projects which we expect to receive in Fiscal Years 2020-2023 as expenses are incurred, of which \$22.9 million was earned in FY20. MTS was also awarded \$7.2 million for the El Cajon Third Track Project, which we expect to receive in Fiscal Years 2021-2024 as expenses are incurred.

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 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.

Other State Revenue

MediCal provides further funding support specifically tied to several ADA Paratransit routes to aid patients in their transportation to medical appointments.

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 has expired and then been reauthorized multiple times over the years, but most recently expired on December 31, 2019. It continues to be discussed within the legislature, but has not yet been reauthorized.

Other Local Subsidies

The City of San Diego provides Maintenance of Effort funds to aid ADA efforts. SANDAG provides funding, funded through FasTrak tolls, to operate services along the Interstate 15 corridor. NCTD provides partial subsidy for the Sorrento Valley Coaster Connection. The University of California, San Diego (UCSD) provides funding for shuttle services that expand frequency and span on MTS routes 201 and 202 between the La Jolla Colony area and the Gilman Transit Center on the UCSD campus.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Use of Restricted/Unrestricted Assets

When both restricted and unrestricted resources are available for use, it is MTS's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Cash, Cash Equivalents, and Investments

Investments of pooled cash consist primarily of pooled investment funds, liquidity funds and governmental bonds. 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 Treasurer's Pooled Money Fund, 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

GASB Statement No. 72, *Fair Value Measurement and Application*, defined fair value, established a framework for measuring fair value and established 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 judgement 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, 2020 and 2019

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, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. 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.

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, SDTI and MTS - Contracted Services 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 500 hours, which includes both vacation and sick pay benefits. All personal leave time is accrued when incurred.

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 are reported as deferred inflows or outflows of resources 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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

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 Plans' 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. The valuation dates, measurement dates, and measurement periods vary by pension plans. See Note 12 for details.

N. Other Postemployment Benefits

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, of the MTS, SDTC, and SDTI's OPEB Plan ("OPEB Plan") have been determined on the same basis as they are reported by the Plan (Note 11). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefits terms.

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 - June 30, 2019

O. Net Position

Net Position is classified as follows:

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

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

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

P. 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, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Q. Implementation of New GASB Pronouncements for the Year Ended June 30, 2020

During fiscal year ended June 30, 2020, MTS has implemented the following new GASB Pronouncement:

GASB Statement No. 95 - In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Application of this statement is effective immediately and did not have a material effect on MTS's financial statements for the fiscal year ending June 30, 2020.

R. Upcoming Government Accounting Standards Implementation

In the next three years, MTS will implement the following GASB Pronouncements:

GASB Statement No. 84 - In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Application of this statement is effective for MTS's fiscal year ending June 30, 2021.

GASB Statement No. 87 - In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for MTS's fiscal year ending June 30, 2022.

GASB Statement No. 89 - In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for MTS's fiscal year ending June 30, 2022.

GASB Statement No. 90 - In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. Application of this statement is effective for MTS's fiscal year ending June 30, 2021.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

R. Upcoming Government Accounting Standards Implementation (Continued)

GASB Statement No. 91 - In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Application of this statement is effective for MTS's fiscal year ending June 30, 2023.

GASB Statement No. 92 - In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Application of this statement is effective for MTS's fiscal year ending June 30, 2022.

GASB Statement No. 93 - In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Application of this statement is effective for MTS's fiscal year ending June 30, 2022.

GASB Statement No. 94 - In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement is effective for MTS's fiscal year ending June 30, 2023.

GASB Statement No. 96 - In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Application of this statement is effective for MTS's fiscal year ending June 30, 2023.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

R. Upcoming Government Accounting Standards Implementation (Continued)

GASB Statement No. 97 - In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Application of this statement is effective for MTS's fiscal year ending June 30, 2022.

Note 2 - Cash, Cash Equivalents, and Investments

Cash and investments are reported in the accompanying statements of net position as follows on June 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 104,119,654	\$ 98,640,856
Cash and cash equivalents restricted for capital support	20,127,449	22,690,668
Total cash and investments	\$ 124,247,103	\$ 121,331,524

Cash and cash equivalents consisted as follows on June 30, 2020 and 2019:

Investment Type	Measurement Input	Fair Value	
		2020	2019
Cash and cash equivalents:			
Demand Deposits	N/A	\$ 34,986,339	\$ 49,175,889
Retention Trust Account	N/A	7,735,565	4,819,561
San Diego County Treasurer's Pooled Money Fund	Level 2	38,802,462	32,663,475
State of California - Local Agency Investment Fund	Uncategorized	42,722,737	34,672,599
Total cash and cash equivalents		\$ 124,247,103	\$ 121,331,524

Demand Deposits

As of June 30, 2020, the carrying amount of demand deposits was \$34,986,339 and the bank balance was \$38,343,102 compared to \$49,175,889 and \$49,452,745 at June 30, 2019, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in MTS's name as discussed below.

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, 2020 and 2019

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:

- United States Treasury bills, notes, bonds, or strips
- Federal Agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by Federal agencies or U.S. government-sponsored enterprises
- Eligible Banker's Acceptances
- Prime Commercial Paper issued by a U.S. organization with a rating category of "A" or "A-1", its equivalent or higher
- Non-negotiable certificates of deposit that meet the requirements for deposit under California Government Code Section 53630
- Negotiable Certificates of Deposit with issuers rated in a rating category of "A", its equivalent or higher
- Repurchase Agreements collateralized by U.S. Treasury obligations, Federal Agency securities, or Federal Instrumentality securities
- Reverse Repurchase Agreements
- State of California's Local Agency Investment Fund (LAIF)
- The San Diego County Treasurer's Pooled Money Fund
- A Joint Powers Authority Pool rated among the top two rating categories by a nationally recognized statistical rating organization (NRSRO)
- Medium Term Notes issued by corporations organized and operating within the U.S. with issuers rated in a rating category of "A", its equivalent, or higher by a NRSRO
- Money Market Funds registered under the Investment Company Act of 1940
- Municipal bonds issued by MTS
- Registered State warrants or treasury notes or bonds of the State of California
- Bonds, notes, warrants, or other evidences of indebtedness of a local agency within California
- Registered treasury notes or bonds of any of the other 49 states in addition to California
- Supranational obligations
- Mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, or consumer receivable-backed bonds
- Commercial paper, debt securities, or other obligations of a public bank, as defined in Section 57600 of the California Government Code

For full details on the authorized investments and associated limitations, please refer to MTS Board Policy 30 on our website. <https://www.sdmts.com/about-mts-reports-records-and-policies/policies-and-procedures>

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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

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

Local Agency Investment Funds (Continued)

- 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, 2020, MTS had \$42,722,737 invested in LAIF, which had invested 3.37% of the pool investment funds in structured notes and asset-backed securities compared to \$34,672,599 and 1.77% at June 30, 2019.

San Diego County Treasurer's Pooled Money Fund

The San Diego County Treasurer's Pooled Money Fund is a local government investment pool managed by the County Treasurer's Office on behalf of Investment Pool participants. Depositors in the Investment Pool include both mandatory participants, those agencies required by law to deposit their funds with the County Treasurer's Office, and voluntary participants, agencies that place their funds in the Investment Pool as an investment option. Voluntary participants, including cities, fire districts, and various special districts accounted for approximately 8.68% and 6.78% of the Investment Pool as of June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the market value of our position in the pool is 101.30% and 99.92%, 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 or an academic background in public finance. The TOC requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Pool does not have any legally binding guarantees of share values.

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 "F1" for short-term. Non-rated securities include sweep accounts 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 Pool did not have any repurchase agreements in its portfolio as of June 30, 2020.

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, 2020, MTS had \$38,802,462 invested with the San Diego County Treasurer's Pooled Money Fund, which had invested 8.13% of the pool investment funds in asset-backed securities compared to \$32,663,475 and 7.20% at June 30, 2019.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

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

Disclosures Relating to Interest Rate Risk

As a means of limiting its exposure to market value losses arising from rising interest rates, MTS's investment policy limits investments to maturities dependent on the investment vehicle.

Disclosures Relating to Credit Risk

MTS's investment policy limits investments in commercial paper to instruments rated "A", its equivalent, or better by a NRSRO, and negotiable certificates of deposit to instruments rated "A", its equivalent, or better by two NRSROs. In the current year, MTS does not hold investments in commercial paper or certificates of deposit. MTS investment instruments include deposits in LAIF and the San Diego County Treasurer's Pooled Money Fund which are not rated and do not require ratings.

Disclosures Relating to Concentration of Credit Risk

The investment policy limits the amount of the percentage of the portfolio that can be invested by the type of investment for certain types of investments. MTS is in compliance with investment type percentages of the total portfolio of the investment policy.

Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the broker or dealer to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The California Government Code requires California banks and savings and loan associations to secure 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 fair value of pledged securities must equal at least 110% of 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 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 has waived the collateralization requirements.

Summary of Investments to Maturity

Investments held by MTS grouped by maturity date at June 30, 2020 and 2019, are shown below:

Maturity	2020	2019
Current to one year	\$ 124,247,103	\$ 121,331,524
Total	<u>\$ 124,247,103</u>	<u>\$ 121,331,524</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

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

At June 30, 2020 and 2019, the net realizable accounts and other receivables consisted of the following:

	2020	2019
Passenger revenue - General Public	\$ 3,175,838	\$ 2,590,781
Other trade receivables	6,776,808	6,373,594
Pension plan receivable	1,742,187	1,698,906
Total accounts and other receivables	<u>\$ 11,694,833</u>	<u>\$ 10,663,281</u>

B. Due from Other Governments

At June 30, 2020 and 2019, amounts due from other governments consisted of the following:

	2020	2019
FTA Grant Funds	\$ 64,708,855	\$ 60,851,790
State of California	23,485,393	254,850
SANDAG - Project/Route reimbursement	20,744,893	25,274,333
STA Funds	8,020,060	7,523,824
SANDAG - TransNet	5,359,143	5,187,851
UCSD Route Reimbursement	1,044,450	-
Passenger Revenue - Other Governments	772,705	1,306,541
County of San Diego	582,615	951,154
North County Transit District - passenger revenue and shared costs	467,356	575,904
Department of Homeland Security	102,966	45,673
Other Local Governments	24,025	99,546
Total due from other governments	<u>\$ 125,312,461</u>	<u>\$ 102,071,466</u>

Note 4 - Inventory

At June 30, 2020 and 2019, inventory consisted of the following repair and maintenance parts and administrative supplies:

	2020	2019
San Diego Transit Corporation	\$ 4,680,600	\$ 4,173,162
San Diego Trolley, Inc.	23,177,981	16,574,675
Total inventory	<u>\$ 27,858,581</u>	<u>\$ 20,747,837</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 5 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not depreciated				
Land and right-of-way	\$ 256,922,883	\$ -	\$ (13,200)	\$ 256,909,683
Construction-in-progress	41,921,404	66,333,558	(44,590,272)	63,664,690
Total capital assets, not depreciated	298,844,287	66,333,558	(44,603,472)	320,574,373
Capital assets, depreciated:				
Buildings and structures	2,104,740,033	27,745,239	(1,028,954)	2,131,456,318
Buses and vehicles	796,773,974	114,347,072	(4,166,193)	906,954,853
Equipment and other	154,015,634	15,058,643	-	169,074,277
Capital lease property	12,091,981	-	-	12,091,981
Total capital assets, depreciated	3,067,621,622	157,150,954	(5,195,147)	3,219,577,429
Less accumulated depreciation for:				
Buildings and structures	(1,063,122,724)	(65,967,743)	114,843	(1,128,975,624)
Buses and vehicles	(358,971,344)	(47,817,594)	4,166,193	(402,622,745)
Equipment and other	(109,523,103)	(12,807,681)	-	(122,330,784)
Capital lease property	(11,525,169)	(377,874)	-	(11,903,043)
Total accumulated depreciation	(1,543,142,340)	(126,970,892)	4,281,036	(1,665,832,196)
Total capital assets, depreciated, net	1,524,479,282	30,180,062	(914,111)	1,553,745,233
Total capital assets, net	\$ 1,823,323,569	\$ 96,513,620	\$ (45,517,583)	\$ 1,874,319,606

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, not depreciated				
Land and right-of-way	\$ 256,922,883	\$ -	\$ -	\$ 256,922,883
Construction-in-progress	52,609,807	55,614,281	(66,302,684)	41,921,404
Total capital assets, not depreciated	309,532,690	55,614,281	(66,302,684)	298,844,287
Capital assets, depreciated:				
Buildings and structures	1,995,593,088	109,804,853	(657,908)	2,104,740,033
Buses and vehicles	758,262,110	51,938,744	(13,426,880)	796,773,974
Equipment and other	149,152,910	10,832,531	(5,969,807)	154,015,634
Capital lease property	12,091,981	-	-	12,091,981
Total capital assets, depreciated	2,915,100,089	172,576,128	(20,054,595)	3,067,621,622
Less accumulated depreciation for:				
Buildings and structures	(999,231,355)	(64,433,608)	542,239	(1,063,122,724)
Buses and vehicles	(325,701,394)	(46,556,061)	13,286,111	(358,971,344)
Equipment and other	(101,543,715)	(11,639,153)	3,659,765	(109,523,103)
Capital lease property	(11,147,295)	(377,874)	-	(11,525,169)
Total accumulated depreciation	(1,437,623,759)	(123,006,696)	17,488,115	(1,543,142,340)
Total capital assets, depreciated, net	1,477,476,330	49,569,432	(2,566,480)	1,524,479,282
Total capital assets, net	\$ 1,787,009,020	\$ 105,183,713	\$ (68,869,164)	\$ 1,823,323,569

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 5 - Capital Assets (Continued)**Contributed Capital**

MTS converted \$45 million in capital assets from CIP to assets in service in FY2020 compared to \$66 million in FY2019. A summary of capital asset additions contributed by MTS is as follows:

	2020	2019
MTS - General Operations	\$ 11,629,577	\$ 6,075,926
MTS - Contracted Services	3,216,435	7,416,853
San Diego Transit Corporation	7,724,062	4,562,728
San Diego Trolley, Inc.	22,020,198	48,247,177
Total	<u>\$ 44,590,272</u>	<u>\$ 66,302,684</u>

Capital asset additions totaling \$113 million were contributed by SANDAG in FY2020 compared to \$106 million in FY2019. SANDAG also contributed spare parts for the new LRVs to SDTI. A summary of capital asset additions contributed by SANDAG is as follows:

	2020	2019
MTS - Contracted Services	\$ -	\$ 90,287,543
San Diego Transit Corporation	271,772	1,991,933
San Diego Trolley, Inc.	112,288,909	13,993,969
Total	<u>112,560,681</u>	<u>106,273,445</u>
San Diego Trolley, Inc - LRV Spare Parts Inventory	6,664,326	318,668
Total contributed capital	<u>\$ 119,225,007</u>	<u>\$ 106,592,113</u>

Depreciation

Depreciation expense for capital assets for the years ended June 30, 2020 and 2019 were comprised of the following:

	2020	2019
MTS - General Operations	\$ 5,064,115	\$ 3,106,473
MTS - Contracted Services	21,931,173	22,706,135
San Diego Transit Corporation	32,260,870	29,467,429
San Diego Trolley, Inc.	67,714,734	67,726,659
Total	<u>\$ 126,970,892</u>	<u>\$ 123,006,696</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 6 - Due to Other Governments

At June 30, 2020 and 2019, amounts due to other governments consisted of the following:

	2020	2019
State of California - miscellaneous	\$ 1,099,819	\$ 919,015
North County Transit District - passenger revenue	411,871	416,368
SANDAG - project reimbursements	207,606	28,813
City of Lemon Grove - TDA Funds	133,743	129,847
City of San Diego - miscellaneous	113,966	103,131
City of El Cajon - TDA Funds	100,314	97,392
Other Governments - miscellaneous	77,146	53,179
City of La Mesa - miscellaneous	56,841	586,030
City of Chula Vista - miscellaneous	50,437	-
County of San Diego - miscellaneous	49,904	56,819
City of Coronado - TDA Funds	41,900	37,738
SANDAG - subsidy revenue for construction projects in process	-	4,480,475
Total due to other governments	<u>\$ 2,343,547</u>	<u>\$ 6,908,807</u>

Note 7 - Unearned Revenue

At June 30, 2020 and 2019, unearned revenue consisted of the following:

	2020	2019
STA State of Good Repair funds received in advance	\$ 9,542,044	\$ 4,319,957
TransNet Funds for LRVs received in advance	6,352,526	12,921,047
Caltrans LCTOP funds received in advance	2,820,691	8,852,223
Fare media payments received in advance	2,099,672	1,999,924
Lease payments received in advance	1,426,145	1,594,871
Naming Rights payment received in advance	975,000	975,000
Insurance recoveries received in advance	927,455	1,596,242
Total unearned revenue	<u>\$ 24,143,533</u>	<u>\$ 32,259,264</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 8 - Long-Term Debt**A. Summary**

A summary of changes in long-term obligations for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts due within one year	Amounts due in more than one year
MTS:						
Capital lease obligations	\$ 363,072	\$ -	\$ (363,072)	\$ -	\$ -	\$ -
Compensated absences payable	1,148,858	1,139,001	(846,455)	1,441,404	846,455	594,949
Accrued damage, injury, and employee claims	990,822	1,786,679	(1,590,343)	1,187,158	352,073	835,085
Aggregate net pension liability	12,982,663	3,638,484	(2,556,488)	14,064,659	-	14,064,659
Aggregate total OPEB liability	6,025,074	816,446	(435,967)	6,405,553	-	6,405,553
Total MTS	21,510,489	7,380,610	(5,792,325)	23,098,774	1,198,528	21,900,246
San Diego Transit Corporation:						
Pension Obligation Bonds	12,910,000	-	(2,555,000)	10,355,000	2,690,000	7,665,000
Compensated absences payable	6,813,210	3,116,365	(3,478,632)	6,450,943	3,478,632	2,972,311
Accrued damage, injury, and employee claims	12,030,596	2,450,518	(3,512,845)	10,968,269	2,806,708	8,161,561
Aggregate net pension liability	134,061,376	34,841,992	(24,123,007)	144,780,361	-	144,780,361
Aggregate total OPEB liability	29,520,213	3,265,397	(3,514,175)	29,271,435	-	29,271,435
Total San Diego Transit Corporation	195,335,395	43,674,272	(37,183,659)	201,826,008	8,975,340	192,850,668
San Diego Trolley, Inc.:						
Compensated absences payable	2,895,933	2,642,226	(2,423,400)	3,114,759	2,423,400	691,359
Accrued damage, injury, and employee claims	2,815,233	1,916,883	(436,261)	4,295,855	1,321,142	2,974,713
Aggregate net pension liability	31,319,372	18,792,930	(14,766,041)	35,346,261	-	35,346,261
Aggregate total OPEB liability	11,565,916	1,327,667	(251,166)	12,642,417	-	12,642,417
Total San Diego Trolley, Inc.	48,596,454	24,679,706	(17,876,868)	55,399,292	3,744,542	51,654,750
Total	\$ 265,442,338	\$ 75,734,588	\$ (60,852,852)	\$ 280,324,074	\$ 13,918,410	\$ 266,405,664

