



Agenda

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM AUDIT OVERSIGHT COMMITTEE

November 4, 2021

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 email the Clerk of the Board, ClerkoftheBoard@sdmts.com at least two working days prior to the meeting. Meeting webinar/teleconference instructions can be accessed under '[Meeting Link and Webinar Instructions](#).' Click the following link to access the meeting: <https://zoom.us/j/94562188418>

Para solicitar la agenda en un formato alternativo o para solicitar acomodaciones de participación, por favor mande un correo a la Secretaria de la Junta, ClerkoftheBoard@sdmts.com al menos dos días hábiles antes de la reunión. Instrucciones para ingresar a la junta virtual están disponibles bajo '[Meeting Link and Webinar Instructions](#).' Use este enlace para acceder la reunión virtual: <https://zoom.us/j/94562188418>

ACTION RECOMMENDED

1. ROLL CALL
2. APPROVAL OF MINUTES – [June 10, 2021](#)
3. PUBLIC COMMENTS

Approve

COMMITTEE DISCUSSION ITEMS

4. [Draft of Fiscal Year 2021 Annual Comprehensive Financial Report \(ACFR\) \(Erin Dunn With Ken Pun and Coley Delaney Of The Pun Group\)](#)
Action receive a draft of the Fiscal Year (FY) 2021 ACFR for review and discussion.

Receive

OTHER ITEMS

5. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS
6. NEXT MEETING DATE: TBD
7. ADJOURNMENT



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

DRAFT MINUTES

June 10, 2021

[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

Chair Fletcher called the Audit Oversight Committee meeting to order at 9:05 a.m. A roll call sheet listing Audit Oversight Committee member attendance is attached.

3. Public Comments

There were no Public Comments.

COMMITTEE DISCUSSION ITEMS

4. The Pun Group Engagement Letter for The Fiscal Year (FY) 2021 Audit (Erin Dunn)

Erin Dunn, MTS Controller, provided a brief update regarding The Pun Group Engagement Letter for the FY 2021 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

Informational item only. No action taken.

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

Ken Pun and Coley Delaney of The Pun Group, provided a verbal report to the committee. They reported on the scope of work, managements' responsibilities, approach to the audit, planning and risk assessment and new Governmental Accounting Standards Board principles implementation.

Action Taken

Chair Fletcher moved to receive the report on the interim audit work conducted by The Pun Group. Board Member Sandke seconded the motion, and the vote was 7 to 0 in favor.

2. Approval of Minutes (TAKEN OUT OF ORDER)

Chair Fletcher moved to approve the minutes of the November 5, 2020, MTS Audit Oversight Committee meeting. Board Member Salas seconded the motion, and the vote was 7 to 0 in favor.

OTHER ITEMS

6. Committee Member Communications and Other Business

There was no Committee Member Communications and Other Business discussion.

7. Next Meeting Date

The next Audit Oversight Committee meeting is to be determined.

Audit Oversight Committee Meeting – DRAFT MINUTES
June 10, 2021

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Adjournment

Chair Fletcher adjourned the meeting at 9:17 a.m.

Chairperson
San Diego Metropolitan Transit System

Attachment: Roll Call Sheet

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
AUDIT OVERSIGHT COMMITTEE

ROLL CALL

MEETING OF (DATE): June 10, 2021 CALL TO ORDER (TIME): 9:05am
 RECESS: _____ RECONVENE: _____
 CLOSED SESSION: _____ RECONVENE: _____
 PUBLIC HEARING: _____ RECONVENE: _____
 ORDINANCES ADOPTED: _____ ADJOURN: 9:17am

REPRESENTATIVE	BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
County	FLETCHER (Chair)	<input checked="" type="checkbox"/> (Vargas) <input type="checkbox"/>	9:05am	9:17am
Vice Chair	SOTELO-SOLIS	<input checked="" type="checkbox"/> (no alternate) <input type="checkbox"/>	9:05am	9:17am
City of San Diego	ELO-RIVERA	<input checked="" type="checkbox"/> (Montgomery Steppe) <input type="checkbox"/>	9:05am	9:17am
East County	GASTIL	<input checked="" type="checkbox"/> (Hall) <input type="checkbox"/>	9:05am	9:17am
SANDAG Transportation Committee	MONTGOMER Y STEPPE	<input checked="" type="checkbox"/> (Aguirre) <input type="checkbox"/>	9:05am	9:17am
Chair Pro Tem	SALAS	<input checked="" type="checkbox"/> (no alternate) <input type="checkbox"/>	9:05am	9:17am
South Bay	SANDKE	<input checked="" type="checkbox"/> (Aguirre) <input type="checkbox"/>	9:05am	9:17am

SIGNED BY THE CLERK OF THE BOARD:

/S/ Dalia Gonzalez



Agenda Item No. 4

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM AUDIT OVERSIGHT COMMITTEE

November 4, 2021

SUBJECT:

DRAFT OF FISCAL YEAR 2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)
(ERIN DUNN WITH KEN PUN AND COLEY DELANEY OF THE PUN GROUP)

RECOMMENDATION:

That the San Diego Metropolitan Transit System (MTS) Audit Oversight Committee receive a draft of the Fiscal Year (FY) 2021 ACFR for review and discussion.

Budget Impact

None.

DISCUSSION:

The Finance Department presents for review and discussion the FY 2021 ACFR.

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

- 1) Formatting and final proofreading; and
- 2) Note 14, Subsequent Events, is subject to be added until the report is published.

Key financial highlights for the year can be found in the Management's Discussion and Analysis included in the ACFR. 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. Draft FY2021 ACFR





Annual Comprehensive Financial Report

for the Fiscal Years Ended June 30, 2021 and 2020
San Diego, California



FINAL DRAFT 10.27.2021

San Diego Metropolitan Transit System

San Diego, California

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

For the Years Ended June 30, 2021 and 2020

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 annual comprehensive financial report of the San Diego Metropolitan Transit System (MTS) for the fiscal years ended June 30, 2021 and 2020 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. The MTS Board of Directors has established an Audit Oversight Committee to provide an additional level of scrutiny to the preparation of the annual comprehensive 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, 2021 and 2020 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, 2021 and 2020 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 26 routes with an active fleet of 272 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 496 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 For Hire Vehicle 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 the response to the global COVID-19 pandemic beginning in March 2020. The San Diego region's gross regional product (GRP) for 2020 was projected to be down 3.1%-4.5%, which would be a \$7-\$10 billion loss. The region includes the largest concentration of U.S. military in the world, making the military presence an important driver of the region's economy. In addition, San Diego is a thriving hub for the life sciences/biomedical and technology-oriented industries. However, hospitality and tourism is a significant source of income for the local economy and that took a big hit in 2020, and we haven't seen much improvement in 2021. The San Diego Tourism Authority is expecting a five-year recovery horizon. The meeting and special event industry essentially came to a stop, and we have seen very little pick up. The unemployment rate was 7.0% in June 2021, down from 13.9% in 2020, but still significantly higher than the 3.3% in 2019 before the pandemic started. 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. The primary impact has been on ridership and the associated fare revenue, the approved FY21 budget assumed a 46% reduction in fare revenues compared to the pre-pandemic run rate, a drop from \$99.3 million to \$53.6 million. That initial forecast assumed a gradual re-opening of the economy early in the fiscal year which did not happen. With the midyear budget amendment, the passenger fare revenue forecast was reduced to \$46.6 million, and by the end of the fiscal year MTS did see riders returning to the system, with passenger fare revenue finishing at \$47.9 million. This positive ridership trend has continued into FY22; however, MTS remains far below the pre-pandemic baseline. The pandemic was also forecasted to greatly impact sales tax receipts throughout California, which impacts subsidy revenue available to MTS from both TDA and TransNet funds. But sales tax receipts for the region were very strong in FY21, even exceeding the pre-pandemic targets for the fiscal year. State Transit Assistance (STA) funding was also expected to drop from \$30 million to approximately \$17 million, a 43% reduction, but the actual experience was better than expected, with receipts coming in at \$22.8 million for FY21. 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. MTS has so far utilized \$90.0 million of CARES funding to supplement lost revenues, \$17.9 million in FY20 and \$72.1 million in FY21. On March 11, 2021, the President signed American Rescue Plan Act of 2021 (ARP) Act, which provided \$30.5 billion to support the nation's public transportation systems as they continue to respond to the COVID-19 pandemic. MTS was apportioned \$140 million of ARP funding. The FY22 approved budget assumes \$80.3 million of ARP/CARES funding will be utilized, leaving a balance of approximately \$190 million for future fiscal years. At this point, the pandemic's effects on passenger fare and other revenues are expected to continue into FY25. Additionally, MTS has a contingency reserve balance of 12.5% of the operating budget at its disposal.

Major Initiatives

This past year MTS celebrated Free Ride Day on Election Day, November 3, 2020. With fewer polling locations available due to the pandemic, the Ride to Vote campaign increased access for thousands of San Diegans to get to their polling location and help bridge the gap between where a voter lives and where they need to vote. Fixed-route bus and rail services were free for everyone to use throughout San Diego County, ensuring residents were able to reach their polling place and exercise their right to vote. Passengers were also greeted at many transit stations with Ride to Vote promotional items, hats, hand sanitizer and masks to stay safe. Ridership increased by 18% over the previous week on the Trolley and over 14% on bus services.

In another effort to spur ridership, MTS launched a new campaign in April to help small businesses recovering from the pandemic. Eat-Shop-Play is a small business support program that rewards people for shopping local. Designed to get more customers into neighborhood stores and spur more economic development, the program is free for retailers and is supported by an MTS-sponsored outreach and advertising campaign. The transit-adjacent business districts included in the initial launch of Eat-Shop-Play include Barrio Logan, Chula Vista, La Mesa, Lemon Grove, East Village, Imperial Beach, National City, and North Park. Each customer who signs up receives a branded stamp card to track purchases at participating businesses. When the card is filled, customers earn a free monthly transit card – valued at \$72. The program focuses on walkable neighborhoods with bus and Trolley stops located near business districts. Small businesses participating in the cooperative marketing program are featured on the MTS website, billboards, Trolleys, bus benches, online advertising, and MTS social media. More than 100 businesses participated and dozens of free passes have been issued.

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. The current Compass Card system will be phased out, and the new system will be branded as PRONTO. It will include all new hardware and fares will be more accessible to purchase (400 locations at full buildout compared to just the 50 Vons/Albertsons locations available today). The new fare collection system will be phased in beginning in August 2021.

Over the last fifteen years, MTS has made funding the Capital Improvement Plan (CIP) a priority to bring the system up to a state of good repair, with almost \$1.3 billion 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, began arriving in the spring of 2021. This will be the final step for MTS to become 100% low-floor across the entire Trolley fleet. Even with the pandemic impacts to the operating budget, MTS continues to prioritize the CIP and has committed \$125 million for CIP in FY22, funding 48 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. MTS made a historic commitment to reduce greenhouse gas (GHG) emissions in September 2020 when the MTS Board unanimously approved a transition plan to convert all of the agency's 800 buses to zero emissions by 2040. The transition plan will serve as the agency's blueprint to transition all vehicles in the fleet to zero-emissions. The latest addition to the MTS zero emissions fleet came in December 2020, with the delivery of two new battery-electric buses by Gillig. With the existing six New Flyer buses, MTS now has a total of eight electric buses as part of its ZEB Pilot Program, and has gained the capacity to test the performance of buses from more than one manufacturer. The electric buses have an average estimated usable range of 150 miles per charge. Many MTS bus routes are 150 miles or less, making them appropriate for this transition.

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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the fifteenth consecutive year and the twenty-fifth 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 Annual Comprehensive 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 Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The staff of the finance department is to be commended for their efficient and dedicated service to the production of this report. In addition, we express our appreciation for the assistance and cooperation provided by management and staff in all departments throughout the organization.

Sharon Cooney
Chief Executive Officer

Larry Marinesi
Chief Financial Officer

November 4, 2021

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, City of National City)
Mary Salas	Chair Pro Tem, since 1/21, Board Member, since 2/13 (Mayor, City of Chula Vista)
Paloma Aguirre	Board Member, since 12/18 (Councilmember, City of Imperial Beach)
Mark Arapostathis	Board Member, since 1/12 (Mayor, City of La Mesa)
Sean Elo-Rivera	Board Member, since 12/20 (Councilmember, 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)
George Gastil	Board Member, since 1/21 (Councilmember, City of Lemon Grove)
Todd Gloria	Board Member, since 12/20 (Mayor, City of San Diego)
Steve Goble	Board Member, since 1/17 (Councilmember, City of El Cajon)
Ronn Hall	Board Member, since 5/17 (Councilmember, City of Santee)
Monica Montgomery Steppe	Board Member, since 12/18 (Councilmember, City of San Diego)
Vivian Moreno	Board Member, since 12/18 (Councilmember, City of San Diego)
Bill Sandke	Board Member, since 1/17 (Councilmember, City of Coronado)

BOARD COMMITTEE MEMBERSHIP

Executive Committee	Accessible Services Advisory Committee	Airport Authority Advisory Committee	Public Security Committee
Nathan Fletcher, Chair	Alejandra Sotelo-Solis, Chair	Bill Sandke	Monica Montgomery Steppe, Chair
Sean Elo-Rivera			Paloma Aguirre
George Gastil			Sean Elo-Rivera
Monica Montgomery Steppe			Jill Galvez
Mary Salas			Todd Gloria
Bill Sandke			Ronn Hall
Alejandra Sotelo-Solis			
Audit Oversight Committee	Budget Development Committee	Los Angeles-San Diego Rail Corridor Agency	Taxicab Advisory Committee
Nathan Fletcher, Chair	Vivian Moreno, Chair	Caylin Frank	Sean Elo-Rivera
Sean Elo-Rivera	Nathan Fletcher		
George Gastil	Todd Gloria		
Monica Montgomery Steppe	Mary Salas		
Mary Salas	Bill Sandke		
Bill Sandke			
Alejandra Sotelo-Solis			
SANDAG Board	SANDAG Regional Planning Committee	SANDAG Transportation Committee	
Paloma Aguirre	Jill Galvez	Monica Montgomery Steppe	

San Diego Metropolitan Transit System

Listing of Board of Directors and Management (Continued)

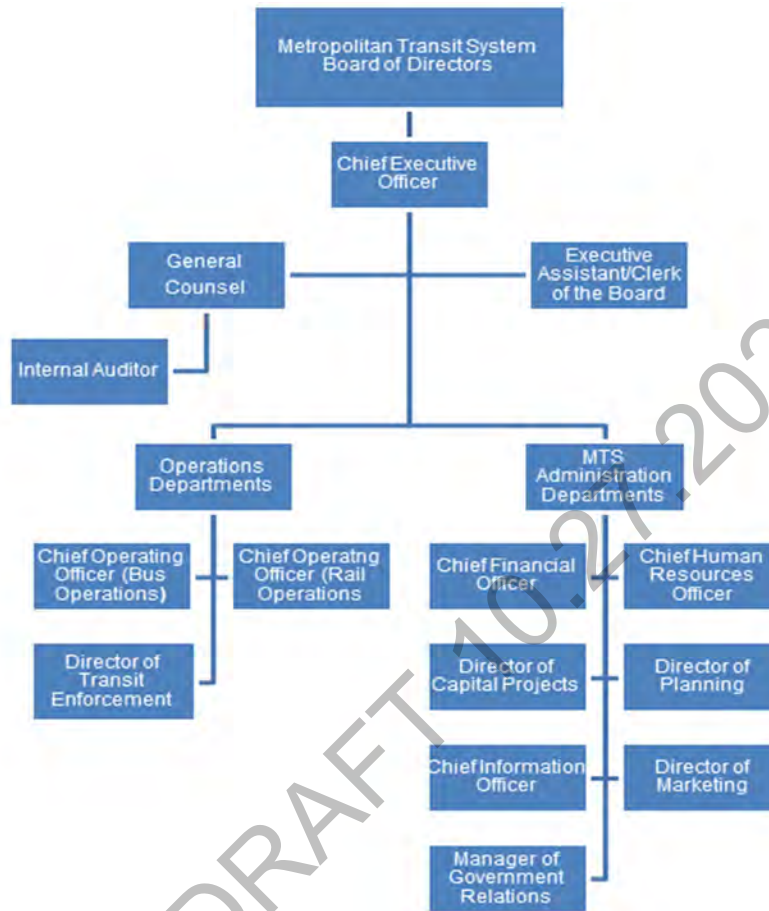
MTS MANAGEMENT

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
Emily Outlaw	Chief Information Officer
Denis Desmond	Director, Planning
Robert Schupp	Director, Marketing and Communications
Heather Furey	Director, Capital Projects
Al Stiehler	Director, Transit Enforcement
Julia Tuer	Manager of Government Relations

FINAL DRAFT 10.27.2021

San Diego Metropolitan Transit System

Executive Level Organization Chart



San Diego Metropolitan Transit System

Certificate of Achievement for Excellence in Financial Reporting - GFOA



Government Finance Officers Association

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

Presented to

**San Diego Metropolitan Transit System
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the San Diego Metropolitan Transit System ("MTS"), as of and for the years ended June 30, 2021 and 2020, and the related notes to the basic financial statements, which collectively comprise MTS's basic financial statements as listed in the table of contents.

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 the business-type activities and the aggregate remaining fund information of MTS, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, 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
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Emphasis of a Matter

Implementation of GASB Statement No. 84

As described in Note 1Q to the basic financial statements, MTS implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of GASB Statement No. 84 requires MTS to include the San Diego Transit Corporation Employee Retirement Plan Pension Trust Fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise MTS's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2021, 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.

San Diego, California
November 4, 2021

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San Diego Metropolitan Transit System Management's Discussion and Analysis June 30, 2021 and 2020

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, 2021 and 2020. This information should be used in conjunction with the Letter of Transmittal, which can be found on pages i through iv of this report.

Financial Highlights

- Net position, as reported in the statement of net position, totaled \$1,919 million as of June 30, 2021, \$1,863 million as of June 30, 2020 and \$1,770 million as of June 30, 2019. Of this amount, \$(47) million was the unrestricted deficit as of June 30, 2021, \$(12) million was the unrestricted deficit as of June 30, 2020 and \$(53) million was the unrestricted deficit as of June 30, 2019. Total net position increased by \$56 million in the current year and increased by \$93 million in the prior year. The current year increase is primarily due to a \$39 million in contributed capital from SANDAG and a \$10 million increase in deferred outflows of resources due to contributions made after the measurement date.
- For the year ended June 30, 2021, 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 16.10% compared to 28.05% for the year ended June 30, 2020 and 34.21% for the year ended June 30, 2019. The current year decrease is primarily due to a decrease in passenger revenue related to Covid-19.

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 basic 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).

MTS has fiduciary responsibility over one pension trust fund, San Diego Transit Corporation Employee Retirement Plan, which we have also included a *statement of fiduciary net position* and a *statement of changes in fiduciary net position*.

San Diego Metropolitan Transit System
Management's Discussion and Analysis (Continued)
June 30, 2021 and 2020

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 \$1,919 million at the close of the most recent fiscal year and \$1,863 million at the end of FY2020.

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 \$160 million, of which the largest projects are the replacement of our SD100 Light Revenue Vehicles and the new Fare System project, at \$99.3 and \$19.1 million respectively. Prior year construction-in-progress totaled \$64 million, of which the largest projects were the replacement of our SD100 Light Revenue Vehicles and the new Fare System project, at \$26.9 and \$11.2 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 FY2021, MTS transferred completed projects worth \$80.1 million to SDTC, SDTI and MTS - Contracted Services compared to \$33.0 million in FY2020.