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 8 - Long-Term Debt (Continued)**A. Summary (Continued)**

A summary of changes in long-term obligations for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts due within one year	Amounts due in more than one year
MTS:						
Capital lease obligations	\$ 1,071,269	\$ -	\$ (708,197)	\$ 363,072	\$ 363,072	\$ -
Compensated absences payable	1,144,305	676,009	(671,456)	1,148,858	671,456	477,402
Accrued damage, injury, and employee claims	952,955	449,867	(412,000)	990,822	439,332	551,490
Aggregate net pension liability	13,418,753	7,912,254	(8,348,344)	12,982,663	-	12,982,663
Aggregate total OPEB liability	5,575,125	653,863	(203,914)	6,025,074	-	6,025,074
Total MTS	22,162,407	9,691,993	(10,343,911)	21,510,489	1,473,860	20,036,629
San Diego Transit Corporation:						
Pension Obligation Bonds	15,340,000	-	(2,430,000)	12,910,000	2,555,000	10,355,000
Compensated absences payable	6,831,941	3,031,119	(3,049,850)	6,813,210	3,049,850	3,763,360
Accrued damage, injury, and employee claims	13,346,566	3,138,584	(4,454,554)	12,030,596	3,289,320	8,741,276
Aggregate net pension liability	134,375,705	24,130,606	(24,444,935)	134,061,376	-	134,061,376
Aggregate total OPEB liability	28,722,883	2,176,297	(1,378,967)	29,520,213	-	29,520,213
Total San Diego Transit Corporation	198,617,095	32,476,606	(35,758,306)	195,335,395	8,894,170	186,441,225
San Diego Trolley, Inc.:						
Compensated absences payable	2,777,508	2,447,070	(2,328,645)	2,895,933	2,328,645	567,288
Accrued damage, injury, and employee claims	2,990,631	929,646	(1,105,044)	2,815,233	1,269,760	1,545,473
Aggregate net pension liability	33,477,254	15,925,962	(18,083,844)	31,319,372	-	31,319,372
Aggregate total OPEB liability	11,098,821	830,012	(362,917)	11,565,916	-	11,565,916
Total San Diego Trolley, Inc.	50,344,214	20,132,690	(21,880,450)	48,596,454	3,598,405	44,998,049
Total	\$ 271,123,716	\$ 62,301,289	\$ (67,982,667)	\$ 265,442,338	\$ 13,966,435	\$ 251,475,903

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

	2020		2019	
	Due Within One Year	Noncurrent Liabilities	Due Within One Year	Noncurrent Liabilities
Long-Term Liabilities:				
Compensated absences payable	\$ 6,748,487	\$ 4,258,619	\$ 6,049,951	\$ 4,808,050
Accrued damage, injury, and employee claims	4,479,923	11,971,359	4,998,412	10,838,239
Long-term debt	2,690,000	7,665,000	2,918,072	10,355,000
Aggregate net pension liability	-	194,191,281	-	178,363,411
Aggregate total OPEB liability	-	48,319,405	-	47,111,203
Total long-term liabilities	\$ 13,918,410	\$ 266,405,664	\$ 13,966,435	\$ 251,475,903

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 8 - Long-Term Debt (Continued)

B. Capital Lease

The County of San Diego (the County) has a master lease agreement with the MTS Joint Powers Agency (Agency) for the lease of the MTS Tower building. MTS entered into a sublease agreement with the County for a portion (27.61%) of the MTS Tower building. The sublease is classified as a capital lease because 27.61% of the title transfers to MTS at the end of the County's master lease. The master lease terminates on November 1, 2086; however, the County has the option to terminate the agreement on November 1, 2041 and each tenth anniversary thereafter. In May 2011, San Diego County refunded the underlying debt obligation in order to secure a more favorable interest rate, which results 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 was amortized as a component of interest expense over the life of the refunding debt, which was the same life as the refunded debt.

The asset acquired through the capital lease is as follows:

	2020	2019
Building – MTS Tower	\$ 12,091,981	\$ 12,091,981
Less accumulated depreciation	(11,903,044)	(11,525,169)
Total	<u>\$ 188,937</u>	<u>\$ 566,812</u>

As of June 30, 2020, the both the obligation was paid in full and the deferred gain was recognized in full.

C. 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.

At June 30, 2020 and 2019, the outstanding balance of the Pension Obligation Bonds is \$10,355,000 and \$12,910,000, respectively. The required payments for the Pension Obligation Bonds, including interest, are:

Year ending June 30	Principal	Interest	Total
2021	\$ 2,690,000	\$ 464,015	\$ 3,154,015
2022	2,835,000	321,746	3,156,746
2023	2,985,000	171,881	3,156,881
2024	1,845,000	47,509	1,892,509
Total	<u>\$ 10,355,000</u>	<u>\$ 1,005,151</u>	<u>\$ 11,360,151</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 9 - Risk Management

MTS (including SDTC, SDTI, and MTS - Contracted Services) is self-insured for third party 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. No stop loss or cap coverage is purchased above the \$75,000,000 limits. MTS, SDTC, and SDTI 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 type of property and 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 \$2,500 deductible and the cyber liability policy has a limit of \$7,000,000 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 are 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
2018	\$ 15,634,842	\$ 8,665,310	\$ (7,010,000)	\$ 17,290,152
2019	17,290,152	1,128,499	(2,582,000)	15,836,651
2020	15,836,651	4,796,631	(4,182,000)	16,451,282

Following is a summary of accrued damage, injury, and employee claims for fiscal years 2020 and 2019:

	2020	2019
Current portion	\$ 4,479,923	\$ 4,998,412
Non-current portion	11,971,359	10,838,239
Total	<u>\$ 16,451,282</u>	<u>\$ 15,836,651</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 MTS, SDTC and SDTI were \$16,451,282 at June 30, 2020 and \$15,836,651 at June 30, 2019.

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

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 10 - Contingencies

Pending legal actions. MTS, SDTC and SDTI have been named in certain legal actions pending at June 30, 2020. 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 FY 2004.

COVID-19 Pandemic. In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of MTS could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The ultimate financial impact and duration cannot be estimated at this time.

Note 11 - Other Postemployment Benefits

Generally accepted accounting policies require that the reported results for total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense must pertain to certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 - June 30, 2019

Plan Description: MTS contracts with a third party to provide MTS retirees, SDTI retirees, and SDTC Management retirees a nationwide private health care exchange in a single employer postemployment benefit plan. The third party also provides non-commissioned benefit 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. The amount of the HRA contribution is based on the retiree's years of service/former position/Medicare eligibility and ranges between \$100 and \$1,300 per month. SDTC union employees receive retirement benefits through health and welfare trust funds established for the benefit of active and retired members of the unions that represent SDTC employees. SDTC contributes \$1,045 per active employee each month to the fund for ATU, Local 1309 represented employees and \$1,052 per active employee each month to the fund for IBEW, Local 465 represented employees. The Trust boards have full discretion on how these funds are spent to provide benefits for active and retired employees. Currently, the Trusts offer retirees the opportunity to participate in a Kaiser HMO plan and retirees who do not live in an area where Kaiser HMO coverage is available receive a capped reimbursement for their health insurance expenditures.

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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 11 - Other Postemployment Benefits (Continued)***Employees Covered***

As of the June 30, 2020 (measurement date 2019), the following current and former employees were covered by the benefit terms:

	MTS	SDTI	SDTC
Active employees	166	610	845
Inactive employees or beneficiaries currently receiving benefits	22	43	230
Inactive employees entitled to but not yet receiving benefits	-	-	-
Total	188	653	1,075

As of the June 30, 2019 (measurement date 2018), the following current and former employees were covered by the benefit terms:

	MTS	SDTI	SDTC
Active employees	167	595	820
Inactive employees or beneficiaries currently receiving benefits	19	37	230
Inactive employees entitled to but not yet receiving benefits	-	-	-
Total	186	632	1,050

Actuarial Assumptions

The total OPEB liability, as of June 30, 2020 (measurement date 2019), was determined using the following actuarial assumptions:

	MTS	SDTI	SDTC
Actuarial Cost Method		Entry Age Normal	
Valuation Date		June 30, 2019	
Measurement Date		June 30, 2019	
Actuarial Assumptions:			
Discount Rate		3.15% per annum	
Inflation		2.75% per annum	
Salary Increases		2.75% per annum, plus CalPERS Merit Scale	
Investment Rate of Return		N/A	
Medical Trend Rates		6.5%, decreasing 0.25% per year	
Dental Trend Rates		4% per annum	
Mortality Rate	SOA PUB-2010 General Headcount		Scale MP-2019
	Weighted Mortality Table		
Pre-Retirement Turnover	2017 CalPERS Experience Study		Management 3-10% Union 2-25%

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 11 - Other Postemployment Benefits (Continued)**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.15% percent as of the measurement date June 30, 2019 and 3.5% as of the measurement date June 30, 2018. This discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 year Bond Index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of MTS, SDTI and SDTC, as well as what the total OPEB 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, for year ended June 30, 2020 (measurement date 2019):

	MTS	SDTI	SDTC	Aggregate
1% Decrease	2.15%	2.15%	2.15%	2.15%
Total OPEB Liability	\$ 7,648,787	\$ 14,766,352	\$ 33,798,628	\$ 56,213,767
Current Discount Rate	3.15%	3.15%	3.15%	3.15%
Total OPEB Liability	\$ 6,405,553	\$ 12,642,417	\$ 29,271,435	\$ 48,319,405
1% Increase	4.15%	4.15%	4.15%	4.15%
Total OPEB Liability	\$ 5,420,927	\$ 10,923,843	\$ 25,593,732	\$ 41,938,502

The following presents the total OPEB liability of MTS, SDTI and SDTC, as well as what the total OPEB 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, for the year ended June 30, 2019 (measurement date 2018):

	MTS	SDTI	SDTC	Aggregate
1% Decrease	2.50%	2.50%	2.50%	2.50%
Total OPEB Liability	\$ 7,187,160	\$ 13,413,321	\$ 34,179,661	\$ 54,780,142
Current Discount Rate	3.50%	3.50%	3.50%	3.50%
Total OPEB Liability	\$ 6,025,074	\$ 11,565,916	\$ 29,520,213	\$ 47,111,203
1% Increase	4.50%	4.50%	4.50%	4.50%
Total OPEB Liability	\$ 5,102,051	\$ 10,056,141	\$ 25,754,218	\$ 40,912,410

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 11 - Other Postemployment Benefits (Continued)**Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates**

The following presents the total OPEB liability of MTS, SDTI and SDTC, as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, for the year ended June 30, 2020 (measurement date 2019):

	MTS	SDTI	SDTC	Aggregate
1% Decrease in Healthcare Cost Trend Rate			5.5% HMO/PPO decreasing to 3.5% HMO/PPO	
Total OPEB Liability	\$ 5,223,012	\$ 10,884,125	\$ 25,269,265	\$ 41,376,402
Current Healthcare Cost Trend Rate			6.5% HMO/PPO decreasing to 4.5% HMO/PPO	
Total OPEB Liability	\$ 6,405,553	\$ 12,642,417	\$ 29,271,435	\$ 48,319,405
1% Increase in Healthcare Cost Trend Rate			7.5% HMO/PPO decreasing to 5.5% HMO/PPO	
Total OPEB Liability	\$ 7,980,065	\$ 14,887,210	\$ 34,333,433	\$ 57,200,708

The following presents the total OPEB liability of MTS, SDTI and SDTC, as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, for the period ended June 30, 2019 (measurement date 2018):

	MTS	SDTI	SDTC	Aggregate
1% Decrease in Healthcare Cost Trend Rate			2.0% HRA/ 5.5% HMO decreasing to 4.0% HMO	
Total OPEB Liability	\$ 4,889,885	\$ 10,011,453	\$ 25,216,839	\$ 40,118,177
Current Healthcare Cost Trend Rate			3.0% HRA/ 6.5% HMO decreasing to 5.0% HMO	
Total OPEB Liability	\$ 6,025,074	\$ 11,565,916	\$ 29,520,213	\$ 47,111,203
1% Increase in Healthcare Cost Trend Rate			4.0% HRA/ 7.5% HMO decreasing to 6.0% HMO	
Total OPEB Liability	\$ 7,531,650	\$ 13,521,268	\$ 34,996,188	\$ 56,049,106

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 11 - Other Postemployment Benefits (Continued)***Change in Total OPEB Liability***

At June 30, 2020, the change in the Total OPEB liability is as follows:

	MTS	SDTI	SDTC	Aggregate
Balance at June 30, 2019	\$ 6,025,074	\$ 11,565,916	\$ 29,520,213	\$ 47,111,203
Changes Recognized for the Measurement Period:				
Service Cost	452,623	442,873	1,180,991	2,076,487
Interest on the total OPEB liability	224,774	415,912	1,056,425	1,697,111
Difference between expected and actual experience	(324,826)	230,450	(2,478,929)	(2,573,305)
Changes in assumptions	139,049	238,432	1,027,981	1,405,462
Benefit payments	(111,141)	(251,166)	(1,035,246)	(1,397,553)
Net Changes	380,479	1,076,501	(248,778)	1,208,202
Balance at June 30, 2020	\$ 6,405,553	\$ 12,642,417	\$ 29,271,435	\$ 48,319,405

At June 30, 2019, the change in the Total OPEB liability is as follows:

	MTS	SDTI	SDTC	Aggregate
Balance at June 30, 2018	\$ 5,575,125	\$ 11,098,821	\$ 28,722,883	\$ 45,396,829
Changes Recognized for the Measurement Period:				
Service Cost	450,678	440,969	1,176,005	2,067,652
Interest on the total OPEB liability	203,185	389,043	1,000,292	1,592,520
Changes in assumptions	(104,394)	(168,207)	(421,922)	(694,523)
Benefit payments	(99,520)	(194,710)	(957,045)	(1,251,275)
Net Changes	449,949	467,095	797,330	1,714,374
Balance at June 30, 2019	\$ 6,025,074	\$ 11,565,916	\$ 29,520,213	\$ 47,111,203

Contributions

The contribution requirements of plan members and MTS, SDTI and SDTC are established and may be amended by MTS Management or the Board of Directors. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due).

For fiscal years 2020 and 2019, the following contributions were made:

	MTS	SDTI	SDTC	Aggregate
2020 Contributions	\$ 111,023	\$ 217,715	\$ 1,144,105	\$ 1,472,843
2019 Contributions	\$ 108,036	\$ 186,118	\$ 1,114,232	\$ 1,408,386

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 11 - Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2020 and 2019, OPEB expense is included in the accompanying statement of revenues, expenses, and changes in net position as follows:

	MTS	SDTI	SDTC	Aggregate
2020 OPEB Expense	\$ 593,428	\$ 776,472	\$ 1,559,898	\$ 2,929,798
2019 OPEB Expense	\$ 586,783	\$ 705,073	\$ 1,706,058	\$ 2,997,914

At June 30, 2020, (measurement date 2019) MTS, SDTI and SDTC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MTS		SDTI	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 111,023	\$ -	\$ 217,715	\$ -
Difference between expected and actual experience	-	(295,296)	209,500	-
Changes in assumptions	126,408	(480,003)	216,756	(768,325)
Total	<u>\$ 237,431</u>	<u>\$ (775,299)</u>	<u>\$ 643,971</u>	<u>\$ (768,325)</u>

	SDTC		Aggregate	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 1,144,105	\$ -	\$ 1,472,843	\$ -
Difference between expected and actual experience	-	(2,124,796)	209,500	(2,420,092)
Changes in assumptions	881,127	(1,481,038)	1,224,291	(2,729,366)
Total	<u>\$ 2,025,232</u>	<u>\$ (3,605,834)</u>	<u>\$ 2,906,634</u>	<u>\$ (5,149,458)</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 11 - Other Postemployment Benefits (Continued)***OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)***

At June 30, 2019, (measurement date 2018) MTS, SDTI and SDTC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MTS		SDTI	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 108,036	\$ -	\$ 186,118	\$ -
Changes in assumptions	-	(547,083)	-	(893,264)
Total	<u>\$ 108,036</u>	<u>\$ (547,083)</u>	<u>\$ 186,118</u>	<u>\$ (893,264)</u>

	SDTC		Aggregate	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 1,114,232	\$ -	\$ 1,408,386	\$ -
Changes in assumptions	-	(1,951,277)	-	(3,391,624)
Total	<u>\$ 1,114,232</u>	<u>\$ (1,951,277)</u>	<u>\$ 1,408,386</u>	<u>\$ (3,391,624)</u>

The combined \$1,472,843 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021 compared to the combined \$1,408,386 reported in previous year.

As of the June 30, 2020 (measurement date 2019), other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	MTS	SDTI	SDTC	Aggregate
2021	\$ (83,969)	\$ (82,313)	\$ (677,518)	\$ (843,800)
2022	(83,969)	(82,313)	(677,518)	(843,800)
2023	(83,969)	(82,313)	(677,517)	(843,799)
2024	(83,969)	(82,313)	(277,601)	(443,883)
2025	(83,969)	(82,313)	(207,279)	(373,561)
Thereafter	(229,046)	69,496	(207,274)	(366,824)
Total	<u>\$ (648,891)</u>	<u>\$ (342,069)</u>	<u>\$ (2,724,707)</u>	<u>\$ (3,715,667)</u>

As of the measurement date June 30, 2019 (measurement 2018), other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	MTS	SDTI	SDTC	Aggregate
2020	\$ (67,080)	\$ (124,939)	\$ (470,239)	\$ (662,258)
2021	(67,080)	(124,939)	(470,239)	(662,258)
2022	(67,080)	(124,939)	(470,239)	(662,258)
2023	(67,080)	(124,939)	(470,238)	(662,257)
2024	(67,080)	(124,939)	(70,322)	(262,341)
Thereafter	(211,683)	(268,569)	-	(480,252)
Total	<u>\$ (547,083)</u>	<u>\$ (893,264)</u>	<u>\$ (1,951,277)</u>	<u>\$ (3,391,624)</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

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:

	2020	2019
MTS CalPERS Plans	\$ 14,064,659	\$ 12,982,663
SDTI CalPERS Plans	33,629,624	29,552,949
SDTI PARS Plan	1,716,637	1,766,423
SDTC Retirement Plan	144,780,361	134,061,376
Total	<u>\$ 194,191,281</u>	<u>\$ 178,363,411</u>

Deferred Outflows of Resources

Deferred Outflows of Resources at June 30, 2020 are reported in the accompanying statement of net position as follows:

	Contributions Made After Measurement Date	Differences Between Expected and Actual Experience	Differences Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Employer's Proportion	Differences Between Employer's Contributions and Proportionate Share of Contributions	Total
MTS CalPERS Plans	\$ 2,320,104	\$ 976,850	\$ -	\$ 670,668	\$ 368,972	\$ 455,798	\$ 4,792,392
SDTI CalPERS Plans	4,532,160	2,204,517	-	3,332,178	-	-	10,068,855
SDTI PARS Plan	418,735	-	-	195,026	-	-	613,761
SDTC Retirement Plan	14,709,813	1,569,652	5,675,174	3,768,383	-	-	25,723,022
Total	<u>\$ 21,980,812</u>	<u>\$ 4,751,019</u>	<u>\$ 5,675,174</u>	<u>\$ 7,966,255</u>	<u>\$ 368,972</u>	<u>\$ 455,798</u>	<u>\$ 41,198,030</u>

Deferred Outflows of Resources at June 30, 2019 are reported in the accompanying statement of net position as follows:

	Contributions Made After Measurement Date	Differences Between Expected and Actual Experience	Differences Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Employer's Proportion	Differences Between Employer's Contributions and Proportionate Share of Contributions	Total
MTS CalPERS Plans	\$ 2,041,117	\$ 498,122	\$ 64,183	\$ 1,480,062	\$ 464,158	\$ 529,418	\$ 5,077,060
SDTI CalPERS Plans	3,824,864	158,950	285,018	5,085,955	-	-	9,354,787
SDTI PARS Plan	435,748	-	40,356	426,943	-	-	903,047
SDTC Retirement Plan	13,632,820	395,229	8,665,478	-	-	-	22,693,527
Total	<u>\$ 19,934,549</u>	<u>\$ 1,052,301</u>	<u>\$ 9,055,035</u>	<u>\$ 6,992,960</u>	<u>\$ 464,158</u>	<u>\$ 529,418</u>	<u>\$ 38,028,421</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)

A. Summary (Continued)

Deferred Inflows of Resources

Deferred Inflows of Resources at June 30, 2020 are reported in the accompanying statement of net position as follows:

	Differences Between Expected and Actual Experience	Differences Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Employer's Proportion	Total
MTS CalPERS Plans	\$ 75,686	\$ 245,894	\$ 237,747	\$ 114,470	\$ 673,797
SDTI CalPERS Plans	1,402,959	543,225	798,234	-	2,744,418
SDTI PARS Plan	227,335	1,015	-	-	228,350
SDTC Retirement Plan	-	-	-	-	-
Total	\$ 1,705,980	\$ 790,134	\$ 1,035,981	\$ 114,470	\$ 3,646,565

Deferred Inflows of Resources at June 30, 2019 are reported in the accompanying statement of net position as follows:

	Differences Between Expected and Actual Experience	Changes in Assumptions	Changes in Employer's Proportion	Total
MTS CalPERS Plans	\$ 169,508	\$ 362,735	\$ 246,648	\$ 778,891
SDTI CalPERS Plans	2,162,417	1,436,635	-	3,599,052
SDTI PARS Plan	487,781	-	-	487,781
SDTC Retirement Plan	120,237	320,161	-	440,398
Total	\$ 2,939,943	\$ 2,119,531	\$ 246,648	\$ 5,306,122

Pension Expense

Pension expense is included in the accompanying statements of revenues, expenses, and changes in net position as follows:

	2020	2019
MTS CalPERS Plans	\$ 3,581,674	\$ 2,931,758
SDTI CalPERS Plans	7,040,133	4,769,974
SDTI PARS Plan	406,181	403,546
SDTC Retirement Plan	21,959,266	24,465,090
Total	\$ 32,987,254	\$ 32,570,368

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

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 pension 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, 2020 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	8.00%
Required employer contribution rates	28.77%
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, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)**B. MTS (Continued)****General Information about the Pension Plans (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	8.70%
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	6.75%
Required employer contribution rates	7.13%
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, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Employees Covered – At June 30, 2020 (measurement date 2019) and June 30, 2019 (measurement date 2018), the following employees were covered by the benefit terms:

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	144	136
Inactive employees entitled to but not yet receiving benefits	65	68
Active employees	163	163
Total	372	367

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, 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 years ended June 30, 2020 and 2019 (measurement date 2019 and 2018), the active employee contribution rates and average employer contribution rates were as follows:

	2020		2019	
	Employee Contribution Rate	Employer Contribution Rate	Employee Contribution Rate	Employer Contribution Rate
MTS - Miscellaneous Plan-1223	8.00%	28.77%	8.00%	22.08%
MTS Miscellaneous Second Tier Plan - 30134	7.00%	8.70%	7.00%	7.65%
MTS PEPRA Miscellaneous Plan - 26789	6.75%	7.13%	6.25%	6.53%

For the years ended June 30, 2020 and 2019 (measurement date 2019 and 2018) the plan's proportionate share of aggregate contributions recognized as part of pension expense were:

	2020	2019
Contributions - employer	\$ 1,763,681	\$ 1,536,182
Contributions - employee	562,250	543,455

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020 and 2019 (measurement dates 2019 and 2018), MTS reported \$14,064,659 and \$12,982,663 net pension liabilities for its proportionate share of the aggregate net pension liability.

MTS Plans' net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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.

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, 2018). 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, 2019). 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, 2019 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY2019).
- (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).

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

MTS's proportionate share of the net pension liability as of June 30, 2019, 2018 and 2017 (measurement dates) were as follows:

Proportion June 30, 2017	0.13531%
Proportion June 30, 2018	0.13473%
Change - Increase (Decrease)	-0.00058%
Proportion June 30, 2019	0.13726%
Change - Increase (Decrease)	0.00253%

For the years ended June 30, 2020 and 2019, MTS recognized pension expense of \$3,581,674 and \$2,931,758, respectively. At June 30, 2020 and 2019, MTS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 2,320,104	\$ -	\$ 2,041,117	\$ -
Differences between expected and actual experience	976,850	(75,686)	498,122	(169,508)
Changes in assumptions	670,668	(237,747)	1,480,062	(362,735)
Change in employer's proportion	368,972	(114,470)	464,158	(246,648)
Differences between actual and proportionate share of employer contributions	455,798	-	529,418	-
Differences between projected and actual earnings on pension plan investments	-	(245,894)	64,183	-
Total	\$ 4,792,392	\$ (673,797)	\$ 5,077,060	\$ (778,891)

The \$2,320,104 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, 2021.

As of the measurement date June 30, 2019, 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
2021	\$ 1,484,186
2022	43,277
2023	221,340
2024	49,688
2025	-
Total	\$ 1,798,491

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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
2020	\$ 1,679,371
2021	1,056,675
2022	(362,222)
2023	(116,772)
2024	-
Total	<u>\$ 2,257,052</u>

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	varies by entry age and service
Payroll Growth	2.75%
Investment Rate of Return	7.375% (1)
Mortality	derived using CalPERS's membership data for all funds (2)

(1) Net of pension plan investment expenses.

(2) The mortality table used was developed based on CalPERS's specific data.

The table includes 15 years of mortality improvements using Society of Actuaries Scales 90% of scale MP 2016.

Change in Assumptions – 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. In both the current and prior year, the actuarial report did not have a change of assumption. 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, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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.

Long-Term Expected Rate of Return - 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, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. 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.

Asset Class (a)	New Strategic Allocation	Real Return Years 1-10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

- (a) In the System's CAFR, Fixed Income is included in Global Debt Securities;
 Liquidity is included in Short-term Investments; Inflation Assets are included in both
 Global Equity Securities and Global Debt Securities.
- (b) an expected inflation of 2.00% for this period
- (c) an expected inflation of 2.92% for this period

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (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 as of June 30, 2020 and 2019, calculated using the discount rate, 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:

	2020	2019
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 21,681,379	\$ 20,194,220
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 14,064,659	\$ 12,982,663
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 7,777,593	\$ 7,029,640

Pension Plan Fiduciary Net Position – Detailed information about MTS's pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan – At June 30, 2020, MTS reported a payable of \$199,909 for the outstanding amount of contributions to the pension plan required for the current year compared to \$171,024 for the year ended June 30, 2019.

C. SDTI

1. CalPERS Plans

Plan Description – All SDTI employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the SDTI Miscellaneous or PEPR Miscellaneous Plan, Agent 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. 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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)**C. SDTI (Continued)****1. CalPERS Plans (Continued)**

The Plans' provisions and benefits in effect as of June 30, 2020 are summarized as follows:

San Diego Trolley Miscellaneous Plan - 1406
Closed to New Members

	Management Employees	Union Employees
Hire date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Final Average Compensation Period	12 months	12 months
Retirement age	50-63	50-63
Monthly benefits, as a % of eligible compensation	1.426-2.418%	1.426-2.418%
Required employee contribution rates	8.00%	8.99%
Required employer contribution rates	13.99%	13.00%
Pre-Retirement Death Benefit	1959 Survivor Benefit Level 2	1959 Survivor Benefit Level 2
Post-Retirement Death Benefit	\$500 Lump Sum	\$500 Lump Sum
COLA	2.00%	2.00%
Non-Industrial Standard Disability	1.8% of final compensation multiplied by service	1.8% of final compensation multiplied by service

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	5.75%
Required employer contribution rates	14.99%
Pre-Retirement Death Benefit	1959 Survivor Benefit Level 2
Post-Retirement Death Benefit	\$500 Lump Sum
COLA	2.00%
Non-Industrial Standard Disability	1.8% of final compensation multiplied by service

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

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 is 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 Avenue, 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, 2020 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	9.64%
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, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Employees Covered

At June 30, 2020 and 2019 (measurement dates 2019 and 2018), the following employees were covered by the benefit terms for each Plan:

	CalPERS Plan		PARS Plan	
	2020	2019	2020	2019
Inactive employees or beneficiaries currently receiving benefits	271	241	47	43
Inactive employees entitled to but not yet receiving benefits	92	85	-	-
Active employees	588	548	48	53

*SDTI PEPR Plan is included in the SDTI Miscellaneous Plan June 30, 2018 valuation report.

Contributions

1. CalPERS Plans

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 years ended June 30, 2020 and 2019 (measurement dates 2019 and 2018), the active employee contribution rates and average employer contribution rates were as follows:

	2020		2019	
	Employee	Employer	Employee	Employer
SDTI Miscellaneous Plan 1406 - Management EE	8.00%	12.28%	8.00%	10.53%
SDTI Miscellaneous Plan 1406 - Union EE	8.14%	12.14%	7.26%	11.26%
SDTI Miscellaneous PEPR Plan 26965	5.75%	13.28%	5.75%	11.53%

For the years June 30, 2020 and 2019 (measurement dates 2019 and 2018), the contributions recognized as part of pension expense were:

	CalPERS Plans	
	2020	2019
Contributions - employer	\$ 3,824,864	\$ 3,342,623
Contributions - employee	2,075,270	2,034,672

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)**C. SDTI (Continued)****Contributions (Continued)****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 are determined biannually on an actuarial basis as of June 30 by PARS. For the period ended June 30, 2019 and 2018 (measurement date), the employer's contribution rate is 9.64%.

For the years June 30, 2020 and 2019 (measurement date 2019 and 2018), the contributions recognized as part of pension expense were:

	PARS Plan	
	2020	2019
Contributions - employer	\$ 443,125	\$ 549,296
Contributions - employee	-	-

Net Pension Liability**1. CalPERS Plans**

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, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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 liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	varies by entry age and service
Payroll Growth	3.000%
Investment Rate of Return	7.3755% (1)
Mortality	Derived using CalPERS's Membership Data for all Funds (2)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 2.5% thereafter

(1) Net of pension plan investment expenses.

(2) The mortality table used was developed based on CalPERS's specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

Changes in Assumptions – In both the current and prior years, the actuarial report did not have any changes in assumptions.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Net Pension Liability (Continued)

1. CalPERS Plans (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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.

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. 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.

Asset Class (a)	New Strategic Allocation	Real Return Years 1-10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities;
 Liquidity is included in Short-term Investments; Inflation Assets are included in both
 Global Equity Securities and Global Debt Securities.

(b) an expected inflation of 2.00% for this period

(c) an expected inflation of 2.92% for this period

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

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, 2019, using an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2019 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.75%
Salary Increases Including Inflation	Graded rates based on years of services, 3.50% after 30 years of services
Payroll Growth	3.00%
Investment Rate of Return	6.50%
Pre-Retirement Mortality	Consistent with Non-Industrial rates used to value the Miscellaneous CALPERS Pension Plans
Post Retirement Benefit Increase	CALPERS 1997-2011 Healthy Retiree Tables (sex distinct) with an assumed base year of 2008 with full generational improvements using Scale AA

Change in Assumptions – There were no changes in assumptions for the current year. In the prior year, discount rate and investment rate of return were lowered from 7.00% to 6.50%.

Discount Rate – The discount rate used to measure the total pension liability was 6.50 percent.

A formal cash flow projection was not performed 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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)**C. SDTI (Continued)****Net Pension Liability (Continued)****2. PARS Plan (Continued)****Discount Rate (Continued)**

The best estimate for the long-term expected rate of return of 6.50 percent 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	Long-Term Expected Arithmetic Real Rate of Return (a)	Long-Term Expected Geometric Real Rate of Return (b)
U.S. Cash	3.23%	0.71%	0.71%
U.S. Core Fixed Income	35.50%	1.83%	1.73%
U.S. Equity Market	46.51%	4.71%	3.52%
Foreign Developed Equity	6.88%	6.06%	4.55%
Emerging Market Equities	5.22%	8.23%	5.43%
U.S. REITs	2.66%	5.05%	3.42%

(a) Assumed inflation: 2.21% mean and 1.65% standard deviation

(b) Assumed inflation: 2.20% mean and 1.65% standard deviation

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents SDTI's net pension liability at June 30, 2020 and 2019, 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 Plan		PARS Plan	
	2020	2019	2020	2019
1% Decrease	6.15%	6.15%	5.50%	5.50%
Net Pension Liability	\$ 57,149,081	\$ 51,421,098	\$ 2,770,019	\$ 2,795,751
Current Discount Rate	7.15%	7.15%	6.50%	6.50%
Net Pension Liability	\$ 33,629,624	\$ 29,552,949	\$ 1,716,637	\$ 1,766,423
1% Increase	8.15%	8.15%	7.50%	7.50%
Net Pension Liability	\$ 14,258,024	\$ 11,540,308	\$ 766,611	\$ 843,767

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)**C. SDTI (Continued)****Changes in the Net Pension Liability****1. CalPERS Plans**

At June 30, 2020 (measurement date 2019), 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, 2019	\$ 151,012,735	\$ 121,459,786	\$ 29,552,949
Changes in the year:			
Service cost	4,304,517	-	4,304,517
Interest on the total pension liability	10,947,906	-	10,947,906
Changes of assumptions	-	-	-
Differences between expected and actual experience	2,647,270	-	2,647,270
Benefit payments, including refunds of member contributions	(5,389,412)	(5,389,412)	-
Net Plan to Plan resource movement	-	-	-
Contributions - employer	-	3,824,864	(3,824,864)
Contributions - employee	-	2,075,270	(2,075,270)
Net investment income	-	8,009,279	(8,009,279)
Administrative expense	-	(86,395)	86,395
Net Changes	12,510,281	8,433,606	4,076,675
Balance at June 30, 2020	\$ 163,523,016	\$ 129,893,392	\$ 33,629,624

At June 30, 2019 (measurement date 2018), 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, 2018	\$ 143,524,344	\$ 112,197,589	\$ 31,326,755
Changes in the year:			
Service cost	4,029,579	-	4,029,579
Interest on the total pension liability	10,112,324	-	10,112,324
Changes of assumptions	(1,064,034)	-	(1,064,034)
Differences between expected and actual experience	(498,533)	-	(498,533)
Benefit payments, including refunds of member contributions	(5,090,945)	(5,090,945)	-
Net Plan to Plan resource movement	-	(281)	281
Contributions - employer	-	3,342,623	(3,342,623)
Contributions - employee	-	2,034,672	(2,034,672)
Net investment income	-	9,482,977	(9,482,977)
Administrative expense	-	(506,849)	506,849
Net Changes	7,488,391	9,262,197	(1,773,806)
Balance at June 30, 2019	\$ 151,012,735	\$ 121,459,786	\$ 29,552,949

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, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)**C. SDTI (Continued)****Changes in the Net Pension Liability (Continued)****2. PARS Plan**

At June 30, 2020 (measurement date 2019), 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, 2019	\$ 8,639,945	\$ 6,873,522	\$ 1,766,423
Changes in the year:			
Service cost	226,689	-	226,689
Interest on the total pension liability	565,523	-	565,523
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Benefit payments, including refunds of member contributions	(337,875)	(337,875)	-
Contributions - employer	-	443,125	(443,125)
Contributions - employee	-	-	-
Net investment income	-	413,503	(413,503)
Administrative expense	-	(14,630)	14,630
Net Changes	454,337	504,123	(49,786)
Balance at June 30, 2020	\$ 9,094,282	\$ 7,377,645	\$ 1,716,637