The balance in the unrestricted component of net position decreased by \$(34.7) million during the current year and increased by \$41.1 million in the prior year. Total assets increased by \$61 million primarily due to capital assets increasing by \$91 million, offset by cash decreasing by \$35 million. In FY2020, total assets increased by \$87 million. In the current fiscal year, total liabilities increased by \$18 million primarily due to increases in net pension liability of \$9 million, total OPEB liability of \$5 million, and accounts payable of \$9 million, offset by a decrease in unearned revenue of \$4 million. In the previous year, total liabilities decreased by \$1 million.

	2021	2020	Change	2019	Change
Current and other assets	\$ 264,408,968	\$ 294,393,551	\$ (29,984,583)	\$ 258,548,635	\$ 35,844,916
Capital assets	1,965,662,933	1,874,319,606	91,343,327	1,823,323,569	50,996,037
Total assets	2,230,071,901	2,168,713,157	61,358,744	2,081,872,204	86,840,953
Deferred outflows of resources	56,237,682	44,104,664	12,133,018	39,436,807	4,667,857
Current and other liabilities	79,944,566	75,101,849	4,842,717	91,121,531	(16,019,682)
Long-term liabilities outstanding	279,296,835	266,405,664	12,891,171	251,475,903	14,929,761
Total liabilities	359,241,401	341,507,513	17,733,888	342,597,434	(1,089,921)
Deferred inflows of resources	8,082,356	8,796,023	(713,667)	8,736,010	60,013
Net position:					
Net investment in capital assets	1,965,662,933	1,874,319,606	91,343,327	1,822,922,233	51,397,373
Restricted	-	218,452	(218,452)	212,422	6,030
Unrestricted (deficit)	(46,677,107)	(12,023,773)	(34,653,334)	(53,159,088)	41,135,315
Total net position	\$ 1,918,985,826	\$ 1,862,514,285	\$ 56,471,541	\$ 1,769,975,567	\$ 92,538,718

San Diego Metropolitan Transit System
Management's Discussion and Analysis (Continued)
June 30, 2021 and 2020

The decrease in operating revenue is attributable to a decrease in passenger revenue of \$32 million due to the Covid-19 pandemic. Variances between FY2021 and FY2020 nonoperating revenues are attributable to a significant increase in Federal revenue, \$113 million, offset by a \$23 million decrease in State Revenue. Operating expenses increased just \$3 million, which can be attributed to energy costs.

	2021	2020	Change	2019	Change
Revenues:					
Operating revenues:					
Passenger revenue	\$ 47,913,391	\$ 79,531,924	\$ (31,618,533)	\$ 92,225,166	\$ (12,693,242)
Other operating revenue	18,946,179	21,193,172	(2,246,993)	20,434,869	758,303
Nonoperating revenues:					
Federal revenue	203,821,648	90,452,130	113,369,518	66,068,502	24,383,628
Transportation Development Act	97,873,145	105,032,033	(7,158,888)	96,654,680	8,377,353
State Transit Assistance	30,355,674	28,595,958	1,759,716	32,382,645	(3,786,687)
State revenue - other	5,995,304	29,636,442	(23,641,138)	1,828,998	27,807,444
TransNet funds	44,062,481	40,315,353	3,747,128	45,550,475	(5,235,122)
Other nonoperating revenue	14,786,661	22,275,984	(7,489,323)	659,457	21,616,527
Total revenues	463,754,483	417,032,996	46,721,487	355,804,792	61,228,204
Expenses:					
Operating expenses	445,826,608	443,146,547	2,680,061	426,696,248	16,450,299
Nonoperating expenses	466,053	572,738	(106,685)	671,402	(98,664)
Total expenses	446,292,661	443,719,285	2,573,376	427,367,650	16,351,635
Income (loss) before capital contributions	17,461,822	(26,686,289)	44,148,111	(71,562,858)	44,876,569
Capital contributions	39,009,719	119,225,007	(80,215,288)	106,592,113	12,632,894
Increase (decrease) in net position	56,471,541	92,538,718	(36,067,177)	35,029,255	57,509,463
Net position:					
Beginning of year	1,862,514,285	1,769,975,567	92,538,718	1,734,946,312	35,029,255
End of year	<u>\$1,918,985,826</u>	<u>\$1,862,514,285</u>	<u>\$ 56,471,541</u>	<u>\$1,769,975,567</u>	<u>\$ 92,538,718</u>

San Diego Metropolitan Transit System
Management's Discussion and Analysis (Continued)
June 30, 2021 and 2020

Capital Asset and Debt Administration

Capital assets. MTS's investment in capital assets net of accumulated depreciation as of June 30, 2021 and 2020 amounted to \$1,966 million and \$1,874 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 FY2021, MTS placed 95 new buses into service totaling \$72.4 million, including two zero-emission electric buses.
- MTS completed the construction of one of three traction power stations (TPSS) in FY21, for \$1.8 million. The remaining two stations are slated to be finished in FY22.
- Completed capital projects totaling \$39.0 million were transferred from SANDAG to MTS and its component units during FY2021, of which \$32.8 million were 8 light rail vehicles (LRVs).

CAPITAL ASSETS
 (Net of Accumulated Depreciation)

	2021	2020	2019
Land	\$ 256,909,683	\$ 256,909,683	\$ 256,922,883
Buildings	948,397,397	1,002,480,694	1,041,617,309
Vehicles	562,666,289	504,332,108	437,802,630
Equipment & other	37,821,183	46,932,431	45,059,343
Construction-in-progress	159,868,381	63,664,690	41,921,404
Total	<u>\$ 1,965,662,933</u>	<u>\$ 1,874,319,606</u>	<u>\$ 1,823,323,569</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 \$7.7 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 "AA" while affirming a negative outlook in 2021, a lower rating than the "A+" that was received in 2020. Additional information on MTS's long-term debt can be found in Note 8 to the financial statements.

Known Events That Might Have a Material Impact on the Future

The COVID-19 pandemic continues to bring uncertainties to public transportation. While we are seeing ridership starting to increase, we remain far below the pre-pandemic baseline which has caused a significant decrease in passenger revenue. However, with the revenue provided from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan (ARP) Act of 2021, MTS has maintained steady service levels for our passengers without depleting our reserves. As of FY21, MTS has already received \$90 million in subsidy and expects to receive \$270 million in future years to help cover the increased costs and decreased passenger revenue related to the pandemic.

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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PRIMARY GOVERNMENT

San Diego Metropolitan Transit System

Statements of Net Position

June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 68,815,127	\$ 104,119,654
Cash and cash equivalents restricted for capital support	22,354,579	20,127,449
Accounts and other receivables	11,614,566	11,694,833
Due from other governments	128,504,658	125,312,461
Inventory	29,316,441	27,858,581
Prepaid items and other current assets	3,803,597	5,280,573
Total current assets	264,408,968	294,393,551
Noncurrent assets:		
Capital assets, net of accumulated depreciation	1,965,662,933	1,874,319,606
Total noncurrent assets	1,965,662,933	1,874,319,606
Total assets	2,230,071,901	2,168,713,157
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows of resources	50,310,809	41,198,030
OPEB-related deferred outflows of resources	5,926,873	2,906,634
Total deferred outflows of resources	56,237,682	44,104,664
LIABILITIES		
Current liabilities:		
Accounts payable	29,348,867	20,457,121
Due to other governments	2,420,143	2,343,547
Unearned revenue	20,640,215	24,143,533
Accrued expenses	4,122,828	5,291,408
Retentions payable	1,315,730	1,212,265
Retentions payable from restricted assets	8,531,874	7,735,565
Due within one year:		
Compensated absences	6,350,951	6,748,487
Accrued damage, injury, and employee claims	4,378,958	4,479,923
Long-term debt, current portion	2,835,000	2,690,000
Total current liabilities	79,944,566	75,101,849
Noncurrent liabilities:		
Due in more than one year:		
Compensated absences	5,536,981	4,258,619
Accrued damage, injury, and employee claims	12,140,335	11,971,359
Long-term debt	4,830,000	7,665,000
Aggregate net pension liabilities	203,057,858	194,191,281
Aggregate total OPEB liabilities	53,731,661	48,319,405
Total noncurrent liabilities	279,296,835	266,405,664
Total liabilities	359,241,401	341,507,513
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows of resources	3,100,715	3,646,565
OPEB-related deferred inflows of resources	4,981,641	5,149,458
Total deferred inflows of resources	8,082,356	8,796,023
NET POSITION		
Investment in capital assets	1,965,662,933	1,874,319,606
Restricted for capital assets	-	218,452
Unrestricted (deficit)	(46,677,107)	(12,023,773)
Total net position	\$ 1,918,985,826	\$ 1,862,514,285

San Diego Metropolitan Transit System
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues:		
Passenger revenue	\$ 47,913,391	\$ 79,531,924
Advertising	1,012,753	2,027,212
Miscellaneous	17,933,426	19,165,960
Total operating revenues	<u>66,859,570</u>	<u>100,725,096</u>
Operating Expenses:		
Personnel costs	151,560,742	149,331,486
Outside services	111,280,298	110,590,408
Transit operations funding	397,124	522,959
Materials and supplies	16,334,099	14,274,837
Energy costs	31,261,976	28,587,068
Risk management	5,584,272	7,857,880
Miscellaneous	5,305,897	5,011,017
Depreciation	124,102,200	126,970,892
Total operating expenses	<u>445,826,608</u>	<u>443,146,547</u>
Operating (Loss)	<u>(378,967,038)</u>	<u>(342,421,451)</u>
Public Support and Nonoperating Revenues (Expenses):		
Federal revenue	203,821,648	90,452,130
Transportation Development Act (TDA) funds	97,873,145	105,032,033
State Transit Assistance (STA) funds	30,355,674	28,595,958
State revenue - other	5,995,304	29,636,442
<i>TransNet</i> funds	44,062,481	40,315,353
Other local subsidies	14,471,993	18,673,163
Investment earnings	564,057	1,360,307
Interest expenses	(466,053)	(572,738)
Gain (Loss) on disposal of assets	(249,389)	2,242,514
Total public support and nonoperating revenues (expenses)	<u>396,428,860</u>	<u>315,735,162</u>
Income (Loss) Before Contributed Capital	17,461,822	(26,686,289)
Contributed capital, net	<u>39,009,719</u>	<u>119,225,007</u>
Changes in Net Position	56,471,541	92,538,718
Net Position:		
Beginning of year	1,862,514,285	1,769,975,567
End of year	<u>\$ 1,918,985,826</u>	<u>\$ 1,862,514,285</u>

San Diego Metropolitan Transit System
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 70,014,287	\$ 100,241,897
Payments to suppliers	(166,022,831)	(162,047,347)
Payments to employees	(149,479,002)	(134,104,418)
Payments for damage and injury	(7,532,439)	(3,240,586)
Net cash (used in) operating activities	(253,019,985)	(199,150,454)
Cash Flows From Noncapital Financing Activities:		
Public support funds received	373,892,647	281,544,918
Net cash provided by noncapital financing activities	373,892,647	281,544,918
Cash Flows From Capital and Related Financing Activities:		
Debt service costs	(3,156,053)	(3,519,997)
Property acquisition	(152,148,977)	(79,977,392)
Proceeds from disposal of assets	670,726	2,106,103
Net cash (used in) capital and related financing activities	(154,634,304)	(81,391,286)
Cash Flows From Investing Activities:		
Interest received on investments	684,245	1,912,401
Net cash provided by investing activities	684,245	1,912,401
Net increase (decrease) in cash and cash equivalents	(33,077,397)	2,915,579
Cash and Cash Equivalents:		
Beginning of year	124,247,103	121,331,524
End of year	<u>\$ 91,169,706</u>	<u>\$ 124,247,103</u>
Reconciliation of Cash and Cash Equivalents to Statements of Net Position:		
Cash and cash equivalents	\$ 68,815,127	\$ 104,119,654
Cash and cash equivalents restricted for capital support	22,354,579	20,127,449
Total cash and cash equivalents	<u>\$ 91,169,706</u>	<u>\$ 124,247,103</u>

San Diego Metropolitan Transit System
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of Operating (Loss) to Net Cash (Used In) Operating Activities:		
Operating (loss)	\$ (378,967,038)	\$ (342,421,451)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	124,102,200	126,970,892
(Increase) decrease in:		
Accounts and other receivables	80,267	(1,031,552)
Due from other governments	245,356	660,612
Inventory	(548,816)	(446,418)
Prepaid items and other current assets	1,476,976	(1,546,046)
Increase (decrease) in:		
Accounts payable	2,645,692	2,088,712
Due to other governments	39,596	355,043
Accrued expenses	(1,168,581)	2,177,046
Unearned revenue	(1,426,381)	(68,978)
Aggregate net pension liability	(2,409,536)	13,044,967
Aggregate total OPEB liability	2,097,465	1,532,245
Compensated absences	880,826	149,105
Accrued damage, injury and employee claims	(68,011)	(614,631)
Total adjustments	125,947,053	143,270,997
Net cash (used in) operating activities	\$ (253,019,985)	\$ (199,150,454)
Noncash investing, capital, and financing activities:		
Contributions of capital assets and inventory parts from SANDAG	\$ 39,009,719	\$ 119,225,007
Increase in fair value of investments	\$ 983	\$ 208,862

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FIDUCIARY FUND

San Diego Metropolitan Transit System
Statements of Fiduciary Net Position
For the Years Ended June 30, 2021 and 2020

	San Diego Transit Corporation Employee Retirement Plan Pension Trust Fund	
	2021	2020
ASSETS		
Investments, at fair value	\$ 205,149,931	\$ 166,570,714
Receivables:		
Dividends and interest	10	44
Total receivables	10	44
Total assets	205,149,941	166,570,758
LIABILITIES		
Due to plan sponsor	525,090	496,232
Other payables	153,020	152,726
Total liabilities	678,110	648,958
NET POSITION		
Net position restricted for plan benefits	\$ 204,471,831	\$ 165,921,800

San Diego Metropolitan Transit System
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2021 and June 30, 2020

		San Diego Transit Corporation Employee Retirement Plan Pension Trust Fund	
		2021	2020
ADDITIONS:			
Contributions:			
Employer		\$ 23,718,402	\$ 14,709,528
Employee		1,950,898	2,017,164
Total contributions		<u>25,669,300</u>	<u>16,726,692</u>
Investment income (loss):			
Interest		123	9,374
Dividends		4,648,015	3,514,044
Miscellaneous		-	25,247
Net realized and unrealized gains (losses) on investments		<u>30,434,250</u>	<u>(3,182,117)</u>
Total investment income (loss)		<u>35,082,388</u>	<u>366,548</u>
Investment expense		<u>(417,438)</u>	<u>(341,882)</u>
Net investment income		<u>34,664,950</u>	<u>24,666</u>
Total additions to fiduciary net position		<u><u>60,334,250</u></u>	<u><u>16,751,358</u></u>
DEDUCTIONS:			
Distributions to participants		21,531,678	20,712,755
Administrative expenses		<u>252,541</u>	<u>256,420</u>
Total deductions from fiduciary net position		<u><u>21,784,219</u></u>	<u><u>20,969,175</u></u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION		38,550,031	(4,217,817)
NET POSITION RESTRICTED FOR PLAN BENEFITS:			
Beginning of year		165,921,800	170,139,617
End of year		<u><u>\$ 204,471,831</u></u>	<u><u>\$ 165,921,800</u></u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

FINAL DRAFT 10.27.2021

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San Diego Metropolitan Transit System
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For the Years Ended June 30, 2021 and 2020

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San Diego Metropolitan Transit System
Notes to the Basic Financial Statements
For the Years Ended June 30, 2021 and 2020

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

Primary Government

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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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.

Fiduciary Activities

MTS presents its fiduciary activity information for assessing its accountability and financial reporting in their role as fiduciaries. The definition of a "fiduciary" is:

- The organization acts on behalf of another person or persons to manage assets;
- Fiduciary responsibility refers to the obligation that one party has in relationship with another one to act entirely on the other party's behalf and best interest. It is considered to be the standard of the highest care.

Included within the reporting entity as fiduciary activities is the following:

San Diego Transit Corporation Employee Retirement Plan: The San Diego Transit Corporation Employees' Retirement Plan (the "Plan") is a defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Prior to May 1, 2011, all of San Diego Transit Corporation's ("SDTC") full-time employees and certain part-time noncontract employees who had completed one year of service in which they had worked at least 1,000 hours of service, and certain part-time contract employees participated in the Plan. Effective May 1, 2011, employees in the International Brotherhood of Electrical Workers, Local 465 (the "IBEW") bargaining unit hired after May 1, 2011 participate in a separate defined contribution 401(a) plan. Effective November 1, 2012, employees in the Amalgamated Transit Union, Local 1309 (the "ATU") bargaining unit hired after November 1, 2012 participate in a separate defined contribution 401(a) plan. Therefore, as of November 1, 2012 the Plan was closed to new ATU and IBEW entrants. Upon agreement between the employer and the Union, certain modifications can be made to the Plan.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Fiduciary Activities (Continued)

The Plan is managed by Retirement Boards which have plenary authority and fiduciary responsibility for the investment of Plan assets and administration of the Plan. The IBEW Retirement Board consists of three members from the San Diego Metropolitan Transit System ("MTS") and three members from the IBEW. The ATU Retirement Board consists of three members from MTS and three members from the ATU. The Noncontract Retirement Board consists of three members from MTS.

SDTC is a component unit of MTS. The Plan is administered and sponsored by MTS. MTS also issued taxable Pension Obligation Bonds for the benefit of SDTC. See Note 8 for further details.

SDTC is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members.

The Plan is funded entirely by SDTC for employees under the IBEW bargaining units who were hired prior to May 1, 2011 and the ATU bargaining units who were hired prior to November 1, 2012. IBEW employees are required to contribute, 3% of their covered payroll from March 31, 2013 through April 6, 2014, 4% of their covered payroll from April 6, 2014 through April 4, 2015, increasing to 6% from April 5, 2015 through April 2, 2016, and to 8% thereafter. ATU employees are required to contribute 3% after July 1, 2013 and 5% after July 1, 2014, 6% after May 17, 2015, 7% after July 1, 2016 and 8% after December 1, 2017.

B. Financial Statements

Primary Government - 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.

Fiduciary Activities - The Fiduciary Fund Financial Statements (i.e., the statement of fiduciary net position and the statement and changes in fiduciary net position) report information on the activities of the San Diego Transit Corporation Employees Retirement Plan pension trust fund. The statement of changes in fiduciary net position demonstrates the degree to which the additions to net position restricted for plan benefits were sufficient to cover deductions for distributions to plan participants and administrative expenses.

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

Primary Government - 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.

Fiduciary Activities - This fiduciary pension trust fund is a defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The Plan's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized in the period in which the contributions are due and when the employer has made a formal commitment to provide the contributions. Investment income is recognized as earned. Benefits are recognized when due and payable in accordance with the terms of the Plan.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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.

MTS receives funding primarily from the following revenue sources:

Passenger Revenue

Passenger fares comprised approximately 15 percent and 26 percent of MTS's \$325.7 million and \$309.4 million operating budget for FY2021 and FY2020 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 For Hire Vehicle 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 \$72 million was received in FY21 and \$18 million in FY20.

On March 11, 2021, the President signed The American Rescue Plan Act of 2021 (ARP), which includes \$30.5 billion to support public transportation systems. MTS is expected to receive \$140 million in ARP funding in fiscal years 2022-2025 to prevent, prepare for, and respond to the COVID-19 pandemic.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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.

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. Since inception, MTS has been awarded \$79.2 million, and has received \$32 million, of which \$3.9 was earned in FY21. We expect to receive the remaining \$47.2 million in Fiscal Years 2022-2024.

Low Carbon Transit Operations Program (LCTOP)

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

Other State Revenue

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

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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 then reauthorized multiple times over the years, but most recently expired on December 31, 2021.

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.

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

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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.

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

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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, 2020
Measurement Period	July 1, 2019 - June 30, 2020

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

O. Net Position

Net Position is classified as follows:

Investments in capital assets - This component of net position consists of capital assets, net of accumulated depreciation.

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.