At June 30, 2019 (measurement date 2018), 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, 2018	\$ 8,346,429	\$ 6,195,930	\$ 2,150,499
Changes in the year:			
Service cost	198,627	-	198,627
Interest on the total pension liability	587,363	-	587,363
Changes of assumptions	473,927	-	473,927
Differences between expected and actual experience	(652,788)	-	(652,788)
Benefit payments, including refunds of member contributions	(313,613)	(313,613)	-
Contributions - employer	-	549,296	(549,296)
Contributions - employee	-	-	-
Net investment income	-	458,921	(458,921)
Administrative expense	-	(17,012)	17,012
Net Changes	293,516	677,592	(384,076)
Balance at June 30, 2019	\$ 8,639,945	\$ 6,873,522	\$ 1,766,423

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, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2020 and 2019, SDTI recognized pension expense of \$7,446,314 and \$5,173,520, respectively. At June 30, 2020 and 2019, SDTI reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS Plans			
	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 4,532,160	\$ -	\$ 3,824,864	\$ -
Differences between expected and actual experience	2,204,517	(1,402,959)	158,950	(2,162,417)
Changes in assumptions	3,332,178	(798,234)	5,085,955	(1,436,635)
Net differences between projected and actual earnings on pension plan investments	-	(543,225)	285,018	-
Total	<u>\$ 10,068,855</u>	<u>\$ (2,744,418)</u>	<u>\$ 9,354,787</u>	<u>\$ (3,599,052)</u>

	PARS Plan			
	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 418,735	\$ -	\$ 435,748	\$ -
Differences between expected and actual experience	-	(227,335)	-	(487,781)
Changes in assumptions	195,026	-	426,943	-
Net differences between projected and actual earnings on pension plan investments	-	(1,015)	40,356	-
Total	<u>\$ 613,761</u>	<u>\$ (228,350)</u>	<u>\$ 903,047</u>	<u>\$ (487,781)</u>

The combined \$4,950,895 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the two plans will be recognized as a reduction of the net pension liability in the year ended June 30, 2021 compared to \$4,260,612 for the previous year.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

As of the measurement date, June 30, 2019, 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	SDTI CalPERS Plan	SDTI PARS Plan
2021	\$ 1,714,227	\$ 4,081
2022	333,552	(48,337)
2023	79,932	3,697
2024	664,566	7,235
2025	-	-
Total	<u>\$ 2,792,277</u>	<u>\$ (33,324)</u>

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	SDTI CalPERS Plan	SDTI PARS Plan
2020	\$ 1,796,861	\$ 41,782
2021	1,049,660	(3,154)
2022	(331,015)	(55,572)
2023	(584,635)	(3,538)
2024	-	-
Total	<u>\$ 1,930,871</u>	<u>\$ (20,482)</u>

Payable to the Pension Plan

At June 30, 2020, SDTI reported a payable of \$219,094 to CalPERS and \$3,326 to PARS for the outstanding amount of contributions to the pension plans required for the fiscal year compared to \$343,069 payable to CalPERS and \$48,765 payable to PARS for the year ended June 30, 2019.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

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 as of June 30, 2020 are 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	8.00%	6.25%
Required employer contribution rates	50.93%	52.68%
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, 2020 and 2019

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	8.00%	8.00%
Required employer contribution rates	50.93%	50.93%
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, 2020 and 2019 (measurement date 2019 and 2018), the following employees were covered by the benefit terms for the Plan:

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	1,011	975
Inactive employees entitled to but not yet receiving benefits	218	230
Active employees	424	462

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 June 30, 2019 (measurement date), the active employee contribution rate is 6.25- 8.00% of annual pay, and the average employer's contribution rate is 51.37% of annual payroll compared to 6.25-8.00% and 43.86% for the previous year.

For the year ended June 30, 2020 and 2019 (measurement date 2019 and 2018), the contributions recognized as part of pension expense for the Plan were as follows:

	2020	2019
Contributions - employer	\$ 13,633,181	\$ 13,020,223
Contributions - employee	2,074,025	1,751,616

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

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, 2019, using an annual actuarial valuation as of July 1, 2019.

Actuarial Assumptions – The total pension liabilities in the July 1, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	July 1, 2019
Measurement Date	July 1, 2019
Actuarial Cost Method	Individual entry age to final decrement
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.75%
Projected Salary Increase	2.75% plus merit component based on employee classification and years of service
Investment Rate of Return (1)	6.75%
Mortality	RP-2000 Tables using male rates for both male and female members with generational improvements using Scale MP-2015
COLA Increase - Non-Contract Members	2.00%

(1) Net of pension plan investment expenses.

Changes in Assumptions – In the current year, the expected rate of return on assets decreased from 7.00% to 6.75%. In the previous year, the valuation salary changed from using the most recent pensionable pay preceding the valuation date to a two-year average of pay from the two years preceding the valuation date. This method change was done to mitigate fluctuations in overtime pay year over year which better reflects future salary expectations.

Discount Rate – The discount rate used to measure the Total Pension Liability was 6.75%.

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 (18 years remaining as of the July 1, 2019 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.

A formal cash flow projection was not performed 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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)**D. SDTC (Continued)****Net Pension Liability (Continued)****Discount Rate (Continued)**

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 6.75% 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.

Asset Class	Strategic Allocation	Real Return Years 1-10	Real Return Years 11+
United States Equity	25.00%	5.30%	5.30%
International Equity	20.00%	7.70%	7.70%
Fixed Income	35.00%	0.50%	0.50%
Alternatives (Multi-Asset)	20.00%	3.50%	3.50%

(a) an expected inflation of 2.5% 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, 2020 and 2019, 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:

	2020	2019
1% Decrease	5.75%	6.00%
Net Pension Liability	\$ 178,269,254	\$ 165,940,641
Current Discount Rate	6.75%	7.00%
Net Pension Liability	\$ 144,780,361	\$ 134,061,376
1% Increase	7.75%	8.00%
Net Pension Liability	\$ 116,375,578	\$ 106,995,199

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)**D. SDTC (Continued)****Changes in Net Pension Liability**

At June 30, 2020 (measurement date 2019), 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, 2019	\$ 300,300,433	\$ 166,239,057	\$ 134,061,376
Changes in the year:			
Service cost	3,345,262	-	3,345,262
Interest on the total pension liability	20,568,075	-	20,568,075
Changes of assumptions	7,536,766	-	7,536,766
Differences between expected and actual experience	3,139,304	-	3,139,304
Benefit payments, including refunds of member contributions	(19,969,862)	(19,969,862)	-
Contributions - employer	-	13,633,181	(13,633,181)
Contributions - employee	-	2,074,025	(2,074,025)
Net investment income	-	8,415,801	(8,415,801)
Administrative expense	-	(252,585)	252,585
Net Changes	14,619,545	3,900,560	10,718,985
Balance at June 30, 2020	\$ 314,919,978	\$ 170,139,617	\$ 144,780,361

At June 30, 2019 (measurement date 2018), 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, 2018	\$ 296,010,712	\$ 161,635,007	\$ 134,375,705
Changes in the year:			
Service cost	3,559,738	-	3,559,738
Interest on the total pension liability	20,325,978	-	20,325,978
Changes of assumptions	(640,322)	-	(640,322)
Differences between expected and actual experience	(240,474)	-	(240,474)
Benefit payments, including refunds of member contributions	(18,715,199)	(18,715,199)	-
Contributions - employer	-	13,020,223	(13,020,223)
Contributions - employee	-	1,751,616	(1,751,616)
Net investment income	-	8,792,300	(8,792,300)
Administrative expense	-	(244,890)	244,890
Net Changes	4,289,721	4,604,050	(314,329)
Balance at June 30, 2019	\$ 300,300,433	\$ 166,239,057	\$ 134,061,376

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.

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)

D. SDTC (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the years ended June 30, 2020 and 2019, SDTC recognized pension expense of \$21,959,266 and \$24,465,090, respectively. At June 30, 2020 and 2019, SDTC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 14,709,813	\$ -	\$ 13,632,820	\$ -
Changes in assumptions	3,768,383	-	-	(320,161)
Differences between expected and actual experience	1,569,652	-	395,229	(120,237)
Differences between projected and actual earnings on pension plan investments	5,675,174	-	8,665,478	-
Total	<u>\$ 25,723,022</u>	<u>\$ -</u>	<u>\$ 22,693,527</u>	<u>\$ (440,398)</u>

The \$14,709,813 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, 2021 compared to \$13,632,820 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
2021	\$ 8,549,161
2022	762,209
2023	1,088,723
2024	613,116
2025	-
Total	<u>\$ 11,013,209</u>

In the previous year, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions were:

Year Ended June 30	Amounts
2020	\$ 5,397,593
2021	2,598,012
2022	149,095
2023	475,609
2024	-
Total	<u>\$ 8,620,309</u>

San Diego Metropolitan Transit System
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Employee Retirement Systems (Continued)

D. SDTC (Continued)

Payable to the Pension Plan

At June 30, 2020, SDTC reported a payable of \$1,245,955 for the outstanding amount of contributions to the pension plan required for the fiscal year compared to \$1,150,062 for the year ended June 30, 2019.

Note 13 – Other Required Individual Disclosures

SDTC and SDTI had unrestricted (deficits) of \$(161,014,994) and \$(11,933,573) as of June 30, 2020 compared to \$(155,432,063) and \$(14,343,439) for the year ended June 30, 2019. These deficits are primarily a result of the implementation of GASB 68 & 75 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.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited)
For the Years Ended June 30, 2020 and 2019

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

MTS
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.13726%	0.13473%	0.13531%	0.13477%	0.14142%	0.13277%
Proportionate share of the net pension liability	\$ 14,064,659	\$ 12,982,663	\$ 13,418,753	\$ 11,661,984	\$ 9,707,169	\$ 8,261,550
Covered payroll	\$ 12,892,323	\$ 12,873,186	\$ 11,809,510	\$ 11,078,469	\$ 9,954,718	\$ 9,277,782
Proportionate share of the net pension liability as percentage of covered payroll	109.09%	100.85%	113.63%	105.27%	97.51%	89.05%
Plan's fiduciary net position as percentage of the total pension liability	75.16%	75.65%	72.65%	72.53%	75.07%	77.50%
Proportionate share of aggregate employer contributions	\$ 1,763,681	\$ 1,536,182	\$ 1,348,728	\$ 1,896,142	\$ 1,998,897	\$ 755,170

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SDTI CALPERS PLANS
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 4,304,517	\$ 4,029,579	\$ 3,882,206	\$ 3,580,302	\$ 3,615,793	\$ 3,721,950
Interest on total pension liability	10,947,906	10,112,324	9,611,237	9,201,415	8,554,525	7,982,614
Differences between expected and actual experience	2,647,270	(498,533)	(2,759,754)	375,697	(510,309)	-
Changes in assumptions	-	(1,064,034)	8,593,509	-	(2,274,755)	-
Changes in benefit terms	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(5,389,412)	(5,090,945)	(4,901,765)	(4,345,171)	(3,799,240)	(3,155,596)
Net change in total pension liability	12,510,281	7,488,391	14,425,433	8,812,243	5,586,014	8,548,968
Total pension liability - beginning	151,012,735	143,524,344	129,098,911	120,286,668	114,700,654	106,151,686
Total pension liability - ending (a)	\$ 163,523,016	\$ 151,012,735	\$ 143,524,344	\$ 129,098,911	\$ 120,286,668	\$ 114,700,654
Plan fiduciary net position						
Contributions - employer	\$ 3,824,864	\$ 3,342,623	\$ 2,835,680	\$ 2,659,911	\$ 2,553,900	\$ 2,498,345
Contributions - employee	2,075,270	2,034,672	1,806,506	1,778,990	1,839,206	2,179,194
Net investment income	8,009,279	9,482,977	11,214,548	628,353	2,204,904	14,416,106
Benefit payments, including refunds of employee contributions	(5,389,412)	(5,090,945)	(4,901,765)	(4,345,171)	(3,799,240)	(3,155,596)
Net plan to plan resource movement	(86,676)	(281)	-	-	-	-
Administrative expense	281	(506,849)	(149,699)	(61,391)	(113,387)	-
Net change in plan fiduciary net position	8,433,606	9,262,197	10,805,270	660,692	2,685,383	15,938,049
Plan fiduciary net position - beginning	121,459,786	112,197,589	101,392,319	100,731,627	98,046,244	82,108,195
Plan fiduciary net position - ending (b)	\$ 129,893,392	\$ 121,459,786	\$ 112,197,589	\$ 101,392,319	\$ 100,731,627	\$ 98,046,244
Net pension liability - ending (a) - (b)	\$ 33,629,624	\$ 29,552,949	\$ 31,326,755	\$ 27,706,592	\$ 19,555,041	\$ 16,654,410
Plan fiduciary net position as a percentage of the total pension liability	79.43%	80.43%	78.17%	78.54%	83.74%	85.48%
Covered payroll	\$ 29,886,251	\$ 27,790,199	\$ 26,643,371	\$ 27,247,357	\$ 26,965,416	\$ 26,268,261
Plan net pension liability as a percentage of covered payroll	112.53%	106.34%	117.58%	101.69%	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, 2018 valuation date.

Changes of assumptions:

*2018 - Demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review December 2017

*2017 - Discount rate decreased to 7.15 percent from 7.65 percent

*2015 - Discount rate increased to 7.65 percent from 7.50 percent

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

SDTI PARS PLAN

(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ 226,689	\$ 198,627	\$ 230,296	\$ 223,588	\$ 267,889
Interest on total pension liability	565,523	587,363	556,089	523,457	480,808
Differences between expected and actual experience	-	(652,788)	-	(166,133)	-
Changes in assumptions	-	473,927	-	321,921	-
Changes in benefit terms	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(337,875)	(313,613)	(302,460)	(273,201)	(229,364)
Net change in total pension liability	454,337	293,516	483,925	629,632	519,333
Total pension liability - beginning	8,639,945	8,346,429	7,862,504	7,232,872	6,713,539
Total pension liability - ending (a)	\$ 9,094,282	\$ 8,639,945	\$ 8,346,429	\$ 7,862,504	\$ 7,232,872
Plan fiduciary net position					
Contributions - employer	\$ 443,125	\$ 549,296	\$ 605,864	\$ 547,473	\$ 590,203
Contributions - employee	-	-	-	-	-
Net investment income	413,503	458,921	638,858	(59,981)	127,592
Benefit payments, including refunds of employee contributions	(337,875)	(313,613)	(302,460)	(273,201)	(229,364)
Administrative expense	(14,630)	(17,012)	(13,417)	(14,665)	(12,186)
Net change in plan fiduciary net position	504,123	677,592	928,845	199,626	476,245
Plan fiduciary net position - beginning	6,873,522	6,195,930	5,267,085	5,067,459	4,591,214
Plan fiduciary net position - ending (b)	\$ 7,377,645	\$ 6,873,522	\$ 6,195,930	\$ 5,267,085	\$ 5,067,459
Net pension liability - ending (a) - (b)	\$ 1,716,637	\$ 1,766,423	\$ 2,150,499	\$ 2,595,419	\$ 2,165,413
Plan fiduciary net position as a percentage of the total pension liability	81.12%	79.56%	74.23%	66.99%	70.06%
Covered payroll	\$ 4,909,640	\$ 4,766,641	\$ 5,170,611	\$ 5,020,011	\$ 4,943,557
Plan net pension liability as a percentage of covered payroll	34.96%	37.06%	41.59%	51.70%	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, 2018 valuation date.

Changes in Assumption:

*2018 - Investment rate of return decreased from 7.0 to 6.5 percent

*2016 - Inflation rate decreased from 3.0 to 2.75 percent

*2016 - Salary scale, retirement and pre-retirement mortality assumptions were updated.

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

SDTC PLAN
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 3,345,262	\$ 3,559,738	\$ 3,660,961	\$ 3,469,595	\$ 3,590,766	\$ 3,908,376
Interest on total pension liability	20,568,075	20,325,978	19,885,608	18,865,499	18,434,275	17,812,979
Differences between expected and actual experience	3,139,304	(240,474)	1,185,687	(2,174,475)	812,878	2,905,692
Changes in assumptions	7,536,766	(640,322)	-	29,699,872	-	-
Changes in benefit terms	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(19,969,862)	(18,715,199)	(17,977,346)	(17,350,158)	(16,584,043)	(15,466,924)
Net change in total pension liability	14,619,545	4,289,721	6,754,910	32,510,333	6,253,876	9,160,123
Total pension liability - beginning	300,300,433	296,010,712	289,255,802	256,745,469	250,491,593	241,331,470
Total pension liability - ending (a)	\$ 314,919,978	\$ 300,300,433	\$ 296,010,712	\$ 289,255,802	\$ 256,745,469	\$ 250,491,593
Plan fiduciary net position						
Contributions - employer	\$ 13,633,181	\$ 13,020,223	\$ 12,649,101	\$ 10,711,282	\$ 11,352,628	\$ 12,628,190
Contributions - employee	2,074,025	1,751,616	2,047,593	1,754,869	1,363,092	899,791
Net investment income	8,415,801	8,792,300	12,216,936	(540,093)	(2,018,866)	18,417,439
Benefit payments, including refunds of employee contributions	(19,969,862)	(18,715,199)	(17,977,346)	(17,350,158)	(16,584,043)	(15,466,924)
Administrative expense	(252,585)	(244,890)	(234,128)	(290,381)	(262,808)	(258,142)
Net change in plan fiduciary net position	3,900,560	4,604,050	8,702,156	(5,714,481)	(6,149,997)	16,220,354
Plan fiduciary net position - beginning	166,239,057	161,635,007	152,932,851	158,647,332	164,797,329	148,576,975
Plan fiduciary net position - ending (b)	\$ 170,139,617	\$ 166,239,057	\$ 161,635,007	\$ 152,932,851	\$ 158,647,332	\$ 164,797,329
Net pension liability - ending (a) - (b)	\$ 144,780,361	\$ 134,061,376	\$ 134,375,705	\$ 136,322,951	\$ 98,098,137	\$ 85,694,264
Plan fiduciary net position as a percentage of the total pension liability	54.03%	55.36%	54.60%	52.87%	61.79%	65.79%
Covered payroll	\$ 27,121,687	\$ 29,672,305	\$ 31,660,643	\$ 31,048,663	\$ 32,658,827	\$ 32,313,553
Plan net pension liability as a percentage of covered payroll	533.82%	451.81%	424.43%	439.06%	300.37%	265.20%

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, 2019 valuation date.

Changes of assumptions:

*2019 - Investment rate of return decreased from 7.0 to 6.75%

*2018 - Valuation salary changed from using the most recent pensionable pay preceeding the valuation date to a two-year average of pay from the two years preceeding the valuation date

*2016 - Investment rate of return decreased from 7.5 to 7.0 percent

*2016 - Inflation decreased from 3.0 to 2.75 percent

*2016 - Revisions were made to merit pay increases, mortality, disability, service retirements and terminations

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

SCHEDULE OF CONTRIBUTIONS

MTS

(LAST TEN YEARS*)

Fiscal Year Ended June 30:	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 2,320,104	\$ 2,041,117	\$ 1,896,639	\$ 1,731,711	\$ 1,582,497	\$ 1,559,846	\$ 1,537,079
Contributions in relation to the actuarially determined contribution	(2,320,104)	(2,041,117)	(1,896,639)	(1,731,711)	(1,582,497)	(1,559,846)	(1,537,079)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 13,715,993	\$ 12,892,323	\$ 12,873,186	\$ 11,809,510	\$ 11,078,469	\$ 9,954,718	\$ 9,277,782
Contributions as a percentage of covered payroll	16.92%	15.83%	14.73%	14.66%	14.28%	15.67%	16.57%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumption used to set the actuarially determined contributions for Fiscal Year 2020 were derived from the June 30, 2016 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2018 Funding Valuation Report
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increases	Varies based on entry age and service
Payroll growth	2.750%
Investment rate of return	7.375% net of pension plan investment and administrative expenses
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 and 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Actuaries.

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

SCHEDULE OF CONTRIBUTIONS
SDTI CALPERS PLAN
(LAST TEN YEARS*)

Fiscal Year Ended June 30:	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 4,532,160	\$ 3,824,864	\$ 3,266,081	\$ 2,835,680	\$ 2,659,911	\$ 2,553,900	\$ 2,498,345
Contributions in relation to the actuarially determined contribution	(4,532,160)	(3,824,864)	(3,266,081)	(2,835,680)	(2,659,911)	(2,553,900)	(2,498,345)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 31,913,060	\$ 29,886,251	\$ 27,790,199	\$ 26,643,371	\$ 27,247,357	\$ 26,965,416	\$ 26,268,261
Contributions as a percentage of covered payroll	14.20%	12.80%	11.75%	10.64%	9.76%	9.47%	9.51%

Notes to Schedule:**Methods and assumptions used to determine contribution rates:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020 were derived from the June 30, 2016 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2018 Funding Valuation Report
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increases	Varies based on entry age and service
Payroll growth	3.000%
Investment rate of return	7.375% net of pension plan investment and administrative expenses
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 and 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Actuaries.

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

SCHEDULE OF CONTRIBUTIONS

SDTI PARS PLAN
(LAST TEN YEARS*)

Fiscal Year Ended June 30:	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 408,250	\$ 459,504	\$ 460,930	\$ 499,993	\$ 445,465	\$ 546,873	\$ 463,079
Contributions in relation to the actuarially determined contribution	(418,736)	(443,125)	(549,296)	(605,864)	(547,473)	(590,203)	(453,934)
Contribution deficiency (excess)	<u>\$ (10,486)</u>	<u>\$ 16,379</u>	<u>\$ (88,366)</u>	<u>\$ (105,871)</u>	<u>\$ (102,008)</u>	<u>\$ (43,330)</u>	<u>\$ 9,145</u>
Covered payroll	\$ 4,351,424	\$ 4,909,640	\$ 4,766,641	\$ 5,170,611	\$ 5,020,011	\$ 4,943,557	\$ 5,984,089
Contributions as a percentage of covered payroll	9.62%	9.03%	11.52%	11.72%	10.91%	11.94%	7.59%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020 were derived from the June 30, 2017 funding valuation report.

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Amortization period	16 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies based on entry age and service
Payroll growth	3.00%
Investment rate of return	6.50%

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

SCHEDULE OF CONTRIBUTIONS

SDTC PLAN

(LAST TEN YEARS*)

Fiscal Year Ended June 30:	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 14,709,813	\$ 13,632,820	\$ 13,020,223	\$ 12,649,101	\$ 10,711,282	\$ 11,352,628	\$ 12,628,190
Contributions in relation to the actuarially determined contribution	(14,709,813)	(13,632,820)	(13,020,223)	(12,649,101)	(10,711,282)	(11,352,628)	(12,628,190)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 25,826,289	\$ 27,121,687	\$ 29,672,305	\$ 31,660,643	\$ 31,048,663	\$ 32,658,827	\$ 32,313,553
Contributions as a percentage of covered payroll	56.96%	50.27%	43.88%	39.95%	34.50%	34.76%	39.08%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020 were derived from the June 30, 2017 funding valuation report.

Valuation date	July 1, 2019
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	2.75% plus merit component based on employee classification and years of services
Investment rate of return	6.75% net of pension plan investment expenses
Mortality	Actives: RP-2000 tables using male rates for both male and female members with generational improvements using scale MP-2015

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

MTS

(LAST TEN YEARS*)

Measurement period, year ended June 30:

	2019	2018	2017
Total OPEB Liability			
Service Cost	\$ 452,623	\$ 450,678	\$ 504,282
Interest	224,774	203,185	171,522
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(324,826)	-	-
Changes in assumptions	139,049	(104,394)	(566,410)
Benefit payments, including refunds of member contributions	(111,141)	(99,520)	(96,621)
Net change in total OPEB liability	380,479	449,949	12,773
Total OPEB liability - beginning	6,025,074	5,575,125	5,562,352
Total OPEB liability - ending (a)	<u>\$ 6,405,553</u>	<u>\$ 6,025,074</u>	<u>\$ 5,575,125</u>
OPEB fiduciary net position			
Contributions - employer	\$ 111,141	\$ 99,520	\$ 96,621
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(111,141)	(99,520)	(96,621)
Administrative expense	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan net OPEB liability - ending (a) - (b)	<u>\$ 6,405,553</u>	<u>\$ 6,025,074</u>	<u>\$ 5,575,125</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	\$ 13,522,496	\$ 12,763,760	\$ 12,392,000
Plan net OPEB liability as a percentage of covered payroll	47.37%	47.20%	44.99%

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

SDTI

(LAST TEN YEARS*)

Measurement period, year ended June 30:

	2019	2018	2017
Total OPEB Liability			
Service Cost	\$ 442,873	\$ 440,969	\$ 493,375
Interest	415,912	389,043	336,668
Changes of benefit terms	-	-	-
Differences between expected and actual experience	230,450	-	-
Changes in assumptions	238,432	(168,207)	(956,245)
Benefit payments, including refunds of member contributions	(251,166)	(194,710)	(189,039)
Net change in total OPEB liability	1,076,501	467,095	(315,241)
Total OPEB liability - beginning	11,565,916	11,098,821	11,414,062
Total OPEB liability - ending (a)	\$ 12,642,417	\$ 11,565,916	\$ 11,098,821
OPEB fiduciary net position			
Contributions - employer	\$ 251,166	\$ 194,710	\$ 189,039
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(251,166)	(194,710)	(189,039)
Administrative expense	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -
Plan net OPEB liability - ending (a) - (b)	\$ 12,642,417	\$ 11,565,916	\$ 11,098,821
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	\$ 34,000,928	\$ 31,280,070	\$ 30,369,000
Plan net OPEB liability as a percentage of covered payroll	37.18%	36.98%	36.55%

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2020 and 2019

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
SDTC
(LAST TEN YEARS*)

Measurement period, year ended June 30:	2019	2018	2017
Total OPEB Liability			
Service Cost	\$ 1,180,991	\$ 1,176,005	\$ 1,317,293
Interest	1,056,425	1,000,292	875,283
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(2,478,929)	-	-
Changes in assumptions	1,027,981	(421,922)	(2,399,513)
Benefit payments, including refunds of member contributions	(1,035,246)	(957,045)	(929,170)
Net change in total OPEB liability	(248,778)	797,330	(1,136,107)
Total OPEB liability - beginning	29,520,213	28,722,883	29,858,990
Total OPEB liability - ending (a)	\$ 29,271,435	\$ 29,520,213	\$ 28,722,883
OPEB fiduciary net position			
Contributions - employer	\$ 1,035,246	\$ 957,045	\$ 929,170
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(1,035,246)	(957,045)	(929,170)
Administrative expense	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -
Plan net OPEB liability - ending (a) - (b)	\$ 29,271,435	\$ 29,520,213	\$ 28,722,883
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	\$ 41,720,578	\$ 40,561,400	\$ 39,380,000
Plan net OPEB liability as a percentage of covered payroll	70.16%	72.78%	72.94%

*Ten year historical information is not yet available

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SUPPLEMENTARY INFORMATION

Combining Schedule of Net Position

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

Combining Schedule of Cash Flows

Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual:

Combined Operations

General Operation

Taxicab Administration

San Diego and Arizona Eastern Railway

MTS - Contracted Services

San Diego Transit Corporation

San Diego Trolley, Inc.

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San Diego Metropolitan Transit System
Combining Schedule of Net Position
June 30, 2020

	General Operations	Contracted Services	SDTC	SDTI	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 104,870,051	\$ (457,877)	\$ (460,230)	\$ 167,710	\$ 104,119,654
Cash and cash equivalents restricted for capital support	20,127,449	-	-	-	20,127,449
Accounts and other receivables	8,600,844	-	2,794,635	299,354	11,694,833
Due from other governments	125,156,374	589	27,569	127,929	125,312,461
Internal balances	(39,797,810)	9,534,457	14,262,666	16,000,687	-
Inventory	-	-	4,680,600	23,177,981	27,858,581
Prepaid items and other current assets	2,270,723	145,437	1,096,264	1,768,149	5,280,573
Total current assets	221,227,631	9,222,606	22,401,504	41,541,810	294,393,551
Noncurrent assets:					
Capital assets (net of accumulated depreciation)	130,675,568	276,728,276	263,573,112	1,203,342,650	1,874,319,606
Total noncurrent assets	130,675,568	276,728,276	263,573,112	1,203,342,650	1,874,319,606
Total assets	351,903,199	285,950,882	285,974,616	1,244,884,460	2,168,713,157
DEFERRED OUTFLOWS OF RESOURCES					
Pension-related deferred outflows of resources	4,792,392	-	25,723,022	10,682,616	41,198,030
OPEB-related deferred outflows of resources	237,431	-	2,025,232	643,971	2,906,634
Total deferred outflows of resources	5,029,823	-	27,748,254	11,326,587	44,104,664
LIABILITIES					
Current liabilities:					
Accounts payable	6,303,876	7,471,646	3,336,582	3,345,017	20,457,121
Due to other governments	1,805,536	85,149	181,200	271,662	2,343,547
Unearned revenue	24,143,533	-	-	-	24,143,533
Accrued expenses	1,018,767	19,681	2,215,128	2,037,832	5,291,408
Retentions payable	1,202,181	3,010	-	7,074	1,212,265
Retentions payable from restricted assets	7,735,565	-	-	-	7,735,565
Due within one year:					
Compensated absences payable	846,455	-	3,478,632	2,423,400	6,748,487
Accrued damage, injury, and employee claims	352,073	-	2,806,708	1,321,142	4,479,923
Long-term debt	-	-	2,690,000	-	2,690,000
Total current liabilities	43,407,986	7,579,486	14,708,250	9,406,127	75,101,849
Noncurrent liabilities:					
Due in more than one year:					
Compensated absences payable	594,949	-	2,972,311	691,359	4,258,619
Accrued damage, injury, and employee claims	835,085	-	8,161,561	2,974,713	11,971,359
Long-term debt	-	-	7,665,000	-	7,665,000
Aggregate net pension liability	14,064,659	-	144,780,361	35,346,261	194,191,281
Aggregate total OPEB liability	6,405,553	-	29,271,435	12,642,417	48,319,405
Total noncurrent liabilities	21,900,246	-	192,850,668	51,654,750	266,405,664
Total liabilities	65,308,232	7,579,486	207,558,918	61,060,877	341,507,513
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on refunding related to capital assets	-	-	-	-	-
Pension-related deferred inflows of resources	673,797	-	-	2,972,768	3,646,565
OPEB-related deferred inflows of resources	775,299	-	3,605,834	768,325	5,149,458
Total deferred inflows of resources	1,449,096	-	3,605,834	3,741,093	8,796,023
NET POSITION					
Net investment in capital assets	130,675,568	276,728,276	263,573,112	1,203,342,650	1,874,319,606
Restricted for capital assets	218,452	-	-	-	218,452
Unrestricted (deficit)	159,281,674	1,643,120	(161,014,994)	(11,933,573)	(12,023,773)
Total net position	\$ 290,175,694	\$ 278,371,396	\$ 102,558,118	\$ 1,191,409,077	\$ 1,862,514,285

San Diego Metropolitan Transit System
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	General Operations	Contracted Services	SDTC
Operating revenues:			
Passenger revenue	\$ -	\$ 23,319,212	\$ 19,749,139
Advertising	2,027,212	-	-
Miscellaneous	18,422,445	112	3,100
Total operating revenues	<u>20,449,657</u>	<u>23,319,324</u>	<u>19,752,239</u>
Operating expenses:			
Personnel costs	23,899,953	772,008	81,473,587
Outside services	17,803,983	80,037,321	3,401,803
Transit operations funding	138,897,206	-	-
Materials and supplies	22,228	96,409	6,618,260
Energy costs	222,944	7,318,365	5,645,708
Risk management	4,094,142	15,300	1,147,840
Miscellaneous	(24,061,355)	3,163,117	7,882,190
Depreciation	5,064,115	21,931,173	32,260,870
Total operating expenses	<u>165,943,216</u>	<u>113,333,693</u>	<u>138,430,258</u>
Operating income (loss)	<u>(145,493,559)</u>	<u>(90,014,369)</u>	<u>(118,678,019)</u>
Public support and nonoperating revenues (expenses):			
Federal revenue	90,452,130	22,221,165	27,350,000
Transportation Development Act (TDA) funds	105,032,033	35,743,972	3,452,586
State Transit Assistance (STA) funds	28,595,958	-	9,502,835
State revenue - other	29,636,442	670,411	-
TransNet funds	45,815,353	8,161,568	32,153,785
Other local subsidies	18,673,163	1,286,080	8,247,473
Investment earnings	1,360,307	-	-
Interest expense	29,187	-	(601,925)
Gain (loss) on disposal of assets	2,232,514	-	3,750
Total public support and nonoperating revenues (expenses)	<u>321,827,087</u>	<u>68,083,196</u>	<u>80,108,504</u>
Income (loss) before transfers and contributed capital	176,333,528	(21,931,173)	(38,569,515)
Transfers	(70,123,196)	-	-
Contributed capital, net	(33,294,060)	3,216,435	7,995,834
Changes in net position	72,916,272	(18,714,738)	(30,573,681)
Net Position:			
Beginning of year	217,259,422	297,086,134	133,131,799
End of year	<u>\$ 290,175,694</u>	<u>\$ 278,371,396</u>	<u>\$ 102,558,118</u>

San Diego Metropolitan Transit System
Combining Schedule of Revenues, Expenses, and Changes in Net Position (Continued)
For the Year Ended June 30, 2020

	SDTI	Eliminations	Total
Operating revenues:			
Passenger revenue	\$ 36,463,573	\$ -	\$ 79,531,924
Advertising	-	-	2,027,212
Miscellaneous	740,303	-	19,165,960
Total operating revenues	37,203,876	-	100,725,096
Operating expenses:			
Personnel costs	43,185,938	-	149,331,486
Outside services	9,347,301	-	110,590,408
Transit operations funding	-	(138,374,247)	522,959
Materials and supplies	7,537,940	-	14,274,837
Energy costs	15,400,051	-	28,587,068
Risk management	2,600,598	-	7,857,880
Miscellaneous	18,027,065	-	5,011,017
Depreciation	67,714,734	-	126,970,892
Total operating expenses	163,813,627	(138,374,247)	443,146,547
Operating income (loss)	(126,609,751)	138,374,247	(342,421,451)
Public support and nonoperating revenues (expenses):			
Federal revenue	30,212,591	(79,783,756)	90,452,130
Transportation Development Act (TDA) funds	23,726,546	(62,923,104)	105,032,033
State Transit Assistance (STA) funds	81,650	(9,584,485)	28,595,958
State revenue - other	-	(670,411)	29,636,442
TransNet funds	-	(45,815,353)	40,315,353
Other local subsidies	186,781	(9,720,334)	18,673,163
Investment earnings	-	-	1,360,307
Interest expense	-	-	(572,738)
Gain (loss) on disposal of assets	6,250	-	2,242,514
Total public support and nonoperating revenues (expenses)	54,213,818	(208,497,443)	315,735,162
Income (loss) before transfers and contributed capital	(72,395,933)	(70,123,196)	(26,686,289)
Transfers	-	70,123,196	-
Contributed capital, net	141,306,798	-	119,225,007
Changes in net position	68,910,865	-	92,538,718
Net Position:			
Beginning of year	1,122,498,212	-	1,769,975,567
End of year	<u>\$ 1,191,409,077</u>	<u>\$ -</u>	<u>\$ 1,862,514,285</u>

San Diego Metropolitan Transit System
Combining Schedule of Cash Flows
For the Years Ended June 30, 2020 and 2019

	General Operations	Contracted Services	SDTC	SDTI	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 21,237,296	\$ 23,319,324	\$ 18,615,129	\$ 37,070,148	\$ 100,241,897
Payments to suppliers	4,684,234	(90,750,260)	(24,039,678)	(51,941,643)	(162,047,347)
Payments to employees	(21,981,096)	(769,218)	(71,913,651)	(39,440,453)	(134,104,418)
Payments for damage and injury	(1,285,257)	-	(538,136)	(1,417,193)	(3,240,586)
Net cash provided by (used in) operating activities	2,655,177	(68,200,154)	(77,876,336)	(55,729,141)	(199,150,454)
Cash flows from noncapital financing activities:					
Public support funds received	77,928,201	67,530,271	80,584,040	55,502,406	281,544,918
Net cash provided by noncapital financing activities	77,928,201	67,530,271	80,584,040	55,502,406	281,544,918
Cash flows from capital and related financing activities:					
Debt service costs	(363,072)	-	(3,156,925)	-	(3,519,997)
Property acquisition	(79,977,392)	-	-	-	(79,977,392)
Proceeds from disposal of assets	2,096,103	-	3,750	6,250	2,106,103
Net cash provided by (used in) capital and related financing activities	(78,244,361)	-	(3,153,175)	6,250	(81,391,286)
Cash flows from investing activities:					
Interest received on investments	1,912,401	-	-	-	1,912,401
Net cash provided by investing activities	1,912,401	-	-	-	1,912,401
Net increase in cash and cash equivalents	4,251,418	(669,883)	(445,471)	(220,485)	2,915,579
Cash and cash equivalents:					
Beginning of year	120,746,082	212,006	(14,759)	388,195	121,331,524
End of year	<u>\$ 124,997,500</u>	<u>\$ (457,877)</u>	<u>\$ (460,230)</u>	<u>\$ 167,710</u>	<u>\$ 124,247,103</u>
Cash and cash equivalents:					
Cash and cash equivalents	\$ 104,870,051	\$ (457,877)	\$ (460,230)	\$ 167,710	\$ 104,119,654
Cash restricted for capital support	20,127,449	-	-	-	20,127,449
Total cash and cash equivalents	<u>\$ 124,997,500</u>	<u>\$ (457,877)</u>	<u>\$ (460,230)</u>	<u>\$ 167,710</u>	<u>\$ 124,247,103</u>