Q. Implementation of New GASB Pronouncements for the Year Ended June 30, 2021

During fiscal year ended June 30, 2021, MTS has implemented the following new 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. 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.

GASB Statement No. 98 - In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This establishes the term *annual comprehensive financial report* and its acronym *ACFR*, which replace *comprehensive annual financial report* and its acronym. Application of this statement is effective for MTS's fiscal year ending June 30, 2021.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

R. Upcoming Government Accounting Standards Implementation

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

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. 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.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

R. Upcoming Government Accounting Standards Implementation (Continued)

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.

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.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 - Cash, Cash Equivalents, and Investments

A. Primary Government

Cash and investments are reported in the accompanying statements of net position as follows on June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 68,815,127	\$ 104,119,654
Cash and cash equivalents restricted for capital support	22,354,579	20,127,449
Total cash and investments	\$ 91,169,706	\$ 124,247,103

Cash and cash equivalents consisted as follows on June 30, 2021 and 2020:

Investment Type	Measurement Input	Fair Value	
		2021	2020
Cash and cash equivalents:			
Demand deposits	N/A	\$ 46,971,085	\$ 34,986,339
Retention trust account	N/A	8,531,874	7,735,565
San Diego County Treasurer's Pooled Money Fund	Uncategorized	23,818,678	38,802,462
State of California - Local Agency Investment Fund	Uncategorized	11,848,069	42,722,737
Total cash and cash equivalents		\$ 91,169,706	\$ 124,247,103

Demand Deposits

As of June 30, 2021, the carrying amount of demand deposits was \$46,971,086 and the bank balance was \$50,725,751 compared to \$34,986,339 and \$38,343,102 at June 30, 2020, 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.

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

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

A. Primary Government (Continued)

Investments (Continued)

- 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.
- 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, 2021, MTS had \$11,848,069 invested in LAIF, which had invested 1.10% of the pool investment funds in structured notes and asset-backed securities compared to \$42,722,737 and 3.37% at June 30, 2020.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

A. Primary Government (Continued)

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 10.39% and 8.68% of the Investment Pool as of June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, the fair value of our position in the pool is 100.20% and 101.30%, 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 value of at least 102% of the amount of the repurchase agreement. The Pool did not have any repurchase agreements in its portfolio as of June 30, 2021.

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, 2021, MTS had \$23,818,678 invested with the San Diego County Treasurer's Pooled Money Fund, which had invested 3.98% of the pool investment funds in asset-backed securities compared to \$38,802,462 and 8.13% at June 30, 2020.

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.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

A. Primary Government (Continued)

Disclosures Relating to Concentration of Credit Risk

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

Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the broker or dealer to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The California Government Code requires California banks and savings and loan associations to secure 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, 2021 and 2020, are shown below:

Maturity	2021	2020
Current to one year	\$ 91,169,706	\$ 124,247,103
Total	<u>\$ 91,169,706</u>	<u>\$ 124,247,103</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

B. Fiduciary Fund Financial Statements

Investments

The fair value, net asset value and the percentage of the investments at June 30, 2021 and 2020 were as follows:

	Fair Value June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:			
<u>Common Stocks:</u>			
PIMCO Research Affiliates Equity (RAE) Fund	\$ 19,708,912	\$ 19,708,912	\$ -
Total Common Stocks	19,708,912	19,708,912	-
<u>Mutual Funds:</u>			
GMO Benchmark Free Allocation Fund	17,069,906	17,069,906	-
Vanguard Energy Index Funds	2,342,640	2,342,640	-
PIMCO All Asset Fund	23,839,816	23,839,816	-
Total Mutual Funds	43,252,362	43,252,362	-
<u>Corporate Bond Funds:</u>			
Vanguard Total Bond Fund	68,165,562	68,165,562	-
Total Corporate Bond Funds	68,165,562	68,165,562	-
<u>U.S. Treasury Inflation Protected Security Funds:</u>			
Vanguard Fund	3,434,282	3,434,282	-
Total U.S. Treasury Inflation Protected Security Funds	3,434,282	3,434,282	-
<u>Short-Term Investment Funds:</u>			
First American Prime Obligations Fund	637,110	637,110	-
Subtotal Short-Term Investment Funds	637,110	637,110	-
<u>Closely Held Instruments:</u>			
Pacific Hedge Strategies, LLC	33,419	-	33,419
Total Closely Held Instruments	33,419	-	33,419
Total Investments by Fair Value Level	\$ 135,231,647	\$ 135,198,228	\$ 33,419
Investments Measured at NAV:			
<u>Short-Term Investment Funds:</u>			
Westwood Cash Equivalent Fund	10,292		
Subtotal Short-Term Investment Funds	10,292		
<u>Common Stocks:</u>			
Analytic Investors	20,482,143		
The Boston Company	8,922,140		
MFS Investment Management	20,548,164		
Westwood Cash Equivalent Fund	19,955,545		
Subtotal Common Stocks	69,907,992		
Total Investments Measured at NAV	69,918,284		
Total Investments Measured at Fair Value	\$ 205,149,931		

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

B. Fiduciary Fund Financial Statements (Continued)

Investments (Continued)

	Fair Value June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:			
<u>Common Stocks:</u>			
PIMCO Research Affiliates Equity (RAE) Fund	\$ 16,317,590	\$ 16,317,590	\$ -
Total Common Stocks	16,317,590	16,317,590	-
<u>Mutual Funds:</u>			
GMO Benchmark Free Allocation Fund	15,009,249	15,009,249	-
Vanguard Energy Index Funds	1,866,868	1,866,868	-
PIMCO All Asset Fund	18,700,833	18,700,833	-
Total Mutual Funds	35,576,950	35,576,950	-
<u>Corporate Bond Funds:</u>			
Vanguard Total Bond Fund	52,340,391	52,340,391	-
Total Corporate Bond Funds	52,340,391	52,340,391	-
<u>U.S. Treasury Inflation Protected Security Funds:</u>			
Vanguard Fund	3,225,688	3,225,688	-
Total U.S. Treasury Inflation Protected Security Funds	3,225,688	3,225,688	-
<u>Short-Term Investment Funds:</u>			
First American Prime Obligations Fund	593,192	593,192	-
Subtotal Short-Term Investment Funds	593,192	593,192	-
<u>Closely Held Instruments:</u>			
Pacific Hedge Strategies, LLC	79,902	-	79,902
Total Closely Held Instruments	79,902	-	79,902
Total Investments by Fair Value Level	108,133,713	\$ 108,053,811	\$ 79,902
Investments Measured at NAV:			
<u>Common Stocks:</u>			
Analytic Investors	17,031,565		
The Boston Company	8,010,990		
MFS Investment Management	16,958,121		
Westwood Trust Large Cap Equity EB Fund	16,436,325		
Subtotal Common Stocks	58,437,001		
Total Investments Measured at NAV	58,437,001		
Total Investments Measured at Fair Value	\$ 166,570,714		

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

B. Fiduciary Fund Financial Statements (Continued)

Investments (Continued)

Fair Value Measurement – Investment Valuation (Continued)

Investments are reported at fair value. Quoted market value (Level 1) and fair value per share (Level 2) in an active market are used to value investments, except for shares in the short-term investment funds, which trade and are reported at par value as reported by the investment custodian. Investment securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments, and realized gains and losses of the current period include unrealized amounts from prior periods.

Investments in closely held instruments (hedge funds) are reported under Level 3 under fair value measurement input hierarchy. The underlying hedge fund values are estimated by the hedge fund managers in the absence of readily ascertainable market values. In accordance with the investment manager's Valuation Policy and *Fair Value Measurements and Disclosure*, the investment manager has the right, in its discretion and in good faith, to deviate from valuation information provided by the managers of the investment vehicles when the investment manager deems it appropriate. Because of the inherent uncertainty of valuations in the investment vehicles, values may differ significantly from the values that would have been used had a ready market for these investments existed, and the differences could be material.

The following tables summarize investments measured at fair value based on NAV per share as of June 30, 2021 and 2020, respectively:

June 30, 2021	Fair Value	Unfunded Commitments	Redemption Frequency (if currently available)	Redemption Notice Period
Analytic Investors	\$ 20,482,143	N/A	Monthly	5 days
The Boston Company	8,922,140	N/A	Daily	Daily
MFS Investment Management	20,548,164	N/A	Daily	Daily
Westwood Trust Large Cap Equity EB Fund	19,955,545	N/A	Daily	Daily
Total	<u>\$ 69,907,992</u>			

June 30, 2020	Fair Value	Unfunded Commitments	Redemption Frequency (if currently available)	Redemption Notice Period
Analytic Investors	\$ 17,031,565	N/A	Daily	5 days
The Boston Company	8,010,990	N/A	Daily	Daily
MFS Investment Management	16,958,121	N/A	Daily	Daily
Westwood Trust Large Cap Equity EB Fund	16,436,325	N/A	Daily	Daily
Total	<u>\$ 58,437,001</u>			

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

B. Fiduciary Fund Financial Statements (Continued)

Investments (Continued)

Fair Value Measurement – Investment Valuation (Continued)

During the Plan years, investments, including realized gains and losses on investments and unrealized appreciation (depreciation) on investments held, appreciated (depreciated) in value as follows:

	2021	2020
Unrealized appreciation (depreciation) on investments held	\$ 25,394,445	\$ (4,256,247)
Realized gain on investments	5,039,805	1,074,130
Net realized and unrealized investment gains (losses)	<u>\$ 30,434,250</u>	<u>\$ (3,182,117)</u>

The Plan's investment policy was approved by the SDTC Pension Trustee Investment Committee. The Plan's investment policy allows investments in the following asset classes and sets forth the target allocations and allocation ranges.

Asset Class	Target Allocation	Allocation Range
Equity		
United States	25.0%	
International	20.0%	
Subtotal	<u>45.0%</u>	30% - 60%
Fixed Income	<u>35.0%</u>	25% - 55%
Alternatives	<u>20.0%</u>	10% - 30%
Total	<u>100.0%</u>	

Concentrations of Investments

The Plan has invested in certain organizations in excess of 5% of the Fiduciary Net Position. The concentrated investments are as follows:

	2021		2020	
	Fair Value	%	Fair Value	%
<u>Common Stocks:</u>				
Analytic Investors	\$ 20,482,143	10.0%	\$ 17,031,565	10.2%
MFS Investment Management	20,548,164	10.0%	16,958,121	10.2%
PIMCO Research Affiliates Equity (RAE) Fund	19,708,912	9.6%	16,317,590	9.8%
Westwood Trust Large Cap Equity EB Fund	19,955,545	9.7%	16,436,325	9.9%
<u>Mutual Funds:</u>				
GMO Benchmark Free Allocation Fund	17,069,906	8.3%	15,009,249	9.0%
PIMCO All Asset Fund	23,839,816	11.6%	18,700,833	11.2%
<u>Corporate Bond Funds:</u>				
Vanguard Total Bond Fund	68,165,562	33.2%	52,340,391	31.4%

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

B. Fiduciary Fund Financial Statements (Continued)

Investments (Continued)

Rate of return

For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 23.16 percent and -1.86 percent, respectively. The money-weighted rate of return express investment performance, net of investment expense, adjusted for the changing amount actually invested.

Concentration of Credit Risk

The Plan's investment policy limits the amount of the percentage of the portfolio that can be invested by type of investment. The Plan mitigates credit risk in its portfolio by allocating funds among various investment managers and limiting the concentration of investments within these managers. The individual investments in excess of 5% identified in the fair value of the investments table are, in turn, funds with diversified portfolios.

June 30, 2021						
	Not Rated	AAA	AA	A	BBB	Total
Corporate Bond Funds:						
Vanguard Total Bond Fund (VBTIX)	\$ -	\$ 46,761,576	\$ 2,249,464	\$ 8,111,702	\$ 11,042,820	\$ 68,165,562
U.S. Treasury Inflation Protected Security Fund:						
Vanguard Infl-Prot;Inst (VIPIX)	-	3,434,282	-	-	-	3,434,282
All Other Investments	133,550,087	-	-	-	-	133,550,087
Total	\$ 133,550,087	\$ 50,195,858	\$ 2,249,464	\$ 8,111,702	\$ 11,042,820	\$ 205,149,931
June 30, 2020						
	Not Rated	AAA	AA	A	BBB	Total
Corporate Bond Funds:						
Vanguard Total Bond Fund (VBTIX)	\$ -	\$ 32,712,744	\$ 1,884,254	\$ 6,751,910	\$ 10,991,483	\$ 52,340,391
U.S. Treasury Inflation Protected Security Fund:						
Vanguard Infl-Prot;Inst (VIPIX)	-	3,225,688	-	-	-	3,225,688
All Other Investments	111,004,635	-	-	-	-	111,004,635
Total	\$ 111,004,635	\$ 35,938,432	\$ 1,884,254	\$ 6,751,910	\$ 10,991,483	\$ 166,570,714

Interest Rate Risk

Interest rate risk is the risk that inversely affects the value of fixed income bond portfolio holdings. The Plan's investment policy endorses a long-term approach to manage the portfolio but not to expose the portfolio to levels of volatility that might significantly affect the principal value of the Plan.

The purpose of equity (both U.S. and International) investments is primarily to provide capital appreciation. It is recognized that this requires the assumption of greater market variability and risk than is the case with fixed income investment. The purpose of international, non-U.S. dollar-denominated investments is primarily to provide capital appreciation through participation in major non-U.S. financial markets and, secondarily, to enhance portfolio diversification. It is recognized that this required the assumption of greater market variability and risk than was the case with U.S. investments, and the assumption of foreign currency risk. The purpose of fixed income investments is to provide stability and generate income. The purpose of cash equivalents is to provide liquidity, stability and a vehicle for defensive positioning of the portfolio.

The use of short to intermediate maturity bonds (ten years, or less, to maturity) as temporary instruments is permitted by the Plan's investment policy but not to be employed to the extent that such holding might limit the ability to achieve the basic long-term-capital appreciation objective for the portfolio.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

B. Fiduciary Fund Financial Statements (Continued)

Investments (Continued)

Custodial Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments. All securities are held by a third-party custodian, U.S. Bank, National Association (U.S. Bank). U.S. Bank is a registered member of the Federal Reserve Bank. The securities held by U.S. Bank are in their street name, and an account number assigned to the Plan identifies ownership.

Note 3 - Accounts Receivable

A. Accounts and Other Receivables

At June 30, 2021 and 2020, the net realizable accounts and other receivables consisted of the following:

	2021	2020
Passenger revenue - general public	\$ 1,448,073	\$ 3,175,838
Other trade receivables	8,323,538	6,776,808
Pension plan receivable	1,842,955	1,742,187
Total accounts and other receivables	<u>\$ 11,614,566</u>	<u>\$ 11,694,833</u>

B. Due from Other Governments

At June 30, 2021 and 2020, amounts due from other governments consisted of the following:

	2021	2020
FTA Grant Funds	\$ 96,237,336	\$ 64,708,855
STA Funds	6,428,984	8,020,060
State of California	6,377,734	23,485,393
SANDAG - Project/Route reimbursement	5,955,665	20,744,893
SANDAG - TransNet	4,959,244	5,359,143
US Treasury	3,931,540	-
North County Transit District - passenger revenue and shared costs	3,293,150	467,356
Department of Homeland Security	413,643	102,966
County of San Diego	360,364	582,615
UCSD Route Reimbursement	256,824	1,044,450
Passenger Revenue - Other Governments	216,672	772,705
Other Local Governments	73,502	24,025
Total due from other governments	<u>\$ 128,504,658</u>	<u>\$ 125,312,461</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 4 - Inventory

At June 30, 2021 and 2020, inventory consisted of the following repair and maintenance parts and administrative supplies:

	2021	2020
San Diego Transit Corporation	\$ 4,506,437	\$ 4,680,600
San Diego Trolley, Inc.	24,810,004	23,177,981
Total inventory	<u>\$ 29,316,441</u>	<u>\$ 27,858,581</u>

Note 5 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets, not depreciated				
Land and right-of-way	\$ 256,909,683	\$ -	\$ -	\$ 256,909,683
Construction-in-progress	63,664,690	178,057,091	(81,853,400)	159,868,381
Total capital assets, not depreciated	<u>320,574,373</u>	<u>178,057,091</u>	<u>(81,853,400)</u>	<u>416,778,064</u>
Capital assets, depreciated:				
Buildings and structures	2,131,456,318	11,177,717	(1,292,096)	2,141,341,939
Buses and vehicles	906,954,853	105,245,483	(43,944,524)	968,255,812
Equipment and other	169,074,277	3,530,876	(34,411,796)	138,193,357
Capital lease property	12,091,981	-	-	12,091,981
Total capital assets, depreciated	<u>3,219,577,429</u>	<u>119,954,076</u>	<u>(79,648,416)</u>	<u>3,259,883,089</u>
Less accumulated depreciation for:				
Buildings and structures	(1,128,975,624)	(65,260,675)	1,291,757	(1,192,944,542)
Buses and vehicles	(402,622,745)	(46,899,149)	43,932,371	(405,589,523)
Equipment and other	(122,330,784)	(11,753,438)	33,712,048	(100,372,174)
Capital lease property	(11,903,043)	(188,938)	-	(12,091,981)
Total accumulated depreciation	<u>(1,665,832,196)</u>	<u>(124,102,200)</u>	<u>78,936,176</u>	<u>(1,710,998,220)</u>
Total capital assets, depreciated, net	<u>1,553,745,233</u>	<u>(4,148,124)</u>	<u>(712,240)</u>	<u>1,548,884,869</u>
Total capital assets, net	<u>\$ 1,874,319,606</u>	<u>\$ 173,908,967</u>	<u>\$ (82,565,640)</u>	<u>\$ 1,965,662,933</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 5 - Capital Assets (Continued)

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

Contributed Capital

MTS converted \$82 million in capital assets from CIP to assets in service in FY2021 compared to \$45 million in FY2020. A summary of capital asset additions contributed by MTS is as follows:

	2021	2020
MTS - General Operations	\$ 1,711,445	\$ 11,629,577
MTS - Contracted Services	23,558,749	3,216,435
San Diego Transit Corporation	51,176,150	7,724,062
San Diego Trolley, Inc.	5,407,056	22,020,198
Total	\$ 81,853,400	\$ 44,590,272

Capital asset additions totaling \$38 million were contributed by SANDAG in FY2021 compared to \$113 million in FY2020. SANDAG also contributed spare parts for the new LRVs to SDTI. A summary of capital asset additions contributed by SANDAG is as follows:

	2021	2020
MTS - Contracted Services	\$ 5,254,476	\$ -
San Diego Transit Corporation	-	271,772
San Diego Trolley, Inc.	32,846,200	112,288,909
Total	38,100,676	112,560,681
San Diego Trolley, Inc - LRV Spare Parts Inventory	909,043	6,664,326
Total contributed capital	\$ 39,009,719	\$ 119,225,007

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

Depreciation expense for capital assets for the years ended June 30, 2021 and 2020 were comprised of the following:

	2021	2020
MTS - General Operations	\$ 5,512,373	\$ 5,064,115
MTS - Contracted Services	24,552,291	21,931,173
San Diego Transit Corporation	27,365,603	32,260,870
San Diego Trolley, Inc.	66,671,933	67,714,734
Total	<u>\$ 124,102,200</u>	<u>\$ 126,970,892</u>

Note 6 - Due to Other Governments

At June 30, 2021 and 2020, amounts due to other governments consisted of the following:

	2021	2020
State of California - miscellaneous	\$ 1,099,011	\$ 1,099,819
SANDAG - project reimbursements	367,493	207,606
North County Transit District - passenger revenue	367,048	411,871
City of San Diego - miscellaneous	112,573	113,966
City of Lemon Grove - TDA funds	109,768	133,743
City of El Cajon - TDA funds	100,180	100,314
Other Governments - miscellaneous	70,712	77,146
City of La Mesa - TDA funds	55,670	56,841
County of San Diego - miscellaneous	48,804	49,904
City of Coronado - TDA funds	46,877	41,900
City of Chula Vista - miscellaneous	42,007	50,437
Total due to other governments	<u>\$ 2,420,143</u>	<u>\$ 2,343,547</u>