San Diego Metropolitan Transit System
Combining Schedule of Cash Flows (Continued)
For the Year Ended June 30, 2020

	General Operations	Contracted Services	SDTC	SDTI	Total
Reconciliation of Operating (Loss) to Net Cash (Used In) Operating Activities					
Operating (loss):	\$ (7,119,312)	\$ (90,014,369)	\$ (118,678,019)	\$ (126,609,751)	\$ (342,421,451)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities					
Depreciation	5,064,115	21,931,173	32,260,870	67,714,734	126,970,892
(Increase) decrease in:					
Accounts and other receivables	57,733	-	(1,093,829)	4,544	(1,031,552)
Due from other governments	660,612	-	-	-	660,612
Inventory	-	-	(507,438)	61,020	(446,418)
Prepaid expenses and other current assets	(971,296)	17,300	(210,391)	(381,659)	(1,546,046)
Increase (decrease) in:					
Accounts payable	1,984,962	(176,537)	(292,701)	572,988	2,088,712
Due to other governments	382,988	39,489	60,668	(128,102)	355,043
Accrued expenses	407,027	2,790	1,033,707	733,522	2,177,046
Unearned revenue	69,294	-	-	(138,272)	(68,978)
Aggregate net pension liability	1,540,557	-	8,326,085	3,178,325	13,044,967
Aggregate total OPEB liability	482,287	-	524,652	525,306	1,532,245
Compensated absences	292,546	-	(362,267)	218,826	149,105
Accrued damage, injury and employee claims	(196,336)	-	1,062,327	(1,480,622)	(614,631)
Total adjustments	9,774,489	21,814,215	40,801,683	70,880,610	143,270,997
Net cash (used in) operating activities	<u>\$ 2,655,177</u>	<u>\$ (68,200,154)</u>	<u>\$ (77,876,336)</u>	<u>\$ (55,729,141)</u>	<u>\$ (199,150,454)</u>

Noncash investing, capital and financing activities:

During the year, SANDAG contributed \$119,225,007 in capital assets and inventory parts.

During the year, the fair value of investments increased by \$208,862.

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, 2020

	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	\$ 97,063,222	\$ 76,296,286	\$ 79,531,924	\$ -	\$ 79,531,924	\$ 3,235,638
Advertising	1,968,733	2,174,159	2,027,212	-	2,027,212	(146,947)
Miscellaneous operating revenues	15,406,428	15,183,959	19,165,960	(848,357)	18,317,603	3,133,644
Total operating revenues	114,438,383	93,654,404	100,725,096	(848,357)	99,876,739	6,222,335
Operating expenses:						
Personnel costs	141,323,603	144,456,526	149,331,486	(12,312,673)	137,018,813	7,437,713
Outside services	109,175,829	108,775,764	110,590,408	(4,170,805)	106,419,603	2,356,161
Transit operations funding	603,055	603,055	522,959	-	522,959	80,096
Materials and supplies	12,919,752	14,009,972	14,274,837	-	14,274,837	(264,865)
Energy costs	28,975,829	28,832,638	28,587,068	-	28,587,068	245,570
Risk management	4,722,562	4,800,099	7,857,880	(917,536)	6,940,344	(2,140,245)
Miscellaneous operating expenses	6,393,314	7,904,745	5,011,017	869,294	5,880,311	2,024,434
Depreciation	-	-	126,970,892	(126,970,892)	-	-
Total operating expenses	304,113,944	309,382,799	443,146,547	(143,502,612)	299,643,935	9,738,864
Operating income (loss)	(189,675,561)	(215,728,395)	(342,421,451)	142,654,255	(199,767,196)	15,961,199
Public support and nonoperating revenues (expenses):						
Federal revenue	63,285,833	96,750,833	90,452,130	(9,422,175)	81,029,955	(15,720,878)
Transportation Development Act (TDA) funds	63,505,007	58,805,009	105,032,033	(41,527,026)	63,505,007	4,699,998
State Transit Assistance (STA) funds	11,300,000	9,300,000	28,595,958	(17,683,094)	10,912,864	1,612,864
State revenue - other	-	889,304	29,636,442	(28,966,031)	670,411	(218,893)
TransNet funds	47,662,793	39,686,944	40,315,353	-	40,315,353	628,409
Other local subsidies	2,195,817	9,695,817	18,673,163	(9,139,610)	9,533,553	(162,264)
Investment earnings	1,275,000	1,275,000	1,360,307	-	1,360,307	85,307
Interest expense	(985,064)	(985,064)	(572,738)	(411,970)	(984,708)	356
Gain (loss) on disposal of assets	200,000	100,000	2,242,514	(2,130,411)	112,103	12,103
Total public support and nonoperating revenues (expenses):	188,439,386	215,517,843	315,735,162	(109,280,317)	206,454,845	(9,062,998)
Income (loss) before contributed capital	(1,236,175)	(210,552)	(26,686,289)	33,373,938	6,687,649	6,898,201
Reserve revenue	1,236,175	210,552	-	26,059	26,059	(184,493)
Contributed capital, net	-	-	119,225,007	(119,225,007)	-	-
Changes in net position	\$ -	\$ -	92,538,718	\$ (85,825,010)	\$ 6,713,708	\$ 6,713,708
Net Position:						
Beginning of year			<u>1,769,975,567</u>			
End of year			<u>\$1,862,514,285</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, 2020

	Budgeted Amounts		Actual Amounts			
			Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
Operating revenues:						
Advertising	\$ 1,968,733	\$ 2,174,159	\$ 2,027,212	\$ -	\$ 2,027,212	\$ (146,947)
Miscellaneous operating revenues	13,350,428	13,255,959	16,910,646	(348,357)	16,562,289	3,306,330
Total operating revenues	15,319,161	15,430,118	18,937,858	(348,357)	18,589,501	3,159,383
Operating expenses:						
Personnel costs	22,540,243	21,907,675	23,154,336	(2,033,395)	21,120,941	786,734
Outside services	17,432,483	19,553,136	17,752,118	-	17,752,118	1,801,018
Transit operations funding	603,055	603,055	138,897,206	(138,374,247)	522,959	80,096
Materials and supplies	6,400	14,300	17,183	-	17,183	(2,883)
Energy costs	237,067	240,500	210,525	-	210,525	29,975
Risk management	533,844	754,026	4,063,723	(196,336)	3,867,387	(3,113,361)
Miscellaneous operating expenses	(23,176,525)	(21,109,754)	(24,253,848)	1,202,659	(23,051,189)	1,941,435
Depreciation	-	-	5,040,985	(5,040,985)	-	-
Total operating expenses	18,176,567	21,962,938	164,882,228	(144,442,304)	20,439,924	1,523,014
Operating income (loss)	(2,857,406)	(6,532,820)	(145,944,370)	144,093,947	(1,850,423)	4,682,397
Public support and nonoperating revenues (expenses):						
Federal revenue	151,500	4,751,500	90,452,130	(89,156,953)	1,295,177	(3,456,323)
Transportation Development Act (TDA) funds	603,055	603,055	105,032,033	(100,263,369)	4,768,664	4,165,609
State Transit Assistance (STA) funds	-	-	28,595,958	(27,185,929)	1,410,029	1,410,029
State revenue - other	-	-	29,636,442	(29,636,442)	-	-
TransNet funds	-	-	45,815,353	(45,815,353)	-	-
Other local subsidies	-	-	18,673,163	(18,673,163)	-	-
Investment earnings	1,275,000	1,275,000	1,360,307	-	1,360,307	85,307
Interest expense	(372,149)	(372,149)	29,187	(401,336)	(372,149)	-
Gain (loss) on disposal of assets	200,000	100,000	251,714	(149,611)	102,103	2,103
Total public support and nonoperating revenues (expenses):	1,857,406	6,357,406	319,846,287	(311,282,156)	8,564,131	2,206,725
Income (loss) before transfers and contributed capital	(1,000,000)	(175,414)	173,901,917	(167,188,209)	6,713,708	6,889,122
Transfers	-	-	(70,123,196)	70,123,196	-	-
Reserve revenue	1,000,000	175,414	-	-	-	(175,414)
Contributed capital, net	-	-	(30,813,260)	30,813,260	-	-
Changes in net position	\$ -	\$ -	72,965,461	\$ (66,251,753)	\$ 6,713,708	\$ 6,713,708
Net Position:						
Beginning of year			199,436,364			
End of year			\$ 272,401,825			

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, 2020

	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:						
Miscellaneous operating revenues	\$ 1,101,000	\$ 981,800	\$ 856,152	\$ -	\$ 856,152	\$ (125,648)
Total operating revenues	<u>1,101,000</u>	<u>981,800</u>	<u>856,152</u>	<u>-</u>	<u>856,152</u>	<u>(125,648)</u>
Operating expenses:						
Personnel costs	792,058	640,254	701,857	-	701,857	(61,603)
Outside services	71,250	78,200	46,095	-	46,095	32,105
Materials and supplies	2,000	500	5,045	-	5,045	(4,545)
Energy costs	17,000	17,000	12,419	-	12,419	4,581
Risk management	8,000	8,500	8,471	-	8,471	29
Miscellaneous operating expenses	210,692	176,483	171,092	-	171,092	5,391
Depreciation	-	-	6,042	(6,042)	-	-
Total operating expenses	<u>1,101,000</u>	<u>920,937</u>	<u>951,021</u>	<u>(6,042)</u>	<u>944,979</u>	<u>(24,042)</u>
Operating income (loss)	-	60,863	(94,869)	6,042	(88,827)	(149,690)
Reserve revenue	-	(60,863)	-	88,827	88,827	149,690
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(94,869)</u>	<u>\$ 94,869</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			149,103			
End of year			<u>\$ 54,234</u>			

San Diego Metropolitan Transit System
San Diego and Arizona Eastern Railway
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
For the Year Ended June 30, 2020

	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:						
Miscellaneous operating revenues	\$ 160,000	\$ 160,000	\$ 655,647	\$ (500,000)	\$ 155,647	\$ (4,353)
Total operating revenues	<u>160,000</u>	<u>160,000</u>	<u>655,647</u>	<u>(500,000)</u>	<u>155,647</u>	<u>(4,353)</u>
Operating expenses:						
Personnel costs	38,800	47,500	43,760	-	43,760	3,740
Outside services	210,000	110,100	5,770	-	5,770	104,330
Risk management	118,300	69,301	21,948	-	21,948	47,353
Miscellaneous operating expenses	29,075	29,100	21,401	-	21,401	7,699
Depreciation	-	-	17,088	(17,088)	-	-
Total operating expenses	<u>396,175</u>	<u>256,001</u>	<u>109,967</u>	<u>(17,088)</u>	<u>92,879</u>	<u>163,122</u>
Operating income (loss)	(236,175)	(96,001)	545,680	(482,912)	62,768	158,769
Public support and nonoperating revenues (expenses):						
Gain (loss) on disposal of assets	-	-	1,980,800	(1,980,800)	-	-
Total public support and nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>1,980,800</u>	<u>(1,980,800)</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers and contributed capital	(236,175)	(96,001)	2,526,480	(2,463,712)	62,768	158,769
Reserve revenue	236,175	96,001	-	(62,768)	(62,768)	(158,769)
Contributed capital, net	-	-	(2,480,800)	2,480,800	-	-
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>45,680</u>	<u>\$ (45,680)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			17,673,955			
End of year			<u>\$ 17,719,635</u>			

San Diego Metropolitan Transit System
MTS - Contracted Services
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
For the Year Ended June 30, 2020

	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	\$ 30,346,886	\$ 22,651,503	\$ 23,319,212	\$ -	\$ 23,319,212	\$ 667,709
Miscellaneous operating revenues	-	-	112	-	112	112
Total operating revenues	<u>30,346,886</u>	<u>22,651,503</u>	<u>23,319,324</u>	<u>-</u>	<u>23,319,324</u>	<u>667,821</u>
Operating expenses:						
Personnel costs	622,000	719,166	772,008	-	772,008	(52,842)
Outside services	84,223,114	80,932,102	80,037,321	(95,509)	79,941,812	990,290
Materials and supplies	42,600	42,855	96,409	-	96,409	(53,554)
Energy costs	8,545,362	7,606,561	7,318,365	-	7,318,365	288,196
Risk management	15,300	15,300	15,300	-	15,300	-
Miscellaneous operating expenses	3,079,737	3,130,580	3,163,117	-	3,163,117	(32,537)
Depreciation	-	-	21,931,173	(21,931,173)	-	-
Total operating expenses	<u>96,528,113</u>	<u>92,446,564</u>	<u>113,333,693</u>	<u>(22,026,682)</u>	<u>91,307,011</u>	<u>1,139,553</u>
Operating income (loss)	<u>(66,181,227)</u>	<u>(69,795,061)</u>	<u>(90,014,369)</u>	<u>22,026,682</u>	<u>(67,987,687)</u>	<u>1,807,374</u>
Public support and nonoperating revenues (expenses):						
Federal revenue	16,134,333	26,020,333	22,221,165	-	22,221,165	(3,799,168)
Transportation Development Act (TDA) funds	41,860,970	33,306,136	35,743,972	(95,509)	35,648,463	2,342,327
State revenue - other	-	889,304	670,411	-	670,411	(218,893)
TransNet funds	6,908,107	8,301,471	8,161,568	-	8,161,568	(139,903)
Other local subsidies	1,277,817	1,277,817	1,286,080	-	1,286,080	8,263
Total public support and nonoperating revenues (expenses):	<u>66,181,227</u>	<u>69,795,061</u>	<u>68,083,196</u>	<u>(95,509)</u>	<u>67,987,687</u>	<u>(1,807,374)</u>
Income (loss) before contributed capital	<u>-</u>	<u>-</u>	<u>(21,931,173)</u>	<u>21,931,173</u>	<u>-</u>	<u>-</u>
Contributed capital, net	<u>-</u>	<u>-</u>	<u>3,216,435</u>	<u>(3,216,435)</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(18,714,738)</u>	<u>\$ 18,714,738</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			<u>297,086,134</u>			
End of year			<u>\$ 278,371,396</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, 2020

	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	\$ 23,300,815	\$ 18,033,691	\$ 19,749,139	\$ -	\$ 19,749,139	\$ 1,715,448
Miscellaneous operating revenues	15,000	6,200	3,100	-	3,100	(3,100)
Total operating revenues	<u>23,315,815</u>	<u>18,039,891</u>	<u>19,752,239</u>	<u>-</u>	<u>19,752,239</u>	<u>1,712,348</u>
Operating expenses:						
Personnel costs	77,869,828	79,444,284	81,473,587	(6,777,928)	74,695,659	4,748,625
Outside services	1,937,250	1,861,765	3,401,803	(1,808,534)	1,593,269	268,496
Materials and supplies	5,962,950	6,762,825	6,618,260	-	6,618,260	144,565
Energy costs	5,612,000	5,788,000	5,645,708	-	5,645,708	142,292
Risk management	2,099,027	1,883,162	1,147,840	458,649	1,606,489	276,673
Miscellaneous operating expenses	9,037,372	7,868,465	7,882,190	-	7,882,190	(13,725)
Depreciation	-	-	32,260,870	(32,260,870)	-	-
Total operating expenses	<u>102,518,427</u>	<u>103,608,501</u>	<u>138,430,258</u>	<u>(40,388,683)</u>	<u>98,041,575</u>	<u>5,566,926</u>
Operating income (loss)	<u>(79,202,612)</u>	<u>(85,568,610)</u>	<u>(118,678,019)</u>	<u>40,388,683</u>	<u>(78,289,336)</u>	<u>7,279,274</u>
Public support and nonoperating revenues (expenses):						
Federal revenue	21,000,000	30,434,000	27,350,000	-	27,350,000	(3,084,000)
Transportation Development Act (TDA) funds	5,842,841	6,644,052	3,452,586	(1,808,534)	1,644,052	(5,000,000)
State Transit Assistance (STA) funds	11,300,000	9,300,000	9,502,835	-	9,502,835	202,835
TransNet funds	40,754,686	31,385,473	32,153,785	-	32,153,785	768,312
Other local subsidies	918,000	8,418,000	8,247,473	-	8,247,473	(170,527)
Interest expense	(612,915)	(612,915)	(601,925)	(10,634)	(612,559)	356
Gain (loss) on disposal of assets	-	-	3,750	-	3,750	3,750
Total public support and nonoperating revenues (expenses):	<u>79,202,612</u>	<u>85,568,610</u>	<u>80,108,504</u>	<u>(1,819,168)</u>	<u>78,289,336</u>	<u>(7,279,274)</u>
Income (loss) before contributed capital	<u>-</u>	<u>-</u>	<u>(38,569,515)</u>	<u>38,569,515</u>	<u>-</u>	<u>-</u>
Contributed capital, net	<u>-</u>	<u>-</u>	<u>7,995,834</u>	<u>(7,995,834)</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(30,573,681)</u>	<u>\$ 30,573,681</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			133,131,799			
End of year			<u>\$ 102,558,118</u>			

San Diego Metropolitan Transit System
San Diego Trolley, Inc
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts			
			Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
Operating revenues:						
Passenger revenue	\$ 43,415,521	\$ 35,611,092	\$ 36,463,573	\$ -	\$ 36,463,573	\$ 852,481
Miscellaneous operating revenues	780,000	780,000	740,303	-	740,303	(39,697)
Total operating revenues	44,195,521	36,391,092	37,203,876	-	37,203,876	812,784
Operating expenses:						
Personnel costs	39,460,674	41,697,647	43,185,938	(3,501,350)	39,684,588	2,013,059
Outside services	5,301,732	6,240,461	9,347,301	(2,266,762)	7,080,539	(840,078)
Materials and supplies	6,905,802	7,189,492	7,537,940	-	7,537,940	(348,448)
Energy costs	14,564,400	15,180,577	15,400,051	-	15,400,051	(219,474)
Risk management	1,948,091	2,069,810	2,600,598	(1,179,849)	1,420,749	649,061
Miscellaneous operating expenses	17,212,963	17,809,871	18,027,065	(333,365)	17,693,700	116,171
Depreciation	-	-	67,714,734	(67,714,734)	-	-
Total operating expenses	85,393,662	90,187,858	163,813,627	(74,996,060)	88,817,567	1,370,291
Operating income (loss)	(41,198,141)	(53,796,766)	(126,609,751)	74,996,060	(51,613,691)	2,183,075
Public support and nonoperating revenues (expenses):						
Federal revenue	26,000,000	35,545,000	30,212,591	(48,978)	30,163,613	(5,381,387)
Transportation Development Act (TDA) funds	15,198,141	18,251,766	23,726,546	(2,282,718)	21,443,828	3,192,062
State Transit Assistance (STA) funds	-	-	81,650	(81,650)	-	-
Other local subsidies	-	-	186,781	(186,781)	-	-
Gain (loss) on disposal of assets	-	-	6,250	-	6,250	6,250
Total public support and nonoperating revenues (expenses):	41,198,141	53,796,766	54,213,818	(2,600,127)	51,613,691	(2,183,075)
Income (loss) before contributed capital	-	-	(72,395,933)	72,395,933	-	-
Contributed capital, net	-	-	141,306,798	(141,306,798)	-	-
Changes in net position	\$ -	\$ -	68,910,865	\$ (68,910,865)	\$ -	\$ -
Net Position:						
Beginning of year			1,122,498,212			
End of year			\$ 1,191,409,077			

STATISTICAL SECTION

(Unaudited)

Included in this section of the Metropolitan Transit System comprehensive annual financial report is detailed information to assist in analysis and understanding of the information presented in the financial statements, notes and required supplementary information.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how MTS's financial position has changed over time.