Note 7 - Unearned Revenue

At June 30, 2021 and 2020, unearned revenue consisted of the following:

	2021	2020
Caltrans LCTOP funds received in advance	\$ 7,104,641	\$ 2,820,691
STA State of Good Repair funds received in advance	6,957,820	9,542,044
Naming Rights payment received in advance	2,619,000	975,000
Fare media payments received in advance	2,117,698	2,099,672
Lease payments received in advance	1,444,676	1,426,145
Other reimbursements received in advance	396,380	-
SANDAG funds for LRVs received in advance	-	6,352,526
Insurance recoveries received in advance	-	927,455
Total unearned revenue	<u>\$ 20,640,215</u>	<u>\$ 24,143,533</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

A summary of changes in long-term obligations for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts due within one year	Amounts due in more than one year
MTS:						
Compensated absences payable	\$ 1,441,404	\$ 976,078	\$ (681,508)	\$ 1,735,974	\$ 681,508	\$ 1,054,466
Accrued damage, injury, and employee claims	1,187,158	2,200,000	(2,220,064)	1,167,094	326,768	840,326
Aggregate net pension liability	14,064,659	3,300,696	(2,190,646)	15,174,709	-	15,174,709
Aggregate total OPEB liability	6,405,553	1,372,764	(323,196)	7,455,121	-	7,455,121
Total MTS	23,098,774	7,849,538	(5,415,414)	25,532,898	1,008,276	24,524,622
San Diego Transit Corporation:						
Pension Obligation Bonds - public offering	10,355,000	-	(2,690,000)	7,665,000	2,835,000	4,830,000
Compensated absences payable	6,450,943	3,428,663	(3,227,750)	6,651,856	3,227,750	3,424,106
Accrued damage, injury, and employee claims	10,968,269	2,923,663	(3,104,636)	10,787,296	2,768,554	8,018,742
Aggregate net pension liability	144,780,361	24,376,647	(19,911,303)	149,245,705	-	149,245,705
Aggregate total OPEB liability	29,271,435	4,422,126	(1,446,555)	32,247,006	-	32,247,006
Total San Diego Transit Corporation	201,826,008	35,151,099	(30,380,244)	206,596,863	8,831,304	197,765,559
San Diego Trolley, Inc.:						
Compensated absences payable	3,114,759	2,827,036	(2,441,693)	3,500,102	2,441,693	1,058,409
Accrued damage, injury, and employee claims	4,295,855	1,592,951	(1,323,903)	4,564,903	1,283,636	3,281,267
Aggregate net pension liability	35,346,261	17,494,311	(14,203,128)	38,637,444	-	38,637,444
Aggregate total OPEB liability	12,642,417	1,971,611	(584,494)	14,029,534	-	14,029,534
Total San Diego Trolley, Inc.	55,399,292	23,885,909	(18,553,218)	60,731,983	3,725,329	57,006,654
Total	\$ 280,324,074	\$ 66,886,546	\$ (54,348,876)	\$ 292,861,744	\$ 13,564,909	\$ 279,296,835

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

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 - direct borrowing	\$ 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 - public offering	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

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

	2021		2020	
	Due Within One Year	Noncurrent Liabilities	Due Within One Year	Noncurrent Liabilities
Long-Term Liabilities:				
Compensated absences payable	\$ 6,350,951	\$ 5,536,981	\$ 6,748,487	\$ 4,258,619
Accrued damage, injury, and employee claims	4,378,958	12,140,335	4,479,923	11,971,359
Long-term debt	2,835,000	4,830,000	2,690,000	7,665,000
Aggregate net pension liability	-	203,057,858	-	194,191,281
Aggregate total OPEB liability	-	53,731,661	-	48,319,405
Total long-term liabilities	\$ 13,564,909	\$ 279,296,835	\$ 13,918,410	\$ 266,405,664

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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. As of June 30, 2020, 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 6.75% used by the actuary to determine the Actuarial Accrued Liability. The proceeds less fees were invested into the retirement plan. The bonds are secured by a pledge of farebox revenues and, in the event of default, MTS shall cause the transfer of farebox revenues to be maintained and controlled by the bond trustee until the amounts deposited are sufficient to pay all debt service payments owed plus default interest at a rate of the non-default interest rate plus 3% from the date the event of default occurred. 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, 2021 and 2020, the outstanding balance of the Pension Obligation Bonds is \$7,655,000 and \$10,355,000, respectively. The required payments for the Pension Obligation Bonds, including interest, are:

Year ending June 30	Principal	Interest	Total
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>\$ 7,665,000</u>	<u>\$ 541,136</u>	<u>\$ 8,206,136</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 - Risk Management

MTS (including SDTC, SDTI, and MTS - Contracted Services) is self-insured for third party liability claims to a maximum of \$5,000,000 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 \$1,500,000, 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 \$5,000,000 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
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
2021	16,451,282	5,168,011	(5,100,000)	16,519,293

Following is a summary of accrued damage, injury, and employee claims for fiscal years 2021 and 2020:

	2021	2020
Current portion	\$ 4,378,958	\$ 4,479,923
Non-current portion	12,140,335	11,971,359
Total	<u>\$ 16,519,293</u>	<u>\$ 16,451,282</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 \$16,519,293 at June 30, 2021 and \$16,451,282 at June 30, 2020.

The Board has designated \$5,000,000 for the purposes of funding the future claims liabilities of MTS, SDTC, and SDTI.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 10 – Commitments and Contingencies

Pending legal actions. MTS, SDTC and SDTI have been named in certain legal actions pending at June 30, 2021. 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.

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, 2020
Measurement Period	July 1, 2019 - June 30, 2020

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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

As of the June 30, 2021 (measurement date 2020), the following current and former employees were covered by the benefit terms:

	MTS	SDTI	SDTC
Active employees	158	575	812
Inactive employees or beneficiaries currently receiving benefits	24	48	226
Inactive employees entitled to but not yet receiving benefits	-	-	-
Total	182	623	1,038

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	154	543	793
Inactive employees or beneficiaries currently receiving benefits	22	43	230
Inactive employees entitled to but not yet receiving benefits	-	-	-
Total	176	586	1,023

Actuarial Assumptions

The total OPEB liability, as of June 30, 2021 (measurement date 2020), 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, 2020	
Actuarial Assumptions:			
Discount Rate		2.66% 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		6.25%, 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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 11 - Other Postemployment Benefits (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66% percent as of the measurement date June 30, 2020 and 3.15% as of the measurement date June 30, 2019. 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, 2021 (measurement date 2020):

	MTS	SDTI	SDTC	Aggregate
1% Decrease	1.66%	1.66%	1.66%	1.66%
Total OPEB Liability	\$ 8,947,600	\$ 16,427,073	\$ 37,419,407	\$ 62,794,080
Current Discount Rate	2.66%	2.66%	2.66%	2.66%
Total OPEB Liability	\$ 7,455,121	\$ 14,029,534	\$ 32,247,006	\$ 53,731,661
1% Increase	3.66%	3.66%	3.66%	3.66%
Total OPEB Liability	\$ 6,278,591	\$ 12,097,551	\$ 28,068,088	\$ 46,444,230

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, 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

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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, 2021 (measurement date 2020):

	MTS	SDTI	SDTC	Aggregate
1% Decrease in Healthcare Cost Trend Rate			5.25% HMO/PPO decreasing to <u>3.50% HMO/PPO</u>	
	<u>2.0% HRA Contribution Increase</u>			
Total OPEB Liability	\$ 5,973,762	\$ 11,975,373	\$ 27,424,199	\$ 45,373,334
Current Healthcare Cost Trend Rate			6.25% HMO/PPO decreasing to <u>4.50% HMO/PPO</u>	
	<u>3.0% HRA Contribution Increase</u>			
Total OPEB Liability	\$ 7,455,121	\$ 14,029,534	\$ 32,247,006	\$ 53,731,661
1% Increase in Healthcare Cost Trend Rate			7.25% HMO/PPO decreasing to <u>5.50% HMO/PPO</u>	
	<u>4.0% HRA Contribution Increase</u>			
Total OPEB Liability	\$ 9,455,297	\$ 16,678,351	\$ 38,426,193	\$ 64,559,841

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, 2020 (measurement date 2019):

	MTS	SDTI	SDTC	Aggregate
1% Decrease in Healthcare Cost Trend Rate			5.5% HMO/PPO decreasing to <u>3.5% HMO/PPO</u>	
	<u>2.0% HRA Contribution Increase</u>			
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 <u>4.5% HMO/PPO</u>	
	<u>3.0% HRA Contribution Increase</u>			
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 <u>5.5% HMO/PPO</u>	
	<u>4.0% HRA Contribution Increase</u>			
Total OPEB Liability	\$ 7,980,065	\$ 14,887,210	\$ 34,333,433	\$ 57,200,708

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

At June 30, 2021, the change in the Total OPEB liability is as follows:

	MTS	SDTI	SDTC	Aggregate
Balance at June 30, 2020	\$ 6,405,553	\$ 12,642,417	\$ 29,271,435	\$ 48,319,405
Changes Recognized for the Measurement Period:				
Service Cost	544,949	561,743	1,317,943	2,424,635
Interest on the total OPEB liability	217,111	412,287	947,591	1,576,989
Difference between expected and actual experience	(206,133)	(351,313)	(424,383)	(981,829)
Changes in assumptions	610,704	997,581	2,156,592	3,764,877
Benefit payments	(117,063)	(233,181)	(1,022,172)	(1,372,416)
Net Changes	1,049,568	1,387,117	2,975,571	5,412,256
Balance at June 30, 2021	\$ 7,455,121	\$ 14,029,534	\$ 32,247,006	\$ 53,731,661

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

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 2021 and 2020, the following contributions were made:

	MTS	SDTI	SDTC	Aggregate
2021 Contributions	\$ 112,510	\$ 181,540	\$ 1,052,058	\$ 1,346,108
2020 Contributions	\$ 111,023	\$ 217,715	\$ 1,144,105	\$ 1,472,843

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

For the year ended June 30, 2021 and 2020, OPEB expense is included in the accompanying statement of revenues, expenses, and changes in net position as follows:

	MTS	SDTI	SDTC	Aggregate
2021 OPEB Expense	\$ 714,871	\$ 950,468	\$ 1,804,542	\$ 3,469,881
2020 OPEB Expense	\$ 593,428	\$ 776,472	\$ 1,559,898	\$ 2,929,798

At June 30, 2021, (measurement date 2020) 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	\$ 112,510	\$ -	\$ 181,540	\$ -
Difference between expected and actual experience	-	(453,160)	188,550	(319,375)
Changes in assumptions	668,952	(412,923)	1,101,972	(643,386)
Total	\$ 781,462	\$ (866,083)	\$ 1,472,062	\$ (962,761)

	SDTC		Aggregate	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 1,052,058	\$ -	\$ 1,346,108	\$ -
Difference between expected and actual experience	-	(2,141,998)	188,550	(2,914,533)
Changes in assumptions	2,621,291	(1,010,799)	4,392,215	(2,067,108)
Total	\$ 3,673,349	\$ (3,152,797)	\$ 5,926,873	\$ (4,981,641)

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

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>

The combined \$1,346,108 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, 2022 compared to the combined \$1,472,843 reported in previous year.

As of the June 30, 2021 (measurement date 2020), 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
2022	\$ (47,189)	\$ (23,562)	\$ (460,992)	\$ (531,743)
2023	(47,189)	(23,562)	(460,991)	(531,742)
2024	(47,189)	(23,562)	(61,075)	(131,826)
2025	(47,189)	(23,562)	9,247	(61,504)
2026	(47,189)	(23,566)	9,252	(61,503)
Thereafter	38,814	445,575	433,053	917,442
Total	<u>\$ (197,131)</u>	<u>\$ 327,761</u>	<u>\$ (531,506)</u>	<u>\$ (400,876)</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

As of the measurement date June 30, 2020 (measurement 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>

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:

	2021	2020
MTS CalPERS Plans	\$ 15,174,709	\$ 14,064,659
SDTI CalPERS Plans	37,167,783	33,629,624
SDTI PARS Plan	1,469,661	1,716,637
SDTC Retirement Plan	149,245,705	144,780,361
Total	<u>\$ 203,057,858</u>	<u>\$ 194,191,281</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 12 – Employee Retirement Systems (Continued)**A. Summary (Continued)****Deferred Outflows of Resources**

Deferred Outflows of Resources at June 30, 2021 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	\$ 2,580,445	\$ 781,998	\$ 450,789	\$ -	\$ 338,721	\$ 424,786	\$ 4,576,739
SDTI CalPERS Plans	5,237,955	1,886,001	1,237,074	1,578,401	-	-	9,939,431
SDTI PARS Plan	358,878	-	198,181	-	-	-	557,059
SDTC Retirement Plan	23,718,402	-	11,519,178	-	-	-	35,237,580
Total	\$ 31,895,680	\$ 2,667,999	\$ 13,405,222	\$ 1,578,401	\$ 338,721	\$ 424,786	\$ 50,310,809

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	\$ 21,980,812	\$ 4,751,019	\$ 5,675,174	\$ 7,966,255	\$ 368,972	\$ 455,798	\$ 41,198,030

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 12 – Employee Retirement Systems (Continued)

A. Summary (Continued)

Deferred Inflows of Resources

Deferred Inflows of Resources at June 30, 2021 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	\$ -	\$ -	\$ 108,233	\$ 50,875	\$ 159,108
SDTI CalPERS Plans	700,204	-	412,584	-	1,112,788
SDTI PARS Plan	153,082	-	95,765	-	248,847
SDTC Retirement Plan	1,579,972	-	-	-	1,579,972
Total	<u>\$ 2,433,258</u>	<u>\$ -</u>	<u>\$ 616,582</u>	<u>\$ 50,875</u>	<u>\$ 3,100,715</u>

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	<u>\$ 1,705,980</u>	<u>\$ 790,134</u>	<u>\$ 1,035,981</u>	<u>\$ 114,470</u>	<u>\$ 3,646,565</u>

Pension Expense

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

	2021	2020
MTS CalPERS Plans	\$ 3,391,459	\$ 3,581,674
SDTI CalPERS Plans	7,273,908	7,040,133
SDTI PARS Plan	206,884	406,181
SDTC Retirement Plan	20,248,875	21,959,266
Total	<u>\$ 31,121,126</u>	<u>\$ 32,987,254</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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, 2021 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	32.47%
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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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	9.95%
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	8.30%
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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Employees Covered – At June 30, 2021 (measurement date 2020) and June 30, 2020 (measurement date 2019), the following employees were covered by the benefit terms:

	2021	2020
Inactive employees or beneficiaries currently receiving benefits	114	144
Inactive employees entitled to but not yet receiving benefits	61	65
Active employees	162	163
Total	337	372

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, 2021 and 2020 (measurement date 2020 and 2019), the active employee contribution rates and average employer contribution rates were as follows:

	2021		2020	
	Employee Contribution Rate	Employer Contribution Rate	Employee Contribution Rate	Employer Contribution Rate
MTS - Miscellaneous Plan-1223	8.00%	32.47%	8.00%	28.77%
MTS Miscellaneous Second Tier Plan - 30134	7.00%	9.95%	7.00%	8.70%
MTS PEPRM Miscellaneous Plan - 26789	6.75%	8.30%	6.75%	7.13%

For the years ended June 30, 2021 and 2020 (measurement date 2020 and 2019), the plan's proportionate share of aggregate contributions recognized as part of pension expense were:

	2021	2020
Contributions - employer	\$ 2,024,949	\$ 1,763,681
Contributions - employee	609,496	562,250

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020 (measurement dates 2020 and 2019), MTS reported \$15,174,709 and \$14,064,659 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2019). 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, 2020). 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, 2020 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY2020).
- (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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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, 2020, 2019, and 2018 (measurement dates) were as follows:

Proportion June 30, 2018	0.13473%
Proportion June 30, 2019	0.13726%
Change - Increase (Decrease)	0.00253%
Proportion June 30, 2020	0.13947%
Change - Increase (Decrease)	0.00221%

For the years ended June 30, 2021 and 2020, MTS recognized pension expense of \$3,391,459 and \$3,581,674, respectively. At June 30, 2021 and 2020, MTS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 2,580,445	\$ -	\$ 2,320,104	\$ -
Differences between expected and actual experience	781,998	-	976,850	(75,686)
Changes in assumptions	-	(108,233)	670,668	(237,747)
Change in employer's proportion	338,721	(50,875)	368,972	(114,470)
Differences between actual and proportionate share of employer contributions	424,786	-	455,798	-
Differences between projected and actual earnings on pension plan investments	450,789	-	-	(245,894)
Total	\$ 4,576,739	\$ (159,108)	\$ 4,792,392	\$ (673,797)

The \$2,580,445 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, 2022.

As of the measurement date June 30, 2020, 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
2022	\$ 491,297
2023	674,931
2024	454,747
2025	216,211
2026	-
Total	\$ 1,837,186

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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
2021	\$ 1,484,186
2022	43,277
2023	221,340
2024	49,688
2025	-
Total	<u>\$ 1,798,491</u>

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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	7.15% (1)
Mortality	derived using CalPERS membership data for all funds (2)

(1) Net of pension plan investment expenses.

(2) The mortality table used was developed based on CalPERS 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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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 ACFR, 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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020, 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:

	2021	2020
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 23,225,277	\$ 21,681,379
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 15,174,709	\$ 14,064,659
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 8,522,776	\$ 7,777,593

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, 2021, MTS reported a payable of \$27,514 for the outstanding amount of contributions to the pension plan required for the current year compared to \$199,909 for the year ended June 30, 2020.

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 PEPRM 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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

The Plans' provisions and benefits in effect as of June 30, 2021 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%	9.661%
Required employer contribution rates	15.32%	13.661%
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	6.25%
Required employer contribution rates	16.322%
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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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:

The Plan's provisions and benefits in effect as of June 30, 2021 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	8.76%
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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Employees Covered

At June 30, 2021 and 2020 (measurement dates 2020 and 2019), the following employees were covered by the benefit terms for each Plan:

	CalPERS Plan		PARS Plan	
	2021	2020	2021	2020
Inactive employees or beneficiaries currently receiving benefits	261	271	50	47
Inactive employees entitled to but not yet receiving benefits	92	92	1	-
Active employees	604	588	45	48

*SDTI PEPRA Plan is included in the SDTI Miscellaneous Plan June 30, 2019 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, 2021 and 2020 (measurement dates 2020 and 2019), the active employee contribution rates and average employer contribution rates were as follows:

	2021		2020	
	Employee	Employer	Employee	Employer
SDTI Miscellaneous Plan 1406 - Management EE	8.00%	15.32%	8.00%	12.28%
SDTI Miscellaneous Plan 1406 - Union EE	9.661%	13.661%	8.14%	12.14%
SDTI Miscellaneous PEPRA Plan 26965	6.25%	16.322%	5.75%	13.28%

For the years ended June 30, 2021 and 2020 (measurement dates 2020 and 2019), the contributions recognized as part of pension expense were:

	CalPERS Plans	
	2021	2020
Contributions - employer	\$ 4,532,160	\$ 3,824,864
Contributions - employee	2,108,348	2,075,270

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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, 2020 (measurement date), the employer's contribution rate is 8.76%. For the period ended June 30, 2019 (measurement date), the employer's contribution rate was 9.64%.