Revenue Capacity

These schedules contain detailed information about the fare structures and revenue generated from transit operations provided by MTS.

Debt Capacity

This schedule presents information to help the reader assess the affordability of MTS's current levels of outstanding debt and MTS's ability to issue debt in the future.

Demographic and Economic Information

These schedules provide service and infrastructure data to help the reader understand how the information in MTS's financial report relates to the services MTS provides.

Operating Information

These schedules provide service and infrastructure data to help the reader understand how the information in MTS's financial report relates to the services MTS provides.

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FINANCIAL TRENDS

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

	2020	2019	2018	2017	2016
Business-type activities:					
Net investment in capital assets	\$ 1,874,320	\$ 1,822,922	\$ 1,785,808	\$ 1,739,360	\$ 1,760,427
Restricted	218	212	4,545	4,440	8,750
Unrestricted	(12,024)	(53,159)	(55,407)	(19,615)	(31,668)
Total business-type activities net position	\$ 1,862,514	\$ 1,769,975	\$ 1,734,946	\$ 1,724,185	\$ 1,737,509
Primary government:					
Net investment in capital assets	\$ 1,874,320	\$ 1,822,922	\$ 1,785,808	\$ 1,739,360	\$ 1,760,427
Restricted	218	212	4,545	4,440	8,750
Unrestricted	(12,024)	(53,159)	(55,407)	(19,615)	(31,668)
Total primary government net position	\$ 1,862,514	\$ 1,769,975	\$ 1,734,946	\$ 1,724,185	\$ 1,737,509

Source: Audited Financial Statements.

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

	2015	2014	2013	2012	2011
Business-type activities:					
Net investment in capital assets	\$ 1,699,222	\$ 1,395,206	\$ 1,296,217	\$ 1,172,816	\$ 1,073,562
Restricted	5,309	6,742	7,255	78,378	7,007
Unrestricted	(31,900)	181,114	189,837	157,609	173,128
Total business-type activities net position	\$ 1,672,631	\$ 1,583,062	\$ 1,493,309	\$ 1,408,803	\$ 1,253,697
Primary government:					
Net investment in capital assets	\$ 1,699,222	\$ 1,395,206	\$ 1,296,217	\$ 1,172,816	\$ 1,073,562
Restricted	5,309	6,742	7,255	78,378	7,007
Unrestricted	(31,900)	181,114	189,837	157,609	173,128
Total primary government net position	\$ 1,672,631	\$ 1,583,062	\$ 1,493,309	\$ 1,408,803	\$ 1,253,697

Source: Audited Financial Statements.

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

	2020	2019	2018	2017	2016
Operating revenues:					
Passenger revenue	\$ 79,532	\$ 92,225	\$ 90,236	\$ 93,279	\$ 97,914
Advertising	2,027	1,604	1,131	1,379	968
Charter	-	-	-	-	-
Miscellaneous	19,166	18,831	17,404	18,863	15,781
Total operating revenues	100,725	112,660	108,771	113,521	114,663
Operating expenses:					
Personnel costs	149,331	146,006	146,282	137,021	121,921
Outside services	110,590	107,846	101,574	97,800	94,802
Transit operations funding	523	498	488	463	491
Materials and supplies	14,275	12,927	14,918	13,065	9,715
Energy costs	28,587	28,784	26,414	25,552	24,531
Risk management	7,858	2,183	6,675	4,276	4,864
Miscellaneous	5,011	5,446	5,854	5,934	4,978
Depreciation	126,971	123,007	120,928	123,880	119,520
Total operating expenses	443,146	426,697	423,133	407,991	380,822
Operating (loss)	(342,421)	(314,037)	(314,362)	(294,470)	(266,159)
Public support and nonoperating revenues (expenses):					
Grants and contributions	312,705	243,544	253,298	232,775	235,763
Investment earnings	1,360	1,952	941	636	292
Interest expense	(573)	(671)	(809)	(963)	(1,071)
Gain (loss) on disposal of assets	2,243	(2,351)	(809)	396	2,433
Other expenses	-	-	-	-	-
Total public support and nonoperating revenues (expenses)	315,735	242,474	252,621	232,844	237,417
Income (loss) before contributed capital	(26,686)	(71,563)	(61,741)	(61,626)	(28,742)
Contributed capital, net	119,225	106,592	99,551	48,301	93,619
Changes in net position	\$ 92,539	\$ 35,029	\$ 37,810	\$ (13,325)	\$ 64,877

Source: Audited Financial Statements.

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

	2015	2014	2013	2012	2011
Operating revenues:					
Passenger revenue	\$ 97,615	\$ 93,995	\$ 90,652	\$ 88,094	\$ 84,764
Advertising	816	870	972	784	621
Charter	6	30	1	186	129
Miscellaneous	9,349	9,531	4,934	4,445	4,688
Total operating revenues	107,786	104,426	96,559	93,509	90,202
Operating expenses:					
Personnel costs	114,575	117,092	123,720	112,537	104,329
Outside services	84,302	73,859	67,414	66,050	64,037
Transit operations funding	2,692	4,243	3,571	3,721	4,053
Materials and supplies	10,307	9,276	8,469	7,977	7,678
Energy costs	28,003	26,044	22,572	22,689	21,932
Risk management	5,849	3,610	2,902	4,030	3,924
Miscellaneous	4,975	6,244	6,493	5,116	4,899
Depreciation	108,199	103,198	92,788	84,811	81,041
Total operating expenses	358,902	343,566	327,929	306,931	291,893
Operating (loss)	(251,116)	(239,140)	(231,370)	(213,422)	(201,691)
Public support and nonoperating revenues (expenses):					
Grants and contributions	235,755	211,517	183,945	325,658	170,850
Investment earnings	3,065	6,087	6,267	7,622	7,695
Interest expense	(6,883)	(6,982)	(7,520)	(8,014)	(8,420)
Gain (loss) on disposal of assets	67	(273)	804	(620)	712
Other expenses	-	(13)	(13)	(5)	(139)
Total public support and nonoperating revenues (expenses)	232,004	210,336	183,483	324,641	170,698
Income (loss) before contributed capital	(19,112)	(28,804)	(47,887)	111,219	(30,993)
Contributed capital, net	245,717	118,768	132,182	44,118	26,806
Changes in net position	\$ 226,605	\$ 89,964	\$ 84,295	\$ 155,337	\$ (4,187)

Source: Audited Financial Statements.

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REVENUE CAPACITY

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

Fiscal Year Ended	Passenger Fares	Federal Operating Funds	State Operating Funds	Local Operating Funds	Other
San Diego Transit Corporation					
2011	\$ 26,056	\$ 19,894	\$ 29,435	\$ 18,307	\$ 152
2012	27,498	20,709	20,497	17,549	196
2013	28,621	20,266	31,954	18,886	6
2014	27,781	19,336	16,489	20,897	34
2015	27,156	18,096	18,085	28,982	5
2016	26,169	18,000	15,993	35,558	2
2017	24,864	20,000	17,138	31,038	10
2018	23,034	20,225	16,467	38,889	187
2019	22,041	20,500	10,050	40,904	6
2020	19,749	27,350	12,955	40,401	3
San Diego Trolley, Inc.					
2011	\$ 34,673	\$ 14,912	\$ 5,497	\$ 5,000	\$ 528
2012	35,216	14,989	7,208	5,492	552
2013	35,554	22,426	3,379	5,000	574
2014	40,188	22,913	1,501	5,000	1,256
2015	41,140	21,151	5,047	5,000	628
2016	41,113	21,148	6,040	5,000	698
2017	38,968	23,149	13,609	5,000	704
2018	39,354	24,247	22,930	-	777
2019	42,006	24,751	17,012	-	789
2020	36,464	30,213	23,808	187	740
MTS - Contracted Services					
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	79
2016	30,631	13,827	33,796	2,258	(2)
2017	29,447	13,838	36,162	2,296	2
2018	27,848	14,599	38,320	2,699	2
2019	28,178	15,613	41,445	5,705	1
2020	23,319	22,221	36,414	9,448	-

Source: Audited Financial Statements.

San Diego Metropolitan Transit System
Fare Structure
Last Ten Fiscal Years

	2020	2019	2018	2017	2016
Bus Cash Fares					
One-way fare, local routes	\$ 2.50	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25
Senior/disabled, local routes	1.25	1.10	1.10	1.10	1.10
Rapid/Express	2.50	2.50	2.50	2.50	2.50
Senior/disabled Rapid/Express	1.25	1.25	1.25	1.25	1.25
Rapid Express/Premium	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
Rural bus	8.00	5.00-10.00	5.00-10.00	5.00-10.00	5.00-10.00
Senior/disabled Rural bus	4.00	2.50-5.00	2.50-5.00	2.50-5.00	2.50-5.00
Trolley Cash Fares					
One-way fare, all stations	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Senior/disabled one-way fare all stations	1.25	1.25	1.25	1.25	1.25
Bus and Trolley Day Passes					
Regional day pass	\$ 6.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Senior/disabled and youth	3.00	5.00	5.00	5.00	5.00
Region plus day pass	12.00	12.00	12.00	12.00	12.00
Senior/disabled and youth premium regional day	6.00	12.00	12.00	12.00	12.00
Bus and Trolley Monthly Passes					
Regional monthly pass	\$ 72.00	\$ 72.00	\$ 72.00	\$ 72.00	\$ 72.00
Senior/disabled Regional	23.00	18.00	18.00	18.00	18.00
Youth Regional	23.00	36.00	36.00	36.00	36.00
14-Day/Half-month	-	43.00	43.00	43.00	43.00
Rapid Express/Premium monthly pass	100.00	100.00	100.00	100.00	100.00
Senior/disabled Rapid Express/Premium	32.00	25.00	25.00	25.00	25.00
Youth Rapid Express/Premium	32.00	50.00	50.00	50.00	50.00
14-Day/Half-month Rapid Express/Premium	-	60.00	60.00	60.00	60.00

SOURCE: SANDAG Comprehensive Fare Ordinance, amendments effective September 2019.

San Diego Metropolitan Transit System
Fare Structure (Continued)
Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Bus Cash Fares					
One-way fare, local routes	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25
Senior/disabled, local routes	1.10	1.10	1.10	1.10	1.10
Rapid/Express	2.50	2.50	2.50	2.50	2.50
Senior/disabled Rapid/Express	1.25	1.25	1.25	1.25	1.25
Rapid Express/Premium	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
Rural bus	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
Trolley Cash Fares					
One-way fare, all stations	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Senior/disabled one-way fare all stations	1.25	1.25	1.25	1.25	1.25
Bus and Trolley Day Passes					
Regional day pass	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Senior/disabled and youth	5.00	5.00	5.00	5.00	5.00
Region plus day pass	12.00	12.00	12.00	12.00	14.00
Senior/disabled and youth premium regional day	12.00	12.00	12.00	12.00	14.00
Bus and Trolley Monthly Passes					
Regional monthly pass	\$ 72.00	\$ 72.00	\$ 72.00	\$ 72.00	\$ 72.00
Senior/disabled Regional	18.00	18.00	18.00	18.00	18.00
Youth Regional	36.00	36.00	36.00	36.00	36.00
14-Day/Half-month	43.00	43.00	43.00	43.00	43.00
Rapid Express/Premium monthly pass	100.00	100.00	100.00	100.00	100.00
Senior/disabled Rapid Express/Premium	25.00	25.00	25.00	25.00	25.00
Youth Rapid Express/Premium	50.00	50.00	50.00	50.00	50.00
14-Day/Half-month Rapid Express/Premium	60.00	60.00	60.00	60.00	60.00

SOURCE: SANDAG Comprehensive Fare Ordinance, amendments effective September 2019.

San Diego Metropolitan Transit System
Farebox Recovery Percentage
Last Ten Fiscal Years

Fiscal Year Ended	San Diego Transit	San Diego Trolley	MTS-Contracted Services
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
2017	26.21	47.81	36.02
2018	23.12	44.89	33.36
2019	23.41	49.71	30.98
2020	19.94	39.16	25.51

Source: Audited financial statements; calculated as passenger revenue divided by operating expenses (less depreciation, GASB 68 related pension expense and GASB 75 related OPEB expenses), and interest expense.

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- Equipment	1995 LRV Lease/ Leaseback	Pension Obligation Bonds	Total	Percentage of Personal Income	Debt per Capita
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
2017	1,747,713	-	-	17,655,000	19,402,713	0.01%	6
2018	1,071,269	-	-	15,340,000	16,411,269	0.01%	5
2019	363,072	-	-	12,910,000	13,273,072	0.01%	4
2020	-	-	-	10,355,000	10,355,000	0.01%	3

Details regarding MTS's outstanding debt can be found in the notes to the financial statements.

- MTS retired the 1995 LRV Lease/Leaseback obligation in FY2016
- MTS retired the Capital Lease - Tower in FY2020

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

	County of San Diego Population (1)	County of San Diego Personal Income (thousands) (1)	Per Capita Personal Income (1)	San Diego County Average Unemployment Rate (2)
2011	3,135,522	\$ 145,700,000	\$ 51,339	10.40%
2012	3,173,442	152,700,000	52,103	9.30%
2013	3,207,852	157,800,000	52,674	7.40%
2014	3,247,475	167,600,000	54,554	6.10%
2015	3,275,897	180,100,000	56,796	5.00%
2016	3,297,202	186,100,000	60,271	5.10%
2017	3,320,387	193,300,000	60,460	4.30%
2018	3,344,430	204,500,000	61,134	3.70%
2019	3,366,285	216,700,000	62,665	3.30%
2020	3,386,230	225,500,000	63,105	13.90%

Source:

(1) California Department of Transportation - Actuals 2011-2018, Forecast 2019-2020

(2) California Employment Development Department, June 2020

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

	<u>MTS</u>	<u>San Diego Transit</u>	<u>San Diego Trolley</u>	<u>Total</u>
2011	116	758	543	1,417
2012	122	761	568	1,451
2013	136	786	599	1,521
2014	149	785	600	1,534
2015	154	852	595	1,601
2016	163	823	571	1,557
2017	165	825	578	1,568
2018	166	802	593	1,561
2019	166	841	612	1,619
2020	169	833	624	1,626

Source: MTS Human Resources records

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

Company Name	Number of Employees (1)	Percent of 1,365,100 County Total (2)
Naval Base San Diego	41,607	3.05%
University of California, San Diego	38,749	2.84%
Sharp HealthCare	18,736	1.37%
County of San Diego	18,606	1.36%
San Diego Unified School District	12,996	0.95%
Scripps Health	12,348	0.90%
City of San Diego	11,598	0.85%
Qualcomm Inc.	10,300	0.75%
San Diego Community College District	6,246	0.46%
Kaiser Permanente	5,349	0.39%

Source:

1. Data for fiscal year 2020 not available as of publication date. Data shown for the most recent available information: City of San Diego Comprehensive Annual Financial Report - June 30, 2019
2. Employment Development Department, State of California, June 2020

Note: County of San Diego employment information is presented. Employer information is not currently available for the area served by the Metropolitan Transit System within San Diego County. MTS presents only current employment data for the County of San Diego.

OPERATING INFORMATION

San Diego Metropolitan Transit System
Operating Indicators by Function
Last Ten Fiscal Years

	2020	2019	2018	2017	2016
Operating Cost (in 000's)					
San Diego Transit	\$ 99,027	\$ 94,160	\$ 99,619	\$ 94,878	\$ 95,526
San Diego Trolley	93,117	84,507	87,666	81,501	75,086
MTS-Contract Services	9,403	90,942	83,468	81,744	80,511
Farebox Revenue (in 000's)					
San Diego Transit	\$ 19,749	\$ 22,041	\$ 23,034	\$ 24,864	\$ 26,169
San Diego Trolley	36,464	42,006	39,354	38,968	41,113
MTS-Contract Services	23,319	28,178	27,848	29,447	30,631
Total Passengers (in 000's)					
San Diego Transit	\$ 18,383	\$ 22,397	\$ 22,867	\$ 24,315	\$ 25,628
San Diego Trolley	32,003	37,294	36,995	37,639	39,614
MTS-Contract Services	20,838	25,667	25,567	26,241	27,194
Revenue Miles (in 000's)					
San Diego Transit	\$ 9,236	\$ 9,739	\$ 9,684	\$ 9,626	\$ 9,702
San Diego Trolley	9,210	8,821	8,656	8,728	8,424
MTS-Contract Services	14,485	15,666	14,983	15,144	14,969
Subsidy / Total Passenger					
San Diego Transit	\$ 4.32	\$ 3.22	\$ 3.35	\$ 2.88	\$ 2.71
San Diego Trolley	1.76	1.14	1.31	1.13	0.86
MTS-Contract Services	3.27	2.45	2.18	2.00	1.83

Source: NTD Report, and audited financial statements.