For the years June 30, 2021 and 2020 (measurement date 2020 and 2019), the contributions recognized as part of pension expense were:

	PARS Plan	
	2021	2020
Contributions - employer	\$ 436,518	\$ 443,125
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, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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	2.75%
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS's Membership Data for all Funds (2)
Post Retirement Benefit Increase	Contract COLA up to 2.5% 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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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 ACFR, 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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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, 2020, using an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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, 3.60% after 22 years of service
Payroll Growth	2.75%
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	Consistent with Non-Industrial rates used to value the Miscellaneous CALPERS Pension Plans

Change in Assumptions – In the current year, the inflation rate was lowered from 2.75% to 2.50%. In the current year, the payroll growth rate was lowered from 3.00% to 2.75%. In the prior year, the actuarial report did not have any changes in assumptions.

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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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	4.52%	-0.22%	-0.20%
U.S. Core Fixed Income	60.37%	0.92%	0.84%
U.S. Equity Market	27.17%	4.82%	3.52%
Foreign Developed Equity	4.57%	6.32%	4.75%
Emerging Market Equities	2.55%	8.35%	5.53%
U.S. REITs	0.82%	5.32%	3.62%

(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, 2021 and 2020, 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	
	2021	2020	2021	2020
1% Decrease	6.15%	6.15%	5.50%	5.50%
Net Pension Liability	\$ 61,934,507	\$ 57,149,081	\$ 2,579,161	\$ 2,770,019
Current Discount Rate	7.15%	7.15%	6.50%	6.50%
Net Pension Liability	\$ 37,167,783	\$ 33,629,624	\$ 1,469,661	\$ 1,716,637
1% Increase	8.15%	8.15%	7.50%	7.50%
Net Pension Liability	\$ 16,751,201	\$ 14,258,024	\$ 540,500	\$ 766,611

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Changes in the Net Pension Liability

1. CalPERS Plans

At June 30, 2021 (measurement date 2020), 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, 2020	\$ 163,523,016	\$ 129,893,392	\$ 33,629,624
Changes in the year:			
Service cost	4,479,774	-	4,479,774
Interest on the total pension liability	11,672,869	-	11,672,869
Changes of assumptions	-	-	-
Differences between expected and actual experience	355,799	-	355,799
Benefit payments, including refunds of member contributions	(5,723,615)	(5,723,615)	-
Net Plan to Plan resource movement	-	-	-
Contributions - employer	-	4,532,160	(4,532,160)
Contributions - employee	-	2,108,348	(2,108,348)
Net investment income	-	6,512,893	(6,512,893)
Administrative expense	-	(183,118)	183,118
Net Changes	10,784,827	7,246,668	3,538,159
Balance at June 30, 2021	\$ 174,307,843	\$ 137,140,060	\$ 37,167,783

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

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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

At June 30, 2021 (measurement date 2020), 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, 2020	\$ 9,094,282	\$ 7,377,645	\$ 1,716,637
Changes in the year:			
Service cost	195,690	-	195,690
Interest on the total pension liability	591,918	-	591,918
Changes of assumptions	(164,168)	-	(164,168)
Differences between expected and actual experience	(262,427)	-	(262,427)
Benefit payments, including refunds of member contributions	(372,953)	(372,953)	-
Contributions - employer	-	436,518	(436,518)
Contributions - employee	-	-	-
Net investment income	-	186,614	(186,614)
Administrative expense	-	(15,143)	15,143
Net Changes	(11,940)	235,036	(246,976)
Balance at June 30, 2021	\$ 9,082,342	\$ 7,612,681	\$ 1,469,661

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

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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020, SDTI recognized pension expense of \$7,480,792 and \$7,446,314, respectively. At June 30, 2021 and 2020, SDTI reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS Plans			
	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 5,237,955	\$ -	\$ 4,532,160	\$ -
Differences between expected and actual experience	1,886,001	(700,204)	2,204,517	(1,402,959)
Changes in assumptions	1,578,401	(412,584)	3,332,178	(798,234)
Net differences between projected and actual earnings on pension plan investments	1,237,074	-	-	(543,225)
Total	<u>\$ 9,939,431</u>	<u>\$ (1,112,788)</u>	<u>\$ 10,068,855</u>	<u>\$ (2,744,418)</u>

	PARS Plan			
	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 358,878	\$ -	\$ 418,735	\$ -
Differences between expected and actual experience	-	(153,082)	-	(227,335)
Changes in assumptions	-	(95,765)	195,026	-
Net differences between projected and actual earnings on pension plan investments	198,181	-	-	(1,015)
Total	<u>\$ 557,059</u>	<u>\$ (248,847)</u>	<u>\$ 613,761</u>	<u>\$ (228,350)</u>

The combined \$5,596,833 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, 2022 compared to \$4,950,895 for the previous year.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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, 2020, 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
2022	\$ 963,027	\$ (167,189)
2023	709,407	(8,506)
2024	1,294,041	66,131
2025	622,213	58,898
2026	-	-
Total	<u>\$ 3,588,688</u>	<u>\$ (50,666)</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
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>

Payable to the Pension Plan

At June 30, 2021, SDTI reported a payable of \$57,297 to CalPERS and \$3,891 to PARS for the outstanding amount of contributions to the pension plans required for the fiscal year compared to \$219,094 payable to CalPERS and \$3,326 payable to PARS for the year ended June 30, 2020.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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, 2021 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	60.44%	62.19%
Pre-Retirement Death Benefit	50% Joint & Survivor	
Post-Retirement Death Benefit	Based on benefit election	
	1.5% times average monthly final earnings times credited	
	years of service	
Non-Industrial Standard Disability	Lesser of CPI or 2.0%	
COLA		

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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	60.44%	60.44%
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, 2021 and 2020 (measurement date 2020 and 2019), the following employees were covered by the benefit terms for the Plan:

	2021	2020
Inactive employees or beneficiaries currently receiving benefits	1,028	1,011
Inactive employees entitled to but not yet receiving benefits	217	218
Active employees	389	424

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, 2020 (measurement date), the active employee contribution rate is 6.25- 8.00% of annual pay, and the average employer's contribution rate is 60.88% of annual payroll compared to 6.25-8.00% and 51.37% for the previous year.

For the year ended June 30, 2021 and 2020 (measurement date 2020 and 2019), the contributions recognized as part of pension expense for the Plan were as follows:

	2021	2020
Contributions - employer	\$ 14,709,813	\$ 13,633,181
Contributions - employee	2,017,164	2,074,025

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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, 2020, using an annual actuarial valuation as of July 1, 2020.

Actuarial Assumptions – The total pension liabilities in the July 1, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	July 1, 2020
Measurement Date	July 1, 2020
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 actuarial report did not have any changes in assumptions. In the prior year, the expected rate of return on assets decreased from 7.00% to 6.75%.

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 (17 years remaining as of the July 1, 2020 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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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%	4.05%	4.05%
International Equity	20.00%	6.30%	6.30%
Fixed Income	35.00%	0.00%	0.00%
Alternatives (Multi-Asset)	20.00%	3.00%	3.00%

(a) an expected inflation of 2.0% 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, 2021 and 2020, 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:

	2021	2020
1% Decrease	5.75%	5.75%
Net Pension Liability	\$ 182,328,644	\$ 178,269,254
Current Discount Rate	6.75%	6.75%
Net Pension Liability	\$ 149,245,705	\$ 144,780,361
1% Increase	7.75%	7.75%
Net Pension Liability	\$ 121,156,977	\$ 116,375,578

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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

At June 30, 2021 (measurement date 2020), 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, 2020	\$ 314,919,978	\$ 170,139,617	\$ 144,780,361
Changes in the year:			
Service cost	3,326,248	-	3,326,248
Interest on the total pension liability	20,793,979	-	20,793,979
Changes of assumptions	-	-	-
Differences between expected and actual experience	(3,159,945)	-	(3,159,945)
Benefit payments, including refunds of member contributions	(20,712,755)	(20,712,755)	-
Contributions - employer	-	14,709,528	(14,709,528)
Contributions - employee	-	2,017,164	(2,017,164)
Net investment income	-	24,666	(24,666)
Administrative expense	-	(256,420)	256,420
Net Changes	247,527	(4,217,817)	4,465,344
Balance at June 30, 2021	\$ 315,167,505	\$ 165,921,800	\$ 149,245,705

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

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 the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020, SDTC recognized pension expense of \$20,248,875 and \$21,959,266, respectively. At June 30, 2021 and 2020, SDTC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 23,718,402	\$ -	\$ 14,709,813	\$ -
Changes in assumptions	-	-	3,768,383	-
Differences between expected and actual experience	-	(1,579,972)	1,569,652	-
Differences between projected and actual earnings on pension plan investments	11,519,178	-	5,675,174	-
Total	<u>\$ 35,237,580</u>	<u>\$ (1,579,972)</u>	<u>\$ 25,723,022</u>	<u>\$ -</u>

The \$23,718,402 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, 2022 compared to \$14,709,813 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
2022	\$ 1,446,019
2023	3,352,505
2024	2,876,898
2025	2,263,784
2026	-
Total	<u>\$ 9,939,206</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
2021	\$ 8,549,161
2022	762,209
2023	1,088,723
2024	613,116
2025	-
Total	<u>\$ 11,013,209</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 12 – Employee Retirement Systems (Continued)

D. SDTC (Continued)

Payable to the Pension Plan

At June 30, 2021, SDTC reported a payable of \$1,317,866 for the outstanding amount of contributions to the pension plan required for the fiscal year compared to \$1,245,955 for the year ended June 30, 2020.

Note 13 – Other Required Individual Disclosures

A. Deficit Net Position

In the Statements of Net Position, MTS had a deficit unrestricted net position at June 30, 2021 and 2020 of \$(46,677,107) and \$(12,023,773), respectively. The deficit was mainly due to the reporting of the aggregate net pension liabilities and the aggregate total OPEB liabilities as well as timing differences between recognition of expenses on the accrual basis and when those expenses are funded by subsidy revenues.

Contracted Services, SDTC, and SDTI had unrestricted net position (deficits) of \$(9,920,263), \$(146,841,174), and \$(14,487,399), respectively, as of June 30, 2021 compared to \$1,642,120 unrestricted net position for Contracted Services, \$(161,014,994) deficit for SDTC, and \$(11,933,573) deficit for SDTI for the year ended June 30, 2020. These deficits are primarily a result of the implementation of GASB 68 (pension) & 75 (OPEB) as well as timing differences between recognition of expenses on an accrual basis and when those expenses are funded by subsidy transfers for Contracted Services, SDTC, and SDTI.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

FINAL DRAFT 10.27.2021

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited)
For the Years Ended June 30, 2021 and 2020

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MTS
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.13947%	0.13726%	0.13473%	0.13531%	0.13477%	0.14142%	0.13277%
Proportionate share of the net pension liability	\$15,174,709	\$14,064,659	\$12,982,663	\$13,418,753	\$11,661,984	\$ 9,707,169	\$ 8,261,550
Covered payroll	\$13,715,993	\$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	110.64%	109.09%	100.85%	113.63%	105.27%	97.51%	89.05%
Plan's fiduciary net position as percentage of the total pension liability	74.92%	75.16%	75.65%	72.65%	72.53%	75.07%	77.50%
Proportionate share of aggregate employer contributions	\$ 2,024,949	\$ 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, 2021 and 2020

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

Measurement Period, Year Ended June 30:	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 4,479,774	\$ 4,304,517	\$ 4,029,579	\$ 3,882,206	\$ 3,580,302	\$ 3,615,793	\$ 3,721,950
Interest on total pension liability	11,672,869	10,947,906	10,112,324	9,611,237	9,201,415	8,554,525	7,982,614
Differences between expected and actual experience	355,799	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	(5,723,615)	(5,389,412)	(5,090,945)	(4,901,765)	(4,345,171)	(3,799,240)	(3,155,596)
Net change in total pension liability	10,784,827	12,510,281	7,488,391	14,425,433	8,812,243	5,586,014	8,548,968
Total pension liability - beginning	163,523,016	151,012,735	143,524,344	129,098,911	120,286,668	114,700,654	106,151,686
Total pension liability - ending (a)	\$174,307,843	\$163,523,016	\$151,012,735	\$143,524,344	\$129,098,911	\$120,286,668	\$114,700,654
Plan fiduciary net position							
Contributions - employer	\$ 4,532,160	\$ 3,824,864	\$ 3,342,623	\$ 2,835,680	\$ 2,659,911	\$ 2,553,900	\$ 2,498,345
Contributions - employee	2,108,348	2,075,270	2,034,672	1,806,506	1,778,990	1,839,206	2,179,194
Net investment income	6,512,893	8,009,279	9,482,977	11,214,548	628,353	2,204,904	14,416,106
Benefit payments, including refunds of employee contributions	(5,723,615)	(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	(183,118)	281	(506,849)	(149,699)	(61,391)	(113,387)	-
Net change in plan fiduciary net position	7,246,668	8,433,606	9,262,197	10,805,270	660,692	2,685,383	15,938,049
Plan fiduciary net position - beginning	129,893,392	121,459,786	112,197,589	101,392,319	100,731,627	98,046,244	82,108,195
Plan fiduciary net position - ending (b)	\$137,140,060	\$129,893,392	\$121,459,786	\$112,197,589	\$101,392,319	\$100,731,627	\$ 98,046,244
Net pension liability - ending (a) - (b)	\$ 37,167,783	\$ 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	78.68%	79.43%	80.43%	78.17%	78.54%	83.74%	85.48%
Covered payroll	\$ 31,913,060	\$ 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	116.47%	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, 2019 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, 2021 and 2020

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

SDTI PARS PLAN
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service Cost	\$ 195,690	\$ 226,689	\$ 198,627	\$ 230,296	\$ 223,588	\$ 267,889
Interest on total pension liability	591,918	565,523	587,363	556,089	523,457	480,808
Differences between expected and actual experience	(262,427)	-	(652,788)	-	(166,133)	-
Changes in assumptions	(164,168)	-	473,927	-	321,921	-
Changes in benefit terms	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(372,953)	(337,875)	(313,613)	(302,460)	(273,201)	(229,364)
Net change in total pension liability	(11,940)	454,337	293,516	483,925	629,632	519,333
Total pension liability - beginning	9,094,282	8,639,945	8,346,429	7,862,504	7,232,872	6,713,539
Total pension liability - ending (a)	\$ 9,082,342	\$ 9,094,282	\$ 8,639,945	\$ 8,346,429	\$ 7,862,504	\$ 7,232,872
Plan fiduciary net position						
Contributions - employer	\$ 436,518	\$ 443,125	\$ 549,296	\$ 605,864	\$ 547,473	\$ 590,203
Contributions - employee	-	-	-	-	-	-
Net investment income	186,614	413,503	458,921	638,858	(59,981)	127,592
Benefit payments, including refunds of employee contributions	(372,953)	(337,875)	(313,613)	(302,460)	(273,201)	(229,364)
Administrative expense	(15,143)	(14,630)	(17,012)	(13,417)	(14,665)	(12,186)
Net change in plan fiduciary net position	235,036	504,123	677,592	928,845	199,626	476,245
Plan fiduciary net position - beginning	7,377,645	6,873,522	6,195,930	5,267,085	5,067,459	4,591,214
Plan fiduciary net position - ending (b)	\$ 7,612,681	\$ 7,377,645	\$ 6,873,522	\$ 6,195,930	\$ 5,267,085	\$ 5,067,459
Net pension liability - ending (a) - (b)	\$ 1,469,661	\$ 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	83.82%	81.12%	79.56%	74.23%	66.99%	70.06%
Covered payroll	\$ 4,351,424	\$ 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	33.77%	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, 2019 valuation date.

Changes in Assumption:

- *2020 - Inflation rate decreased from 2.75 to 2.50 percent
- *2020 - Payroll growth rate decreased from 3.00 to 2.75 percent
- *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, 2021 and 2020

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

SDTC PLAN

(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 3,326,248	\$ 3,345,262	\$ 3,559,738	\$ 3,660,961	\$ 3,469,595	\$ 3,590,766	\$ 3,908,376
Interest on total pension liability	20,793,979	20,568,075	20,325,978	19,885,608	18,865,499	18,434,275	17,812,979
Differences between expected and actual experience	(3,159,945)	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	(20,712,755)	(19,969,862)	(18,715,199)	(17,977,346)	(17,350,158)	(16,584,043)	(15,466,924)
Net change in total pension liability	247,527	14,619,545	4,289,721	6,754,910	32,510,333	6,253,876	9,160,123
Total pension liability - beginning	314,919,978	300,300,433	296,010,712	289,255,802	256,745,469	250,491,593	241,331,470
Total pension liability - ending (a)	<u>\$ 315,167,505</u>	<u>\$ 314,919,978</u>	<u>\$ 300,300,433</u>	<u>\$ 296,010,712</u>	<u>\$ 289,255,802</u>	<u>\$ 256,745,469</u>	<u>\$ 250,491,593</u>
Plan fiduciary net position							
Contributions - employer	\$ 14,709,528	\$ 13,633,181	\$ 13,020,223	\$ 12,649,101	\$ 10,711,282	\$ 11,352,628	\$ 12,628,190
Contributions - employee	2,017,164	2,074,025	1,751,616	2,047,593	1,754,869	1,363,092	899,791
Net investment income	24,666	8,415,801	8,792,300	12,216,936	(540,093)	(2,018,866)	18,417,439
Benefit payments, including refunds of employee contributions	(20,712,755)	(19,969,862)	(18,715,199)	(17,977,346)	(17,350,158)	(16,584,043)	(15,466,924)
Administrative expense	(256,420)	(252,585)	(244,890)	(234,128)	(290,381)	(262,808)	(258,142)
Net change in plan fiduciary net position	(4,217,817)	3,900,560	4,604,050	8,702,156	(5,714,481)	(6,149,997)	16,220,354
Plan fiduciary net position - beginning	170,139,617	166,239,057	161,635,007	152,932,851	158,647,332	164,797,329	148,576,975
Plan fiduciary net position - ending (b)	<u>\$ 165,921,800</u>	<u>\$ 170,139,617</u>	<u>\$ 166,239,057</u>	<u>\$ 161,635,007</u>	<u>\$ 152,932,851</u>	<u>\$ 158,647,332</u>	<u>\$ 164,797,329</u>
Net pension liability - ending (a) - (b)	\$ 149,245,705	\$ 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	52.65%	54.03%	55.36%	54.60%	52.87%	61.79%	65.79%
Covered payroll	\$ 25,826,289	\$ 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	577.88%	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, 2020 valuation date.

Changes of assumptions:

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

*2018 - 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

*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, 2021 and 2020

SCHEDULE OF CONTRIBUTIONS
MTS
(LAST TEN YEARS*)

Fiscal Year Ended June 30:	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 2,580,445	\$ 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	(2,580,445)	(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	\$ 14,166,669	\$ 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	18.21%	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 2021 were derived from the June 30, 2017 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2017 Funding Valuation Report
Asset valuation method	Market value of assets
Inflation	2.625%
Salary increases	Varies based on entry age and service
Payroll growth	2.875%
Investment rate of return	7.25% net of pension plan investment and administrative expenses
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 and 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using Society of American Actuaries Scales 90% of scale MP 2016.

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020

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

Fiscal Year Ended June 30:	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 5,237,955	\$ 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	(5,237,955)	(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	\$ 33,604,962	\$ 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	15.59%	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 2021 were derived from the June 30, 2017 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization	For details, see June 30, 2017 Funding Valuation Report
Asset valuation method	Fair value of assets
Inflation	2.625%
Salary increases	Varies based on entry age and service
Payroll growth	2.875%
Investment rate of return	7.25% net of pension plan investment and administrative expenses
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 and 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using Society of American Actuaries Scales 90% of scale MP 2016.

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020

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

Fiscal Year Ended June 30:	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 381,185	\$ 408,250	\$ 459,504	\$ 460,930	\$ 499,993	\$ 445,465	\$ 546,873	\$ 463,079
Contributions in relation to the actuarially determined contribution	(358,878)	(418,735)	(435,748)	(549,296)	(605,864)	(547,473)	(590,203)	(453,934)
Contribution deficiency (excess)	<u>\$ 22,307</u>	<u>\$ (10,485)</u>	<u>\$ 23,756</u>	<u>\$ (88,366)</u>	<u>\$ (105,871)</u>	<u>\$ (102,008)</u>	<u>\$ (43,330)</u>	<u>\$ 9,145</u>
Covered payroll	\$ 4,471,089	\$ 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	8.03%	9.62%	8.88%	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 2021 were derived from the June 30, 2019 funding valuation report.

Valuation date	June 30, 2019
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	2.50%
Salary increases	Varies based on entry age and service
Payroll growth	2.75%
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, 2021 and 2020

SCHEDULE OF CONTRIBUTIONS
SDTC PLAN
(LAST TEN YEARS*)

Fiscal Year Ended June 30:	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 17,585,592	\$ 14,709,813	\$ 13,633,181	\$ 13,020,223	\$ 12,649,101	\$ 10,711,282	\$ 11,352,628	\$ 12,628,190
Contributions in relation to the actuarially determined contribution	(23,718,402)	(14,709,813)	(13,633,181)	(13,020,223)	(12,649,101)	(10,711,282)	(11,352,628)	(12,628,190)
Contribution deficiency (excess)	\$ (6,132,810)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 24,891,340	\$ 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	95.29%	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 2021 were derived from the July 1, 2018 funding valuation report.

Valuation date	July 1, 2018
Actuarial cost method	Entry Age
Amortization	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	7.00% 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, 2021 and 2020

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

MTS
(LAST TEN YEARS*)

Measurement period, year ended June 30:	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 544,949	\$ 452,623	\$ 450,678	\$ 504,282
Interest	217,111	224,774	203,185	171,522
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(206,133)	(324,826)	-	-
Changes in assumptions	610,704	139,049	(104,394)	(566,410)
Benefit payments, including refunds of member contributions	(117,063)	(111,141)	(99,520)	(96,621)
Net change in total OPEB liability	1,049,568	380,479	449,949	12,773
Total OPEB liability - beginning	6,405,553	6,025,074	5,575,125	5,562,352
Total OPEB liability - ending (a)	\$ 7,455,121	\$ 6,405,553	\$ 6,025,074	\$ 5,575,125
OPEB fiduciary net position				
Contributions - employer	\$ 117,063	\$ 111,141	\$ 99,520	\$ 96,621
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(117,063)	(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)	\$ -	\$ -	\$ -	\$ -
Plan net OPEB liability - ending (a) - (b)	\$ 7,455,121	\$ 6,405,553	\$ 6,025,074	\$ 5,575,125
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 12,699,847	\$ 13,522,496	\$ 12,763,760	\$ 12,392,000
Plan net OPEB liability as a percentage of covered payroll	58.70%	47.37%	47.20%	44.99%

* Historical data provided for years where GASB 75 is applicable.

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

SDTI
(LAST TEN YEARS*)

Measurement period, year ended June 30:

	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 561,743	\$ 442,873	\$ 440,969	\$ 493,375
Interest	412,287	415,912	389,043	336,668
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(351,313)	230,450	-	-
Changes in assumptions	997,581	238,432	(168,207)	(956,245)
Benefit payments, including refunds of member contributions	(233,181)	(251,166)	(194,710)	(189,039)
Net change in total OPEB liability	1,387,117	1,076,501	467,095	(315,241)
Total OPEB liability - beginning	12,642,417	11,565,916	11,098,821	11,414,062
Total OPEB liability - ending (a)	\$ 14,029,534	\$ 12,642,417	\$ 11,565,916	\$ 11,098,821
OPEB fiduciary net position				
Contributions - employer	\$ 233,181	\$ 251,166	\$ 194,710	\$ 189,039
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(233,181)	(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)	\$ 14,029,534	\$ 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%	0.00%
Covered-employee payroll	\$ 32,204,645	\$ 34,000,928	\$ 31,280,070	\$ 30,369,000
Plan net OPEB liability as a percentage of covered payroll	43.56%	37.18%	36.98%	36.55%

* Historical data provided for years where GASB 75 is applicable.

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

SDTC

(LAST TEN YEARS*)

Measurement period, year ended June 30:	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 1,317,943	\$ 1,180,991	\$ 1,176,005	\$ 1,317,293
Interest	947,591	1,056,425	1,000,292	875,283
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(424,383)	(2,478,929)	-	-
Changes in assumptions	2,156,592	1,027,981	(421,922)	(2,399,513)
Benefit payments, including refunds of member contributions	(1,022,172)	(1,035,246)	(957,045)	(929,170)
Net change in total OPEB liability	2,975,571	(248,778)	797,330	(1,136,107)
Total OPEB liability - beginning	29,271,435	29,520,213	28,722,883	29,858,990
Total OPEB liability - ending (a)	\$ 32,247,006	\$ 29,271,435	\$ 29,520,213	\$ 28,722,883
OPEB fiduciary net position				
Contributions - employer	\$ 1,022,172	\$ 1,035,246	\$ 957,045	\$ 929,170
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(1,022,172)	(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)	\$ 32,247,006	\$ 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%	0.00%
Covered-employee payroll	\$ 43,063,090	\$ 41,720,578	\$ 40,561,400	\$ 39,380,000
Plan net OPEB liability as a percentage of covered payroll	74.88%	70.16%	72.78%	72.94%

* Historical data provided for years where GASB 75 is applicable.

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

For Hire Vehicle 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, 2021

	General Operations	Contracted Services	SDTC	SDTI	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 69,498,849	\$ 101,210	\$ (519,093)	\$ (265,839)	\$ 68,815,127
Cash and cash equivalents restricted for capital support	22,354,579	-	-	-	22,354,579
Accounts and other receivables	9,025,177	-	2,259,195	330,194	11,614,566
Due from other governments	128,290,904	46,480	27,768	139,506	128,504,658
Internal balances	(39,569,418)	(257,058)	23,785,780	16,040,696	-
Inventory	-	-	4,506,437	24,810,004	29,316,441
Prepaid items and other current assets	2,106,747	209,580	809,446	677,824	3,803,597
Total current assets	191,706,838	100,212	30,869,533	41,732,385	264,408,968
Noncurrent assets:					
Capital assets (net of accumulated depreciation)	222,942,359	292,552,592	275,783,718	1,174,384,264	1,965,662,933
Total noncurrent assets	222,942,359	292,552,592	275,783,718	1,174,384,264	1,965,662,933
Total assets	414,649,197	292,652,804	306,653,251	1,216,116,649	2,230,071,901
DEFERRED OUTFLOWS OF RESOURCES					
Pension-related deferred outflows of resources	4,576,739	-	35,237,580	10,496,490	50,310,809
OPEB-related deferred outflows of resources	781,462	-	3,673,349	1,472,062	5,926,873
Total deferred outflows of resources	5,358,201	-	38,910,929	11,968,552	56,237,682
LIABILITIES					
Current liabilities:					
Accounts payable	14,105,127	8,521,059	3,518,565	3,204,116	29,348,867
Due to other governments	1,947,865	80,993	110,019	281,266	2,420,143
Unearned revenue	19,224,825	1,415,390	-	-	20,640,215
Accrued expenses	815,985	-	1,663,420	1,643,423	4,122,828
Retentions payable	1,309,545	3,033	-	3,152	1,315,730
Retentions payable from restricted assets	8,531,874	-	-	-	8,531,874
Due within one year:					
Compensated absences payable	681,508	-	3,227,750	2,441,693	6,350,951
Accrued damage, injury, and employee claims	326,768	-	2,768,554	1,283,636	4,378,958
Long-term debt	-	-	2,835,000	-	2,835,000
Total current liabilities	46,943,497	10,020,475	14,123,308	8,857,286	79,944,566
Noncurrent liabilities:					
Due in more than one year:					
Compensated absences payable	1,054,466	-	3,424,106	1,058,409	5,536,981
Accrued damage, injury, and employee claims	840,326	-	8,018,742	3,281,267	12,140,335
Long-term debt	-	-	4,830,000	-	4,830,000
Aggregate net pension liability	15,174,709	-	149,245,705	38,637,444	203,057,858
Aggregate total OPEB liability	7,455,121	-	32,247,006	14,029,534	53,731,661
Total noncurrent liabilities	24,524,622	-	197,765,559	57,006,654	279,296,835
Total liabilities	71,468,119	10,020,475	211,888,867	65,863,940	359,241,401
DEFERRED INFLOWS OF RESOURCES					
Pension-related deferred inflows of resources	159,108	-	1,579,972	1,361,635	3,100,715
OPEB-related deferred inflows of resources	866,083	-	3,152,797	962,761	4,981,641
Total deferred inflows of resources	1,025,191	-	4,732,769	2,324,396	8,082,356
NET POSITION					
Investment in capital assets	222,942,359	292,552,592	275,783,718	1,174,384,264	1,965,662,933
Unrestricted (deficit)	124,571,729	(9,920,263)	(146,841,174)	(14,487,399)	(46,677,107)
Total net position	\$ 347,514,088	\$ 282,632,329	\$ 128,942,544	\$ 1,159,896,865	\$ 1,918,985,826

San Diego Metropolitan Transit System
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021

	General Operations	Contracted Services	SDTC
Operating revenues:			
Passenger revenue	\$ -	\$ 14,145,795	\$ 14,430,094
Advertising	1,012,753	-	-
Miscellaneous	17,347,083	-	-
Total operating revenues	18,359,836	14,145,795	14,430,094
Operating expenses:			
Personnel costs	24,087,114	883,188	81,960,455
Outside services	17,391,579	77,913,677	2,784,551
Transit operations funding	179,485,995	-	-
Materials and supplies	250,414	1,098,735	8,018,843
Energy costs	211,260	7,225,638	6,316,323
Risk management	3,178,572	7,437	1,981,153
Miscellaneous	(24,179,086)	2,778,610	8,468,799
Depreciation	5,512,373	24,552,291	27,365,603
Total operating expenses	205,938,221	114,459,576	136,895,727
Operating income (loss)	(187,578,385)	(100,313,781)	(122,465,633)
Public support and nonoperating revenues (expenses):			
Federal revenue	203,821,648	39,296,196	46,954,714
Transportation Development Act (TDA) funds	97,873,145	26,478,364	3,444,485
State Transit Assistance (STA) funds	30,355,674	-	3,929,052
State revenue - other	5,995,304	112,157	-
TransNet funds	49,562,481	8,721,443	35,341,038
Other local subsidies	14,471,993	1,153,330	8,239,135
Investment earnings	564,057	-	-
Interest expense	-	-	(466,053)
Gain (loss) on disposal of assets	215,923	-	231,538
Total public support and nonoperating revenues (expenses)	402,860,225	75,761,490	97,673,909
Income (loss) before transfers and contributed capital	215,281,840	(24,552,291)	(24,791,724)
Transfers	(77,801,491)	-	-
Contributed capital, net	(80,141,955)	28,813,224	51,176,150
Changes in net position	57,338,394	4,260,933	26,384,426
Net Position:			
Beginning of year	290,175,694	278,371,396	102,558,118
End of year	<u>\$ 347,514,088</u>	<u>\$ 282,632,329</u>	<u>\$ 128,942,544</u>

San Diego Metropolitan Transit System
Combining Schedule of Revenues, Expenses, and Changes in Net Position (Continued)
For the Year Ended June 30, 2021

	SDTI	Eliminations	Total
Operating revenues:			
Passenger revenue	\$ 19,337,502	\$ -	\$ 47,913,391
Advertising	-	-	1,012,753
Miscellaneous	586,343	-	17,933,426
Total operating revenues	19,923,845	-	66,859,570
Operating expenses:			
Personnel costs	44,629,985	-	151,560,742
Outside services	13,190,491	-	111,280,298
Transit operations funding	-	(179,088,871)	397,124
Materials and supplies	6,966,107	-	16,334,099
Energy costs	17,508,755	-	31,261,976
Risk management	417,110	-	5,584,272
Miscellaneous	18,237,574	-	5,305,897
Depreciation	66,671,933	-	124,102,200
Total operating expenses	167,621,955	(179,088,871)	445,826,608
Operating income (loss)	(147,698,110)	179,088,871	(378,967,038)
Public support and nonoperating revenues (expenses):			
Federal revenue	45,823,781	(132,074,691)	203,821,648
Transportation Development Act (TDA) funds	31,891,063	(61,813,912)	97,873,145
State Transit Assistance (STA) funds	5,604	(3,934,656)	30,355,674
State revenue - other	-	(112,157)	5,995,304
TransNet funds	-	(49,562,481)	44,062,481
Other local subsidies	-	(9,392,465)	14,471,993
Investment earnings	-	-	564,057
Interest expense	-	-	(466,053)
Gain (loss) on disposal of assets	(696,850)	-	(249,389)
Total public support and nonoperating revenues (expenses)	77,023,598	(256,890,362)	396,428,860
Income (loss) before transfers and contributed capital	(70,674,512)	(77,801,491)	17,461,822
Transfers	-	77,801,491	-
Contributed capital, net	39,162,300	-	39,009,719
Changes in net position	(31,512,212)	-	56,471,541
Net Position:			
Beginning of year	1,191,409,077	-	1,862,514,285
End of year	\$ 1,159,896,865	\$ -	\$ 1,918,985,826

San Diego Metropolitan Transit System
Combining Schedule of Cash Flows
For the Year Ended June 30, 2021

	General Operations	Contracted Services	SDTC	SDTI	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 19,594,563	\$ 15,561,185	\$ 14,965,534	\$ 19,893,005	\$ 70,014,287
Payments to suppliers	3,817,621	(88,042,960)	(25,154,542)	(56,642,950)	(166,022,831)
Payments to employees	(22,335,831)	(902,869)	(84,264,010)	(41,976,292)	(149,479,002)
Payments for damage and injury	(3,464,826)	-	(1,187,895)	(2,879,718)	(7,532,439)
Net cash provided by (used in) operating activities	(2,388,473)	(73,384,644)	(95,640,913)	(81,605,955)	(253,019,985)
Cash flows from noncapital financing activities:					
Public support funds received	120,285,331	73,943,731	98,494,411	81,169,174	373,892,647
Net cash provided by noncapital financing activities	120,285,331	73,943,731	98,494,411	81,169,174	373,892,647
Cash flows from capital and related financing activities:					
Debt service costs	-	-	(3,156,053)	-	(3,156,053)
Property acquisition	(152,148,977)	-	-	-	(152,148,977)
Proceeds from disposal of assets	423,802	-	243,692	3,232	670,726
Net cash provided by (used in) capital and related financing activities	(151,725,175)	-	(2,912,361)	3,232	(154,634,304)
Cash flows from investing activities:					
Interest received on investments	684,245	-	-	-	684,245
Net cash provided by investing activities	684,245	-	-	-	684,245
Net increase in cash and cash equivalents	(33,144,072)	559,087	(58,863)	(433,549)	(33,077,397)
Cash and cash equivalents:					
Beginning of year	124,997,500	(457,877)	(460,230)	167,710	124,247,103
End of year	<u>\$ 91,853,428</u>	<u>\$ 101,210</u>	<u>\$ (519,093)</u>	<u>\$ (265,839)</u>	<u>\$ 91,169,706</u>
Cash and cash equivalents:					
Cash and cash equivalents	\$ 69,498,849	\$ 101,210	\$ (519,093)	\$ (265,839)	\$ 68,815,127
Cash restricted for capital support	22,354,579	-	-	-	22,354,579
Total cash and cash equivalents	<u>\$ 91,853,428</u>	<u>\$ 101,210</u>	<u>\$ (519,093)</u>	<u>\$ (265,839)</u>	<u>\$ 91,169,706</u>

San Diego Metropolitan Transit System
Combining Schedule of Cash Flows (Continued)
For the Year Ended June 30, 2021

	General Operations	Contracted Services	SDTC	SDTI	Total
Reconciliation of Operating (Loss) to Net Cash (Used In) Operating Activities					
Operating (loss):	\$ (8,489,514)	\$ (100,313,781)	\$ (122,465,633)	\$ (147,698,110)	\$ (378,967,038)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities					
Depreciation	5,512,373	24,552,291	27,365,603	66,671,933	124,102,200
(Increase) decrease in:					
Accounts and other receivables	(424,333)	-	535,440	(30,840)	80,267
Due from other governments	245,356	-	-	-	245,356
Inventory	-	-	174,163	(722,979)	(548,816)
Prepaid expenses and other current assets	163,976	(64,143)	286,818	1,090,325	1,476,976
Increase (decrease) in:					
Accounts payable	1,559,096	1,049,436	181,983	(144,823)	2,645,692
Due to other governments	105,329	(4,156)	(71,181)	9,604	39,596
Accrued expenses	(202,782)	(19,681)	(551,709)	(394,409)	(1,168,581)
Unearned revenue	(2,841,771)	1,415,390	-	-	(1,426,381)
Aggregate net pension liability	1,071,355	-	(2,260,653)	(1,220,238)	(2,409,536)
Aggregate total OPEB liability	597,808	-	782,370	717,287	2,097,465
Compensated absences	294,570	-	200,913	385,343	880,826
Accrued damage, injury and employee claims	20,064	-	180,973	(269,048)	(68,011)
Total adjustments	6,101,041	26,929,137	26,824,720	66,092,155	125,947,053
Net cash (used in) operating activities	<u>\$ (2,388,473)</u>	<u>\$ (73,384,644)</u>	<u>\$ (95,640,913)</u>	<u>\$ (81,605,955)</u>	<u>\$ (253,019,985)</u>

Noncash investing, capital and financing activities:

During the year, SANDAG contributed \$39,009,719 in capital assets.

During the year, the fair value of investments increased by \$983.