San Diego Metropolitan Transit System
Operating Indicators by Function (Continued)
Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Operating Cost (in 000's)					
San Diego Transit	\$ 92,059	\$ 91,568	\$ 98,666	\$ 90,153	\$ 83,457
San Diego Trolley	72,637	71,098	65,859	63,309	60,395
MTS-Contract Services	76,190	65,959	62,573	61,154	59,536
Farebox Revenue (in 000's)					
San Diego Transit	\$ 27,156	\$ 27,781	\$ 28,621	\$ 27,498	\$ 26,056
San Diego Trolley	41,140	40,188	35,554	35,216	34,673
MTS-Contract Services	29,318	26,025	26,476	25,380	24,036
Total Passengers (in 000's)					
San Diego Transit	\$ 27,264	\$ 28,541	\$ 28,927	\$ 28,802	\$ 27,252
San Diego Trolley	40,082	39,695	29,699	32,655	31,613
MTS-Contract Services	27,574	23,761	23,479	23,780	22,664
Revenue Miles (in 000's)					
San Diego Transit	\$ 9,561	\$ 8,695	\$ 8,557	\$ 8,221	\$ 8,178
San Diego Trolley	8,596	8,516	7,758	7,544	7,519
MTS-Contract Services	13,328	12,139	11,607	11,214	11,196
Subsidy / Total Passenger					
San Diego Transit	\$ 2.38	\$ 2.24	\$ 2.42	\$ 2.18	\$ 2.10
San Diego Trolley	0.78	0.78	1.02	0.86	0.81
MTS-Contract Services	1.70	1.68	1.54	1.50	1.57

Source: NTD Report, and audited financial statements.

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

	2020	2019	2018	2017	2016
Service Provided					
San Diego Transit					
Vehicle Revenue Miles (in 000's)	9,236	9,739	9,684	9,626	9,702
Vehicle Revenue Hours (in 000's)	782	823	821	822	825
Passengers (in 000's)	18,383	22,397	22,867	24,315	25,628
Passenger Miles (in 000's)	80,855	98,896	104,545	109,727	111,639
Number of Vehicles	277	271	271	278	279
San Diego Trolley					
Vehicle Revenue Miles (in 000's)	9,210	8,821	8,656	8,728	8,424
Vehicle Revenue Hours (in 000's)	508	487	478	490	493
Passenger Car Hours (in 000's)	527	500	486	504	507
Passengers (in 000's)	32,003	37,294	36,995	37,639	39,614
Passenger Miles (in 000's)	194,285	219,453	214,376	210,971	223,185
Number of Vehicles	168	142	131	179	179
MTS-Contracted Services					
Vehicle Revenue Miles (in 000's)	14,485	15,666	14,983	15,144	14,969
Vehicle Revenue Hours (in 000's)	1,237	1,305	1,256	1,269	1,252
Passengers (in 000's)	20,838	25,667	25,567	26,241	27,194
Passenger Miles (in 000's)	82,173	97,045	94,665	95,940	97,479
Number of Vehicles	508	529	536	526	520
Total					
Passengers (in 000's)	71,224	85,358	85,429	88,195	92,436
Passenger Miles (in 000's)	357,313	415,394	413,586	416,638	432,303

Source: NTD Report and MTS internal capital asset system

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

	2015	2014	2013	2012	2011
Service Provided					
San Diego Transit					
Vehicle Revenue Miles (in 000's)	9,561	8,695	8,557	8,221	8,178
Vehicle Revenue Hours (in 000's)	806	795	787	757	754
Passengers (in 000's)	27,264	28,541	28,927	28,802	27,252
Passenger Miles (in 000's)	117,585	110,009	108,222	106,804	100,500
Number of Vehicles	272	310	260	236	236
San Diego Trolley					
Vehicle Revenue Miles (in 000's)	8,596	8,516	7,758	7,544	7,519
Vehicle Revenue Hours (in 000's)	496	504	472	428	423
Passenger Car Hours (in 000's)	509	512	476	433	429
Passengers (in 000's)	40,082	39,695	29,699	32,655	31,613
Passenger Miles (in 000's)	224,422	228,531	173,151	194,822	193,063
Number of Vehicles	179	179	178	151	128
MTS-Contracted Services					
Vehicle Revenue Miles (in 000's)	13,328	12,139	11,607	11,214	11,196
Vehicle Revenue Hours (in 000's)	1,112	998	961	933	927
Passengers (in 000's)	27,573	23,761	23,479	23,780	22,664
Passenger Miles (in 000's)	94,504	85,269	84,021	79,789	82,125
Number of Vehicles	520	449	427	404	407
Total					
Passengers (in 000's)	94,919	91,997	82,105	85,237	81,529
Passenger Miles (in 000's)	436,511	423,809	365,394	381,415	375,688

Source: NTD Report and MTS internal capital asset system

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

	2020	2019	2018	2017	2016
General Operations					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	-	-	-	-	1
San Diego Transit					
Land (parcels)	2	2	2	2	2
Buildings and structures	11	11	11	9	8
Buses	277	271	271	278	279
Nonrevenue vehicles	14	15	15	12	12
San Diego Trolley					
Trolley stations	55	54	54	54	54
Track miles	54	54	54	54	54
Light rail vehicles (total inventory)	168	142	131	179	179
Nonrevenue vehicles	11	11	11	12	12
MTS - Contracted Services					
Land (parcel)	2	2	2	2	2
Buildings and structures	11	11	5	4	4
Buses	508	529	536	526	520
Nonrevenue vehicles	2	7	7	9	9
Taxicab Administration					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	1	1	1	1	1

Source: MTS ERP System

San Diego Metropolitan Transit System
Capital Asset Statistics by Function (Continued)
Last Ten Fiscal Years

	2015	2014	2013	2012	2011
General Operations					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	3	3	3	5	5
San Diego Transit					
Land (parcels)	2	2	2	2	2
Buildings and structures	7	7	4	2	2
Buses	272	310	260	236	236
Nonrevenue vehicles	12	12	14	19	22
San Diego Trolley					
Trolley stations	54	54	54	54	54
Track miles	54	54	54	54	54
Light rail vehicles (total inventory)	179	179	178	151	128
Nonrevenue vehicles	16	16	15	31	43
MTS - Contracted Services					
Land (parcel)	2	2	2	2	1
Buildings and structures	4	4	4	4	3
Buses	520	449	427	404	407
Nonrevenue vehicles	10	8	8	8	10
Taxicab Administration					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	2	2	2	4	3

Source: MTS ERP System

San Diego Metropolitan Transit System**Ridership
Last Ten Fiscal Years**

	2020	2019	2018	2017	2016
Ridership (in 000's)					
San Diego Transit	18,383	22,397	22,867	24,315	25,628
% Change	-17.92%	-2.06%	-5.96%	-5.12%	-6.00%
San Diego Trolley	32,003	37,294	36,995	37,639	39,614
% Change	-14.19%	0.81%	-1.71%	-4.99%	-1.17%
MTS - Contracted Services	20,838	25,667	25,567	26,241	27,194
% Change	-18.81%	0.39%	-2.57%	-3.51%	-1.38%

Source: NTD Report

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San Diego Metropolitan Transit System
Ridership (Continued)
Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Ridership (in 000's)					
San Diego Transit	27,264	28,541	28,927	28,802	27,252
% Change	-4.47%	-1.33%	0.43%	5.69%	1.23%
San Diego Trolley	40,082	39,695	29,699	32,655	31,613
% Change	0.97%	33.66%	-9.05%	3.30%	3.75%
MTS - Contracted Services	27,574	23,761	23,479	23,780	22,664
% Change	16.05%	1.20%	-1.27%	4.92%	3.07%

Source: NTD Report

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San Diego Metropolitan Transit System
Operating Subsidy
Last Ten Fiscal Years

	2020	2019	2018	2017	2016
Average Fare per Rider					
San Diego Transit	\$ 1.07	\$ 0.98	\$ 1.01	\$ 1.02	\$ 1.02
San Diego Trolley	1.14	1.13	1.06	1.04	1.04
MTS - Contract Services	1.12	1.10	1.09	1.12	1.13
Operating Expense per Rider					
San Diego Transit	\$ 5.39	\$ 4.19	\$ 4.36	\$ 3.90	\$ 3.73
San Diego Trolley	2.91	2.18	2.37	2.17	1.90
MTS - Contract Services	4.39	3.54	3.27	3.12	2.96
Subsidy per Rider					
San Diego Transit	\$ 4.32	\$ 3.21	\$ 3.35	\$ 2.88	\$ 2.71
San Diego Trolley	1.76	1.05	1.31	1.13	0.86
MTS - Contract Services	3.27	2.44	2.18	2.00	1.83

Source: NTD report and Audited financial statements

San Diego Metropolitan Transit System
Operating Subsidy (Continued)
Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Average Fare per Rider					
San Diego Transit	\$ 1.00	\$ 0.97	\$ 0.99	\$ 0.95	\$ 0.96
San Diego Trolley	1.03	1.01	1.20	1.08	1.10
MTS - Contract Services	1.06	1.10	1.13	1.07	1.06
Operating Expense per Rider					
San Diego Transit	\$ 3.38	\$ 3.21	\$ 3.41	\$ 3.13	\$ 3.06
San Diego Trolley	1.81	1.79	2.22	1.94	1.91
MTS - Contract Services	2.76	2.78	2.67	2.57	2.63
Subsidy per Rider					
San Diego Transit	\$ 2.38	\$ 2.24	\$ 2.42	\$ 2.18	\$ 2.10
San Diego Trolley	0.78	0.78	1.02	0.86	0.81
MTS - Contract Services	1.70	1.68	1.54	1.50	1.57

Source: NTD report and Audited financial statements

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position of the San Diego Metropolitan Transit System ("MTS"), as of June 30, 2020, and the related statements of revenue, expenses and change in net position, and cash flows for the year then ended, and the related notes to the basic financial statements and have issued our report thereon dated _____, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 basic 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Diego, California
_____, 2020

DRAFT 10-26-2020 IL

San Diego Metropolitan Transit System

Presentation to the Audit Oversight Committee
For the Fiscal Year Ended June 30, 2020

November 5, 2020



CONTENTS

- Management and Auditors' Responsibilities
- Approach to the Audit
- Overview of the Financial Statements
- Key Pension and OPEB Information
- Audit Results
- GASB: Upcoming Standards and Key Research Projects

MANAGEMENT AND AUDITORS' RESPONSIBILITIES

Management Responsibilities

- Responsible for the financial statements
- Present the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP)
- Adopt sound accounting policies
- Establish and maintain internal controls over financial reporting and compliance
- Provide evidence supporting the amounts and disclosures in the financial statements
- Fair presentation of financial statements that are free from material misstatements, whether due to fraud or error
- Preventing and detecting fraud

Auditors' Responsibilities

- Perform the audit in conformity with Auditing Standards Generally Accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (GAGAS or “Yellow Book”)
- Communicate with “Those Charged with Governance”
- Assess audit risk of internal control over financial reporting and compliance
- Determine the fair presentation of the financial statements
- Render an opinion on the financial statements
- Issue recommendations to management, if any

APPROACH TO THE AUDIT

The Pun Group's Audit Approach for MTS

- Phase I – Detailed Planning
- Phase II – Risk Based Review of Internal Controls Over Systems and Compliance including:
 - Financial Reporting
 - Revenues and Expenses
 - Capital Assets and Inventories
 - Payroll and Related Liabilities
 - Federal Grant Programs
 - IT Controls
- Phase III – Validation of Account Balances
- Phase IV – Review Financial Statements and Issue Audit Report Opinion

OVERVIEW OF THE FINANCIAL STATEMENTS

San Diego Metropolitan Transit System

Summary Statements of Net Position

June 30, 2020 and 2019

	2020	2019
Assets	<u>\$ 2,168,713,000</u>	<u>\$ 2,081,872,000</u>
Deferred Outflows of Resources	<u>44,105,000</u>	<u>39,437,000</u>
Liabilities	<u>341,508,000</u>	<u>342,597,000</u>
Deferred Inflows of Resources	<u>8,796,000</u>	<u>8,736,000</u>
Net Position:		
Net investment in capital assets	1,874,320,000	1,822,922,000
Restricted	218,000	212,000
Unrestricted (deficit)	<u>(12,024,000)</u>	<u>(53,158,000)</u>
Total Net Position	<u>\$ 1,862,514,000</u>	<u>\$ 1,769,976,000</u>

San Diego Metropolitan Transit System

Summary Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Operating revenues	\$ 100,725,000	\$ 112,660,000
Nonoperating revenues	316,308,000	245,496,000
Total revenues	<u>417,033,000</u>	<u>358,156,000</u>
Expenses		
Operating expenses	443,147,000	426,696,000
Nonoperating expenses	<u>573,000</u>	<u>3,023,000</u>
Total expenses	<u>443,720,000</u>	<u>429,719,000</u>
(Loss) before capital contributions	(26,687,000)	(71,563,000)
Capital contributions	<u>119,225,000</u>	<u>106,592,000</u>
Changes in Net Position	<u>\$ 92,538,000</u>	<u>\$ 35,029,000</u>

San Diego Metropolitan Transit System

Summary Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities	\$ (199,150,000)	\$ (174,293,000)
Cash Flows from Noncapital Financing Activities	281,545,000	252,016,000
Cash Flows from Capital and Related Financing Activities	(81,391,000)	(59,636,000)
Cash Flows from Investing Activities	<u>1,912,000</u>	<u>1,408,000</u>
Changes in cash and cash equivalents	<u>\$ 2,916,000</u>	<u>\$ 19,495,000</u>

KEY PENSION AND OPEB INFORMATION

San Diego Metropolitan Transit System

Net Pension Liability Sensitivity

June 30, 2020

	MTS	SDTC	SDTI PERS	SDTI PARS	Aggregate
1% Decrease	6.15%	5.75%	6.15%	5.50%	
Net Pension Liability	\$ 21,681,000	\$ 178,269,000	\$ 57,150,000	\$ 2,770,000	\$ 259,870,000
Current Discount Rate	7.15%	6.75%	7.15%	6.50%	
Net Pension Liability	\$ 14,065,000	\$ 144,780,000	\$ 33,630,000	\$ 1,717,000	\$ 194,192,000
1% Increase	8.15%	7.75%	8.15%	7.50%	
Net Pension Liability	\$ 7,778,000	\$ 116,376,000	\$ 14,258,000	\$ 767,000	\$ 139,179,000

**San Diego Metropolitan Transit System
Pension Expense
For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
MTS CalPERS Miscellaneous Plan	\$ 3,582,000	\$ 2,932,000
SDTI CalPERS Miscellaneous Plan	7,040,000	4,770,000
SDTI PARS Plan	406,000	404,000
SDTC Retirement Plan	<u>21,959,000</u>	<u>24,465,000</u>
Total Pension Expense	<u>\$ 32,987,000</u>	<u>\$ 32,571,000</u>

San Diego Metropolitan Transit System Other Postemployment Benefits Plan OPEB Liability Sensitivity June 30, 2020

	MTS	SDTI	SDTC	Aggregate
1% Decrease	2.15%	2.15%	2.15%	2.15%
Total OPEB Liability	\$ 7,649,000	\$ 14,766,000	\$ 33,799,000	\$ 56,214,000
Current Discount Rate	3.15%	3.15%	3.15%	3.15%
Total OPEB Liability	\$ 6,406,000	\$ 12,642,000	\$ 29,271,000	\$ 48,319,000
1% Increase	4.15%	4.15%	4.15%	4.15%
Total OPEB Liability	\$ 5,421,000	\$ 10,924,000	\$ 25,594,000	\$ 41,939,000

**San Diego Metropolitan Transit System
OPEB Expense
For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
MTS	\$ 593,000	\$ 587,000
SDTI	776,000	705,000
SDTC	<u>1,560,000</u>	<u>1,706,000</u>
Total OPEB Expense	<u><u>\$ 2,929,000</u></u>	<u><u>\$ 2,998,000</u></u>

AUDIT RESULTS

Audit Results

- **Unmodified Opinion**

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

- **Other Results**

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

GASB: UPCOMING STANDARDS AND KEY RESEARCH PROJECTS

GASB: Upcoming Standards

- No. 84 *Fiduciary Activities* (effective 2021)
- No. 87 *Leases* (effective 2022)
- No. 89 *Interest Cost Incurred before the End of a Construction Period* (effective 2022)
- No. 90 *Majority Equity Interests* (effective 2021)
- No. 91 *Conduit Debt Obligations* (effective 2023)
- No. 92 *Omnibus 2020* (effective 2022)
- No. 93 *Replacement of Interbank Offered Rates* (effective 2022)
- No. 94 *Public-Private and Public-Public Partnerships* (effective 2023)
- No. 96 *Subscription-Based IT Arrangements* (effective 2023)
- No 97 *Certain Component Unit Criteria...IRC Section 457 Deferred Compensation Plans* (effective 2022)

GASB: Key Research Projects

- Capital Asset Reporting
- Condition Reporting
- Financial Reporting Model
- Revenue and Expense Recognition

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Agenda Item No. 5

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM AUDIT OVERSIGHT COMMITTEE

November 5, 2020

SUBJECT:

INTERNAL AUDIT ACTIVITY UPDATE REPORT (TOUFIC TABSHOURI)

INFORMATIONAL ONLY

Budget Impact

None

DISCUSSION:

The MTS Internal Auditor will present a report on Internal Audit activities.

/s/ Sharon Cooney _____
Sharon Cooney
Chief Executive Officer

Key Staff Contact: Julia Tuer, 619.557.4515, Julia.Tuer@sdmts.com