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, 2021

	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	\$ 53,638,857	\$ 46,603,588	\$ 47,913,391	\$ -	\$ 47,913,391	\$ 1,309,803
Advertising	1,113,750	1,030,546	1,012,753	-	1,012,753	(17,793)
Miscellaneous operating revenues	14,018,055	16,689,651	17,933,426	(333,427)	17,599,999	910,348
Total operating revenues	68,770,662	64,323,785	66,859,570	(333,427)	66,526,143	2,202,358
Operating expenses:						
Personnel costs	167,207,801	155,970,659	151,560,742	(2,517,793)	149,042,949	6,927,710
Outside services	116,925,049	107,168,749	111,280,298	(6,240,897)	105,039,401	2,129,348
Transit operations funding	588,265	556,472	397,124	-	397,124	159,348
Materials and supplies	13,622,802	16,830,860	16,334,099	(246,071)	16,088,028	742,832
Energy costs	33,404,654	31,817,439	31,261,976	-	31,261,976	555,463
Risk management	5,767,261	7,381,688	5,584,272	136,808	5,721,080	1,660,608
Miscellaneous operating expenses	7,791,472	6,013,137	5,305,897	-	5,305,897	707,240
Depreciation	-	-	124,102,200	(124,102,200)	-	-
Total operating expenses	345,307,304	325,739,004	445,826,608	(132,970,153)	312,856,455	12,882,549
Operating income (loss)	(276,536,642)	(261,415,219)	(378,967,038)	132,636,726	(246,330,312)	15,084,907
Public support and nonoperating revenues (expenses):						
Federal revenue	165,808,248	137,363,247	203,821,648	(68,074,774)	135,746,874	(1,616,373)
Transportation Development Act (TDA) funds	61,896,509	71,776,987	97,873,145	(25,995,150)	71,877,995	101,008
State Transit Assistance (STA) funds	1,300,000	3,269,000	30,355,674	(26,308,272)	4,047,402	778,402
State revenue - other	300,000	130,034	5,995,304	(5,883,147)	112,157	(17,877)
TransNet funds	37,673,879	41,770,086	44,062,481	-	44,062,481	2,292,395
Other local subsidies	9,695,817	9,428,703	14,471,993	(5,079,528)	9,392,465	(36,238)
Investment earnings	421,581	661,671	564,057	(25,506)	538,551	(123,120)
Interest expense	(850,778)	(481,450)	(466,053)	(11,147)	(477,200)	4,250
Gain (loss) on disposal of assets	-	-	(249,389)	920,115	670,726	670,726
Total public support and nonoperating revenues (expenses):	276,245,256	263,918,278	396,428,860	(130,457,409)	265,971,451	2,053,173
Income (loss) before contributed capital	(291,386)	2,503,059	17,461,822	2,179,317	19,641,139	17,138,080
Reserve revenue	291,386	(2,503,059)	-	(496,879)	(496,879)	2,006,180
Contributed capital, net	-	-	39,009,719	(39,009,719)	-	-
Changes in net position	\$ -	\$ -	56,471,541	\$ (37,327,281)	\$ 19,144,260	\$ 19,144,260
Net Position:						
Beginning of year			1,862,514,285			
End of year			\$ 1,918,985,826			

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, 2021

	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	\$ 1,113,750	\$ 1,030,546	\$ 1,012,753	\$ -	\$ 1,012,753	\$ (17,793)
Miscellaneous operating revenues	12,634,894	15,516,726	16,253,376	(333,427)	15,919,949	403,223
Total operating revenues	13,748,644	16,547,272	17,266,129	(333,427)	16,932,702	385,430
Operating expenses:						
Personnel costs	23,321,714	22,560,979	23,513,027	(1,701,905)	21,811,122	749,857
Outside services	19,077,957	18,242,017	17,314,739	(953,926)	16,360,813	1,881,204
Transit operations funding	588,265	556,472	179,485,995	(179,088,871)	397,124	159,348
Materials and supplies	20,300	42,948	249,580	(246,071)	3,509	39,439
Energy costs	247,287	233,700	198,226	-	198,226	35,474
Risk management	685,582	3,183,512	3,135,354	20,064	3,155,418	28,094
Miscellaneous operating expenses	(28,816,162)	(23,845,745)	(24,262,891)	-	(24,262,891)	417,146
Depreciation	-	-	5,493,342	(5,493,342)	-	-
Total operating expenses	15,124,943	20,973,883	205,127,372	(187,464,051)	17,663,321	3,310,562
Operating income (loss)	(1,376,299)	(4,426,611)	(187,861,243)	187,130,624	(730,619)	3,695,992
Public support and nonoperating revenues (expenses):						
Federal revenue	151,500	5,708,468	203,821,648	(200,149,465)	3,672,183	(2,036,285)
Transportation Development Act (TDA) funds	1,176,531	556,472	97,873,145	(82,556,162)	15,316,983	14,760,511
State Transit Assistance (STA) funds	-	-	30,355,674	(30,237,324)	118,350	118,350
State revenue - other	-	-	5,995,304	(5,995,304)	-	-
TransNet funds	-	-	49,562,481	(49,562,481)	-	-
Other local subsidies	-	-	14,471,993	(14,471,993)	-	-
Investment earnings	421,581	661,671	564,057	(25,506)	538,551	(123,120)
Interest expense	(373,313)	-	-	-	-	-
Gain (loss) on disposal of assets	-	-	20,933	207,879	228,812	228,812
Total public support and nonoperating revenues (expenses):	1,376,299	6,926,611	402,665,235	(382,790,356)	19,874,879	12,948,268
Income (loss) before transfers and contributed capital	-	2,500,000	214,803,992	(195,659,732)	19,144,260	16,644,260
Transfers	-	-	(77,801,491)	77,801,491	-	-
Reserve revenue	-	(2,500,000)	-	-	-	2,500,000
Contributed capital, net	-	-	(80,141,955)	80,141,955	-	-
Changes in net position	\$ -	\$ -	56,860,546	\$ (37,716,286)	\$ 19,144,260	\$ 19,144,260
Net Position:						
Beginning of year			272,401,825			
End of year			\$ 329,262,371			

San Diego Metropolitan Transit System
For Hire Vehicle Administration
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
For the Year Ended June 30, 2021

	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	\$ 942,730	\$ 720,825	\$ 925,610	\$ -	\$ 925,610	\$ 204,785
Total operating revenues	<u>942,730</u>	<u>720,825</u>	<u>925,610</u>	<u>-</u>	<u>925,610</u>	<u>204,785</u>
Operating expenses:						
Personnel costs	713,478	549,219	547,592	-	547,592	1,627
Outside services	88,200	54,118	30,922	-	30,922	23,196
Materials and supplies	1,000	120	834	-	834	(714)
Energy costs	17,000	15,000	13,034	-	13,034	1,966
Risk management	9,500	13,447	13,444	-	13,444	3
Miscellaneous operating expenses	206,531	105,506	63,903	-	63,903	41,603
Depreciation	-	-	2,518	(2,518)	-	-
Total operating expenses	<u>1,035,709</u>	<u>737,410</u>	<u>672,247</u>	<u>(2,518)</u>	<u>669,729</u>	<u>67,681</u>
Operating income (loss)	<u>(92,979)</u>	<u>(16,585)</u>	<u>253,363</u>	<u>2,518</u>	<u>255,881</u>	<u>272,466</u>
Public support and nonoperating revenues (expenses):						
Gain (loss) on disposal of assets	-	-	6,040	-	6,040	6,040
Total public support and nonoperating revenues (expenses):	<u>-</u>	<u>-</u>	<u>6,040</u>	<u>-</u>	<u>6,040</u>	<u>6,040</u>
Income (loss) before transfers	<u>(92,979)</u>	<u>(16,585)</u>	<u>259,403</u>	<u>2,518</u>	<u>261,921</u>	<u>278,506</u>
Reserve revenue	92,979	16,585	-	(261,921)	(261,921)	(278,506)
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>259,403</u>	<u>\$ (259,403)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			54,234			
End of year			<u>\$ 313,637</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, 2021

	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	\$ 166,000	\$ 168,097	\$ -	\$ 168,097	\$ 2,097
Total operating revenues	<u>160,000</u>	<u>166,000</u>	<u>168,097</u>	<u>-</u>	<u>168,097</u>	<u>2,097</u>
Operating expenses:						
Personnel costs	45,804	27,187	26,495	-	26,495	692
Outside services	160,100	50,100	45,918	-	45,918	4,182
Risk management	122,736	47,969	29,774	-	29,774	18,195
Miscellaneous operating expenses	29,767	21,100	19,902	-	19,902	1,198
Depreciation	-	-	16,513	(16,513)	-	-
Total operating expenses	<u>358,407</u>	<u>146,356</u>	<u>138,602</u>	<u>(16,513)</u>	<u>122,089</u>	<u>24,267</u>
Operating income (loss)	(198,407)	19,644	29,495	16,513	46,008	26,364
Public support and nonoperating revenues (expenses):						
Gain (loss) on disposal of assets	-	-	188,950	-	188,950	188,950
Total public support and nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>188,950</u>	<u>-</u>	<u>188,950</u>	<u>188,950</u>
Income (loss) before transfers and contributed capital	(198,407)	19,644	218,445	16,513	234,958	215,314
Reserve revenue	198,407	(19,644)	-	(234,958)	(234,958)	(215,314)
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>218,445</u>	<u>\$ (218,445)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			17,719,635			
End of year			<u>\$ 17,938,080</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, 2021

	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	\$ 16,283,172	\$ 13,719,291	\$ 14,145,795	\$ -	\$ 14,145,795	\$ 426,504
Total operating revenues	16,283,172	13,719,291	14,145,795	-	14,145,795	426,504
Operating expenses:						
Personnel costs	766,204	749,660	883,188	-	883,188	(133,528)
Outside services	89,430,443	78,535,394	77,913,677	-	77,913,677	621,717
Materials and supplies	99,600	1,433,972	1,098,735	-	1,098,735	335,237
Energy costs	9,065,455	7,269,299	7,225,638	-	7,225,638	43,661
Risk management	15,300	15,300	7,437	-	7,437	7,863
Miscellaneous operating expenses	3,329,130	2,763,068	2,778,610	-	2,778,610	(15,542)
Depreciation	-	-	24,552,291	(24,552,291)	-	-
Total operating expenses	102,706,132	90,766,693	114,459,576	(24,552,291)	89,907,285	859,408
Operating income (loss)	(86,422,960)	(77,047,402)	(100,313,781)	24,552,291	(75,761,490)	1,285,912
Public support and nonoperating revenues (expenses):						
Federal revenue	35,211,738	38,876,284	39,296,196	-	39,296,196	419,912
Transportation Development Act (TDA) funds	41,221,863	28,088,061	26,478,364	-	26,478,364	(1,609,697)
State revenue - other	300,000	130,034	112,157	-	112,157	(17,877)
TransNet funds	8,411,542	8,767,801	8,721,443	-	8,721,443	(46,358)
Other local subsidies	1,277,817	1,185,222	1,153,330	-	1,153,330	(31,892)
Total public support and nonoperating revenues (expenses):	86,422,960	77,047,402	75,761,490	-	75,761,490	(1,285,912)
Income (loss) before contributed capital	-	-	(24,552,291)	24,552,291	-	-
Contributed capital, net	-	-	28,813,224	(28,813,224)	-	-
Changes in net position	\$ -	\$ -	4,260,933	\$ (4,260,933)	\$ -	\$ -
Net Position:						
Beginning of year			278,371,396			
End of year			\$ 282,632,329			

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, 2021

	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	\$ 12,645,834	\$ 14,106,729	\$ 14,430,094	\$ -	\$ 14,430,094	\$ 323,365
Miscellaneous operating revenues	7,450	3,100	-	-	-	(3,100)
Total operating revenues	<u>12,653,284</u>	<u>14,109,829</u>	<u>14,430,094</u>	<u>-</u>	<u>14,430,094</u>	<u>320,265</u>
Operating expenses:						
Personnel costs	99,169,712	89,889,843	81,960,455	2,782,045	84,742,500	5,147,343
Outside services	1,966,731	2,032,938	2,784,551	(997,081)	1,787,470	245,468
Materials and supplies	6,210,500	8,166,168	8,018,843	-	8,018,843	147,325
Energy costs	6,781,280	6,485,280	6,316,323	-	6,316,323	168,957
Risk management	2,405,443	1,807,000	1,981,153	(207,159)	1,773,994	33,006
Miscellaneous operating expenses	11,856,050	8,534,631	8,468,799	-	8,468,799	65,832
Depreciation	-	-	27,365,603	(27,365,603)	-	-
Total operating expenses	<u>128,389,716</u>	<u>116,915,860</u>	<u>136,895,727</u>	<u>(25,787,798)</u>	<u>111,107,929</u>	<u>5,807,931</u>
Operating income (loss)	(115,736,432)	(102,806,031)	(122,465,633)	25,787,798	(96,677,835)	6,128,196
Public support and nonoperating revenues (expenses):						
Federal revenue	70,415,364	46,954,714	46,954,714	-	46,954,714	-
Transportation Development Act (TDA) funds	6,818,196	11,818,001	3,444,485	(997,081)	2,447,404	(9,370,597)
State Transit Assistance (STA) funds	1,300,000	3,269,000	3,929,052	-	3,929,052	660,052
TransNet funds	29,262,337	33,002,285	35,341,038	-	35,341,038	2,338,753
Other local subsidies	8,418,000	8,243,481	8,239,135	-	8,239,135	(4,346)
Interest expense	(477,465)	(481,450)	(466,053)	(11,147)	(477,200)	4,250
Gain (loss) on disposal of assets	-	-	231,538	12,154	243,692	243,692
Total public support and nonoperating revenues (expenses):	<u>115,736,432</u>	<u>102,806,031</u>	<u>97,673,909</u>	<u>(996,074)</u>	<u>96,677,835</u>	<u>(6,128,196)</u>
Income (loss) before contributed capital	-	-	(24,791,724)	24,791,724	-	-
Contributed capital, net	-	-	51,176,150	(51,176,150)	-	-
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>26,384,426</u>	<u>\$ (26,384,426)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			102,558,118			
End of year			<u>\$ 128,942,544</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, 2021

	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	\$ 24,709,851	\$ 18,777,568	\$ 19,337,502	\$ -	\$ 19,337,502	\$ 559,934
Miscellaneous operating revenues	272,981	283,000	586,343	-	586,343	303,343
Total operating revenues	24,982,832	19,060,568	19,923,845	-	19,923,845	863,277
Operating expenses:						
Personnel costs	43,190,889	42,193,771	44,629,985	(3,597,933)	41,032,052	1,161,719
Outside services	6,201,618	8,254,182	13,190,491	(4,289,890)	8,900,601	(646,419)
Materials and supplies	7,291,402	7,187,652	6,966,107	-	6,966,107	221,545
Energy costs	17,293,632	17,814,160	17,508,755	-	17,508,755	305,405
Risk management	2,528,700	2,314,460	417,110	323,903	741,013	1,573,447
Miscellaneous operating expenses	21,186,156	18,434,577	18,237,574	-	18,237,574	197,003
Depreciation	-	-	66,671,933	(66,671,933)	-	-
Total operating expenses	97,692,397	96,198,802	167,621,955	(74,235,853)	93,386,102	2,812,700
Operating income (loss)	(72,709,565)	(77,138,234)	(147,698,110)	74,235,853	(73,462,257)	3,675,977
Public support and nonoperating revenues (expenses):						
Federal revenue	60,029,646	45,823,781	45,823,781	-	45,823,781	-
Transportation Development Act (TDA) funds	12,679,919	31,314,453	31,891,063	(4,255,819)	27,635,244	(3,679,209)
State Transit Assistance (STA) funds	-	-	5,604	(5,604)	-	-
Gain (loss) on disposal of assets	-	-	(696,850)	700,082	3,232	3,232
Total public support and nonoperating revenues (expenses):	72,709,565	77,138,234	77,023,598	(3,561,341)	73,462,257	(3,675,977)
Income (loss) before contributed capital	-	-	(70,674,512)	70,674,512	-	-
Contributed capital, net	-	-	39,162,300	(39,162,300)	-	-
Changes in net position	\$ -	\$ -	(31,512,212)	\$ 31,512,212	\$ -	\$ -
Net Position:						
Beginning of year			1,191,409,077			
End of year			\$ 1,159,896,865			

STATISTICAL SECTION

(Unaudited)

Included in this section of the Metropolitan Transit System annual comprehensive 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

	2021	2020	2019	2018	2017
Business-type activities:					
Net investment in capital assets	\$ 1,965,663	\$ 1,874,320	\$ 1,822,922	\$ 1,785,808	\$ 1,739,360
Restricted	-	218	212	4,545	4,440
Unrestricted	(46,677)	(12,024)	(53,159)	(55,407)	(19,615)
Total business-type activities net position	\$ 1,918,986	\$ 1,862,514	\$ 1,769,975	\$ 1,734,946	\$ 1,724,185
Primary government:					
Net investment in capital assets	\$ 1,965,663	\$ 1,874,320	\$ 1,822,922	\$ 1,785,808	\$ 1,739,360
Restricted	-	218	212	4,545	4,440
Unrestricted	(46,677)	(12,024)	(53,159)	(55,407)	(19,615)
Total primary government net position	\$ 1,918,986	\$ 1,862,514	\$ 1,769,975	\$ 1,734,946	\$ 1,724,185

Source: Audited Financial Statements.

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

	2016	2015	2014	2013	2012
Business-type activities:					
Net investment in capital assets	\$ 1,760,427	\$ 1,699,222	\$ 1,395,206	\$ 1,296,217	\$ 1,172,816
Restricted	8,750	5,309	6,742	7,255	78,378
Unrestricted	(31,668)	(31,900)	181,114	189,837	157,609
Total business-type activities net position	\$ 1,737,509	\$ 1,672,631	\$ 1,583,062	\$ 1,493,309	\$ 1,408,803
Primary government:					
Net investment in capital assets	\$ 1,760,427	\$ 1,699,222	\$ 1,395,206	\$ 1,296,217	\$ 1,172,816
Restricted	8,750	5,309	6,742	7,255	78,378
Unrestricted	(31,668)	(31,900)	181,114	189,837	157,609
Total primary government net position	\$ 1,737,509	\$ 1,672,631	\$ 1,583,062	\$ 1,493,309	\$ 1,408,803

Source: Audited Financial Statements.

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

	2021	2020	2019	2018	2017
Operating revenues:					
Passenger revenue	\$ 47,913	\$ 79,532	\$ 92,225	\$ 90,236	\$ 93,279
Advertising	1,013	2,027	1,604	1,131	1,379
Charter	-	-	-	-	-
Miscellaneous	17,933	19,166	18,831	17,404	18,863
Total operating revenues	66,859	100,725	112,660	108,771	113,521
Operating expenses:					
Personnel costs	151,561	149,331	146,006	146,282	137,021
Outside services	111,280	110,590	107,846	101,574	97,800
Transit operations funding	397	523	498	488	463
Materials and supplies	16,334	14,275	12,927	14,918	13,065
Energy costs	31,262	28,587	28,784	26,414	25,552
Risk management	5,584	7,858	2,183	6,675	4,276
Miscellaneous	5,306	5,011	5,446	5,854	5,934
Depreciation	124,102	126,971	123,007	120,928	123,880
Total operating expenses	445,826	443,146	426,697	423,133	407,991
Operating (loss)	(378,967)	(342,421)	(314,037)	(314,362)	(294,470)
Public support and nonoperating revenues (expenses):					
Grants and contributions	396,580	312,705	243,544	253,298	232,775
Investment earnings	564	1,360	1,952	941	636
Interest expense	(466)	(573)	(671)	(809)	(963)
Gain (loss) on disposal of assets	(249)	2,243	(2,351)	(809)	396
Other expenses	-	-	-	-	-
Total public support and nonoperating revenues (expenses)	396,429	315,735	242,474	252,621	232,844
Income (loss) before contributed capital	17,462	(26,686)	(71,563)	(61,741)	(61,626)
Contributed capital, net	39,010	119,225	106,592	99,551	48,301
Changes in net position	\$ 56,472	\$ 92,539	\$ 35,029	\$ 37,810	\$ (13,325)

Source: Audited Financial Statements.

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

	2016	2015	2014	2013	2012
Operating revenues:					
Passenger revenue	\$ 97,914	\$ 97,615	\$ 93,995	\$ 90,652	\$ 88,094
Advertising	968	816	870	972	784
Charter	-	6	30	1	186
Miscellaneous	15,781	9,349	9,531	4,934	4,445
Total operating revenues	114,663	107,786	104,426	96,559	93,509
Operating expenses:					
Personnel costs	121,921	114,575	117,092	123,720	112,537
Outside services	94,802	84,302	73,859	67,414	66,050
Transit operations funding	491	2,692	4,243	3,571	3,721
Materials and supplies	9,715	10,307	9,276	8,469	7,977
Energy costs	24,531	28,003	26,044	22,572	22,689
Risk management	4,864	5,849	3,610	2,902	4,030
Miscellaneous	4,978	4,975	6,244	6,493	5,116
Depreciation	119,520	108,199	103,198	92,788	84,811
Total operating expenses	380,822	358,902	343,566	327,929	306,931
Operating (loss)	(266,159)	(251,116)	(239,140)	(231,370)	(213,422)
Public support and nonoperating revenues (expenses):					
Grants and contributions	235,763	235,755	211,517	183,945	325,658
Investment earnings	292	3,065	6,087	6,267	7,622
Interest expense	(1,071)	(6,883)	(6,982)	(7,520)	(8,014)
Gain (loss) on disposal of assets	2,433	67	(273)	804	(620)
Other expenses	-	-	(13)	(13)	(5)
Total public support and nonoperating revenues (expenses)	237,417	232,004	210,336	183,483	324,641
Income (loss) before contributed capital	(28,742)	(19,112)	(28,804)	(47,887)	111,219
Contributed capital, net	93,619	245,717	118,768	132,182	44,118
Changes in net position	\$ 64,877	\$ 226,605	\$ 89,964	\$ 84,295	\$ 155,337

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					
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
2021	14,430	46,955	7,374	43,580	-
San Diego Trolley, Inc.					
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
2021	19,338	45,824	31,897	-	586
MTS - Contracted Services					
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	-
2021	14,146	39,296	26,591	9,875	-

Source: Audited Financial Statements.

San Diego Metropolitan Transit System
Fare Structure
Last Ten Fiscal Years

	2021	2020	2019	2018	2017
Bus Cash Fares					
One-way fare, local routes	\$ 2.50	\$ 2.50	\$ 2.25	\$ 2.25	\$ 2.25
Senior/disabled, local routes	1.25	1.25	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	8.00	5.00-10.00	5.00-10.00	5.00-10.00
Senior/disabled Rural bus	4.00	4.00	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	\$ 6.00	\$ 5.00	\$ 5.00	\$ 5.00
Senior/disabled and youth	3.00	3.00	5.00	5.00	5.00
Premium region plus day pass	12.00	12.00	12.00	12.00	12.00
Senior/disabled and youth premium regional day	6.00	6.00	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	23.00	18.00	18.00	18.00
Youth Regional	23.00	23.00	36.00	36.00	36.00
14-Day/Half-month	-	-	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	32.00	25.00	25.00	25.00
Youth Rapid Express/Premium	32.00	32.00	50.00	50.00	50.00
14-Day/Half-month Rapid Express/Premium	-	-	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

	2016	2015	2014	2013	2012
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
Premium region plus day pass	12.00	12.00	12.00	12.00	12.00
Senior/disabled and youth premium regional day	12.00	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	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
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
2021	12.82	20.32	15.73

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

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San Diego Metropolitan Transit System
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Year ended June 30	Capital Lease - Tower	1995 LRV Lease/ Leaseback	Pension Obligation Bonds	Total	Percentage of Personal Income	Debt per Capita
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
2021	-	-	7,665,000	7,665,000	0.00%	2

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

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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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)
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%
2021	3,366,072	221,300,000	63,169	7.00%

Source:

- (1) California Department of Transportation - Actuals 2012-2019, Forecast 2020-2021
(2) California Employment Development Department, June 2021

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>
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
2021	168	793	643	1,604

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 1,420,400 County Total (2)
Naval Base San Diego	41,111	2.89%
University of California, San Diego	40,088	2.82%
Sharp HealthCare	19,148	1.35%
County of San Diego	17,929	1.26%
San Diego Unified School District	14,020	0.99%
Scripps Health	13,254	0.93%
City of San Diego	11,598	0.82%
Qualcomm Inc.	11,050	0.78%
Kaiser Permanente	9,653	0.68%
San Diego Community College District	6,804	0.48%

Source:

1. Data for fiscal year 2021 not available as of publication date. Data shown for the most recent available information: City of San Diego Annual Comprehensive Financial Report - June 30, 2020
2. Employment Development Department, State of California, June 2021

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

	2021	2020	2019	2018	2017
Operating Cost (in 000's)					
San Diego Transit	\$ 112,591	\$ 99,027	\$ 94,160	\$ 99,619	\$ 94,878
San Diego Trolley	95,148	93,117	84,507	87,666	81,501
MTS-Contract Services	89,907	91,403	90,942	83,468	81,744
Farebox Revenue (in 000's)					
San Diego Transit	\$ 14,430	\$ 19,749	\$ 22,041	\$ 23,034	\$ 24,864
San Diego Trolley	19,338	36,464	42,006	39,354	38,968
MTS-Contract Services	14,146	23,319	28,178	27,848	29,447
Total Passengers (in 000's)					
San Diego Transit	\$ 8,604	\$ 18,383	\$ 22,397	\$ 22,867	\$ 24,315
San Diego Trolley	19,516	32,003	37,294	36,995	37,639
MTS-Contract Services	11,095	20,838	25,667	25,567	26,241
Revenue Miles (in 000's)					
San Diego Transit	\$ 9,632	\$ 9,236	\$ 9,739	\$ 9,684	\$ 9,626
San Diego Trolley	10,077	9,210	8,821	8,656	8,728
MTS-Contract Services	12,966	14,485	15,666	14,983	15,144
Subsidy / Total Passenger					
San Diego Transit	\$ 11.41	\$ 4.32	\$ 3.22	\$ 3.35	\$ 2.88
San Diego Trolley	3.88	1.76	1.14	1.31	1.13
MTS-Contract Services	6.83	3.27	2.45	2.18	2.00

Source: NTD Report, and audited financial statements.

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

	2016	2015	2014	2013	2012
Operating Cost (in 000's)					
San Diego Transit	\$ 95,526	\$ 92,059	\$ 91,568	\$ 98,666	\$ 90,153
San Diego Trolley	75,086	72,637	71,098	65,859	63,309
MTS-Contract Services	80,511	76,190	65,959	62,573	61,154
Farebox Revenue (in 000's)					
San Diego Transit	\$ 26,169	\$ 27,156	\$ 27,781	\$ 28,621	\$ 27,498
San Diego Trolley	41,113	41,140	40,188	35,554	35,216
MTS-Contract Services	30,631	29,318	26,025	26,476	25,380
Total Passengers (in 000's)					
San Diego Transit	\$ 25,628	\$ 27,264	\$ 28,541	\$ 28,927	\$ 28,802
San Diego Trolley	39,614	40,082	39,695	29,699	32,655
MTS-Contract Services	27,194	27,574	23,761	23,479	23,780
Revenue Miles (in 000's)					
San Diego Transit	\$ 9,702	\$ 9,561	\$ 8,695	\$ 8,557	\$ 8,221
San Diego Trolley	8,424	8,596	8,516	7,758	7,544
MTS-Contract Services	14,969	13,328	12,139	11,607	11,214
Subsidy / Total Passenger					
San Diego Transit	\$ 2.71	\$ 2.38	\$ 2.24	\$ 2.42	\$ 2.18
San Diego Trolley	0.86	0.78	0.78	1.02	0.86
MTS-Contract Services	1.83	1.70	1.68	1.54	1.50

Source: NTD Report, and audited financial statements.

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

	2021	2020	2019	2018	2017
Service Provided					
San Diego Transit					
Vehicle Revenue Miles (in 000's)	9,632	9,236	9,739	9,684	9,626
Vehicle Revenue Hours (in 000's)	814	782	823	821	822
Passengers (in 000's)	8,604	18,383	22,397	22,867	24,315
Passenger Miles (in 000's)	45,774	80,855	98,896	104,545	109,727
Number of Vehicles	278	277	271	271	278
San Diego Trolley					
Vehicle Revenue Miles (in 000's)	10,077	9,210	8,821	8,656	8,728
Vehicle Revenue Hours (in 000's)	555	508	487	478	490
Passenger Car Hours (in 000's)	571	527	500	486	504
Passengers (in 000's)	19,516	32,003	37,294	36,995	37,639
Passenger Miles (in 000's)	123,389	194,285	219,453	214,376	210,971
Number of Vehicles	163	168	142	131	179
MTS-Contracted Services					
Vehicle Revenue Miles (in 000's)	12,966	14,485	15,666	14,983	15,144
Vehicle Revenue Hours (in 000's)	1,168	1,237	1,305	1,256	1,269
Passengers (in 000's)	11,095	20,838	25,667	25,567	26,241
Passenger Miles (in 000's)	44,276	82,173	97,045	94,665	95,940
Number of Vehicles	468	508	529	536	526
Total					
Passengers (in 000's)	39,215	71,224	85,358	85,429	88,195
Passenger Miles (in 000's)	213,439	357,313	415,394	413,586	416,638

Source: NTD Report and MTS internal capital asset system

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

	2016	2015	2014	2013	2012
Service Provided					
San Diego Transit					
Vehicle Revenue Miles (in 000's)	9,702	9,561	8,695	8,557	8,221
Vehicle Revenue Hours (in 000's)	825	806	795	787	757
Passengers (in 000's)	25,628	27,264	28,541	28,927	28,802
Passenger Miles (in 000's)	111,639	117,585	110,009	108,222	106,804
Number of Vehicles	279	272	310	260	236
San Diego Trolley					
Vehicle Revenue Miles (in 000's)	8,424	8,596	8,516	7,758	7,544
Vehicle Revenue Hours (in 000's)	493	496	504	472	428
Passenger Car Hours (in 000's)	507	509	512	476	433
Passengers (in 000's)	39,614	40,082	39,695	29,699	32,655
Passenger Miles (in 000's)	223,185	224,422	228,531	173,151	194,822
Number of Vehicles	179	179	179	178	151
MTS-Contracted Services					
Vehicle Revenue Miles (in 000's)	14,969	13,328	12,139	11,607	11,214
Vehicle Revenue Hours (in 000's)	1,252	1,112	998	961	933
Passengers (in 000's)	27,194	27,573	23,761	23,479	23,780
Passenger Miles (in 000's)	97,479	94,504	85,269	84,021	79,789
Number of Vehicles	520	520	449	427	404
Total					
Passengers (in 000's)	92,436	94,919	91,997	82,105	85,237
Passenger Miles (in 000's)	432,303	436,511	423,809	365,394	381,415

Source: NTD Report and MTS internal capital asset system

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

	2021	2020	2019	2018	2017
General Operations					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	-	-	-	-	-
San Diego Transit					
Land (parcels)	2	2	2	2	2
Buildings and structures	11	11	11	11	9
Buses	278	277	271	271	278
Nonrevenue vehicles	12	14	15	15	12
San Diego Trolley					
Trolley stations	54	55	54	54	54
Track miles	54	54	54	54	54
Light rail vehicles (total inventory)	163	168	142	131	179
Nonrevenue vehicles	10	11	11	11	12
MTS - Contracted Services					
Land (parcel)	2	2	2	2	2
Buildings and structures	11	11	11	5	4
Buses	468	508	529	536	526
Nonrevenue vehicles	2	2	7	7	9
For Hire Vehicle Administration					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	-	1	1	1	1

Source: MTS ERP System

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

	2016	2015	2014	2013	2012
General Operations					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	1	3	3	3	5
San Diego Transit					
Land (parcels)	2	2	2	2	2
Buildings and structures	8	7	7	4	2
Buses	279	272	310	260	236
Nonrevenue vehicles	12	12	12	14	19
San Diego Trolley					
Trolley stations	54	54	54	54	54
Track miles	54	54	54	54	54
Light rail vehicles (total inventory)	179	179	179	178	151
Nonrevenue vehicles	12	16	16	15	31
MTS - Contracted Services					
Land (parcel)	2	2	2	2	2
Buildings and structures	4	4	4	4	4
Buses	520	520	449	427	404
Nonrevenue vehicles	9	10	8	8	8
For Hire Vehicle Administration					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	1	2	2	2	4

Source: MTS ERP System

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

	2021	2020	2019	2018	2017
Ridership (in 000's)					
San Diego Transit	8,604	18,383	22,397	22,867	24,315
% Change	-53.20%	-17.92%	-2.06%	-5.96%	-5.12%
San Diego Trolley	19,516	32,003	37,294	36,995	37,639
% Change	-39.02%	-14.19%	0.81%	-1.71%	-4.99%
MTS - Contracted Services	11,095	20,838	25,667	25,567	26,241
% Change	-46.76%	-18.81%	0.39%	-2.57%	-3.51%

Source: NTD Report

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

	2016	2015	2014	2013	2012
Ridership (in 000's)					
San Diego Transit	25,628	27,264	28,541	28,927	28,802
% Change	-6.00%	-4.47%	-1.33%	0.43%	5.69%
San Diego Trolley	39,614	40,082	39,695	29,699	32,655
% Change	-1.17%	0.97%	33.66%	-9.05%	3.30%
MTS - Contracted Services	27,194	27,574	23,761	23,479	23,780
% Change	-1.38%	16.05%	1.20%	-1.27%	4.92%

Source: NTD Report

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San Diego Metropolitan Transit System
Operating Subsidy
Last Ten Fiscal Years

	2021	2020	2019	2018	2017
Average Fare per Rider					
San Diego Transit	\$ 1.68	\$ 1.07	\$ 0.98	\$ 1.01	\$ 1.02
San Diego Trolley	0.99	1.14	1.13	1.06	1.04
MTS - Contract Services	1.28	1.12	1.10	1.09	1.12
Operating Expense per Rider					
San Diego Transit	\$ 13.09	\$ 5.39	\$ 4.19	\$ 4.36	\$ 3.90
San Diego Trolley	4.88	2.91	2.18	2.37	2.17
MTS - Contract Services	8.10	4.39	3.54	3.27	3.12
Subsidy per Rider					
San Diego Transit	\$ 11.41	\$ 4.32	\$ 3.21	\$ 3.35	\$ 2.88
San Diego Trolley	3.88	1.76	1.05	1.31	1.13
MTS - Contract Services	6.83	3.27	2.44	2.18	2.00

Source: NTD report and audited financial statements

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

	2016	2015	2014	2013	2012
Average Fare per Rider					
San Diego Transit	\$ 1.02	\$ 1.00	\$ 0.97	\$ 0.99	\$ 0.95
San Diego Trolley	1.04	1.03	1.01	1.20	1.08
MTS - Contract Services	1.13	1.06	1.10	1.13	1.07
Operating Expense per Rider					
San Diego Transit	\$ 3.73	\$ 3.38	\$ 3.21	\$ 3.41	\$ 3.13
San Diego Trolley	1.90	1.81	1.79	2.22	1.94
MTS - Contract Services	2.96	2.76	2.78	2.67	2.57
Subsidy per Rider					
San Diego Transit	\$ 2.71	\$ 2.38	\$ 2.24	\$ 2.42	\$ 2.18
San Diego Trolley	0.86	0.78	0.78	1.02	0.86
MTS - Contract Services	1.83	1.70	1.68	1.54	1.50

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 financial statements of the business-type activities and the aggregate remaining fund information of the San Diego Metropolitan Transit System ("MTS"), as of and for the year ending June 30, 2021, and the related notes to the basic financial statements, which collectively comprise MTS's basic financial statements, and have issued our report thereon dated November 4, 2021.

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
November 4, 2021

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San Diego Metropolitan Transit System

Presentation to the Audit Oversight Committee
For the Fiscal Year Ended June 30, 2021

November 4, 2021



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 – Primary Government

June 30, 2021 and 2020

	2021	2020
Assets	<u>\$ 2,230,072,000</u>	<u>\$ 2,168,713,000</u>
Deferred Outflows of Resources	<u>56,238,000</u>	<u>44,105,000</u>
Liabilities	<u>359,241,000</u>	<u>341,508,000</u>
Deferred Inflows of Resources	<u>8,082,000</u>	<u>8,796,000</u>
Net Position:		
Net investment in capital assets	1,965,663,000	1,874,320,000
Restricted	-	218,000
Unrestricted (deficit)	<u>(46,677,000)</u>	<u>(12,024,000)</u>
Total Net Position	<u>\$ 1,918,986,000</u>	<u>\$ 1,862,514,000</u>

San Diego Metropolitan Transit System
Summary Statements of Revenues, Expenses and Changes in Net Position
Primary Government
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues		
Operating revenues	\$ 66,860,000	\$ 100,725,000
Nonoperating revenues	397,144,000	316,308,000
Total revenues	<u>464,004,000</u>	<u>417,033,000</u>
Expenses		
Operating expenses	445,827,000	443,147,000
Nonoperating expenses	<u>715,000</u>	<u>573,000</u>
Total expenses	<u>446,542,000</u>	<u>443,720,000</u>
Income (Loss) before capital contributions	17,462,000	(26,687,000)
Capital contributions	<u>39,010,000</u>	<u>119,225,000</u>
Changes in Net Position	<u>\$ 56,472,000</u>	<u>\$ 92,538,000</u>

San Diego Metropolitan Transit System
Summary Statements of Cash Flows – Primary Government
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities	\$ (253,020,000)	\$ (199,150,000)
Cash Flows from Noncapital Financing Activities	373,893,000	281,545,000
Cash Flows from Capital and Related Financing Activities	(154,634,000)	(81,391,000)
Cash Flows from Investing Activities	<u>684,000</u>	<u>1,912,000</u>
Changes in cash and cash equivalents	<u>\$ (33,077,000)</u>	<u>\$ 2,916,000</u>

San Diego Metropolitan Transit System

Summary Statements of Fiduciary Net Position

June 30, 2021 and 2020

	2021	2020
Assets	<u>\$ 205,150,000</u>	<u>\$ 166,571,000</u>
Liabilities	<u>678,000</u>	<u>649,000</u>
Total Net Position	<u><u>\$ 204,472,000</u></u>	<u><u>\$ 165,922,000</u></u>

San Diego Metropolitan Transit System

Summary Statements of Changes in Fiduciary Net Position

For the Years Ended June 30, 2021 and 2020

	2021	2020
Additions		
Contributions	\$ 25,669,000	\$ 16,727,000
Net investment income	34,665,000	25,000
Total additions	<u>60,334,000</u>	<u>16,752,000</u>
Deductions		
Distributions	21,531,000	20,713,000
Administrative expenses	<u>253,000</u>	<u>256,000</u>
Total deductions	<u>21,784,000</u>	<u>20,969,000</u>
Changes in fiduciary net position	<u>\$ 38,550,000</u>	<u>\$ (4,217,000)</u>

KEY PENSION AND OPEB INFORMATION

San Diego Metropolitan Transit System

Net Pension Liability Sensitivity

June 30, 2021

	MTS	SDTC	SDTI PERS	SDTI PARS	Aggregate
1% Decrease	6.15%	5.75%	6.15%	5.50%	
Net Pension Liability	\$ 23,225,000	\$ 182,329,000	\$ 61,935,000	\$ 2,579,000	\$ 270,068,000
Current Discount Rate	7.15%	6.75%	7.15%	6.50%	
Net Pension Liability	\$ 15,175,000	\$ 149,246,000	\$ 37,168,000	\$ 1,470,000	\$ 203,059,000
1% Increase	8.15%	7.75%	8.15%	7.50%	
Net Pension Liability	\$ 8,523,000	\$ 121,157,000	\$ 16,751,000	\$ 541,000	\$ 146,972,000

San Diego Metropolitan Transit System

Pension Expense

For the Years Ended June 30, 2021 and 2020

	2021	2020
MTS CalPERS Miscellaneous Plan	\$ 3,391,000	\$ 3,582,000
SDTI CalPERS Miscellaneous Plan	7,274,000	7,040,000
SDTI PARS Plan	207,000	406,000
SDTC Retirement Plan	20,249,000	21,959,000
Total Pension Expense	<u>\$ 31,121,000</u>	<u>\$ 32,987,000</u>

San Diego Metropolitan Transit System

Other Postemployment Benefits Plan

OPEB Liability Sensitivity

June 30, 2021

	MTS	SDTI	SDTC	Aggregate
1% Decrease	1.66%	1.66%	1.66%	2.15%
Total OPEB Liability	\$ 8,948,000	\$ 16,427,000	\$ 37,419,000	\$ 62,794,000
Current Discount Rate	2.66%	2.66%	2.66%	3.15%
Total OPEB Liability	\$ 7,455,000	\$ 14,030,000	\$ 32,247,000	\$ 53,732,000
1% Increase	3.66%	3.66%	3.66%	4.15%
Total OPEB Liability	\$ 6,279,000	\$ 12,098,000	\$ 28,068,000	\$ 46,445,000

**San Diego Metropolitan Transit System
OPEB Expense
For the Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
MTS	\$ 715,000	\$ 593,000
SDTI	950,000	776,000
SDTC	<u>1,805,000</u>	<u>1,560,000</u>
Total OPEB Expense	<u><u>\$ 3,470,000</u></u>	<u><u>\$ 2,929,000</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. 87 *Leases* (effective 2022)
- No. 89 *Interest Cost Incurred before the End of a Construction Period* (effective 2022)
- 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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