



Audit Oversight Committee Agenda

Click link to access the meeting:

<https://us02web.zoom.us/j/94562188418>






Zoom Meeting ID

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Webinar Features:

 Raise Hand	▶	Use the raise hand feature every time you wish to make a public comment.
	▶	Participants can enable closed captioning by clicking the CC icon. You may also view the full transcript and change the font size by clicking 'subtitle settings'. These features are not available via phone.
	▶	This symbol shows you are muted , click this icon to unmute your microphone.
	▶	This symbol shows you are currently unmuted , click this button to mute your microphone.
	▶	The chat feature should be used by panelists and attendees solely for "housekeeping" matters as comments made through this feature will not be retained as part of the meeting record. See the Live Verbal Public Comment for instructions on how to make a public comment.



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1. If you are joining the meeting audio by phone and viewing the meeting on a device, dial the number provided in the 'join audio' phone call tab of the initial pop-up, and enter the Meeting ID (found in the link).
2. If you are joining by phone only, dial: **+1-669-900-9128** or **+1-253-215-8782** and type the meeting ID found in the link, press #. You will have access to the meeting audio, **but will NOT be able to view the PowerPoint presentations.**



Live Verbal Public Comments:

Use the 'Raise Hand' icon every time you wish to make a public comment on an item. Raise your hand once the agenda item you wish to comment on has been called. In person public comments will be taken first, virtual attendees will be taken in the order in which they raise their hand. Requests to speak will not be taken after the public comment period ends, unless under the Chair's discretion. General Public Comment, at the beginning of the Board of Directors meeting only, will be limited to five speakers. Additional speakers with general public comments will be heard at the end of the meeting. Two-minutes of time is allotted per speaker, unless otherwise directed by the Chair.

Public Comments Made Via Zoom

1. Click the link found at the top of this instruction page
2. Click the raise hand icon located in the bottom center of the platform
3. The Clerk will announce your name when it is your turn to speak
4. Unmute yourself to speak

Public Comments Made by Phone Only

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2. Type in the zoom meeting ID found in the link and press #
3. Dial *9 to raise your hand via phone
4. The Clerk will call out the last 4 digits of your phone number to announce you are next to speak
5. Dial *6 to unmute yourself



Written Public Comments (before the meeting): Written public comments will be recorded in the public record and will be provided to MTS Board Members in advance of the meeting. Comments must be emailed or mailed to the Clerk of the Board* by 4:00pm the day prior to the meeting.



Translation Services: Requests for translation services can be made by contacting the Clerk of the Board* at least four working days in advance of the meeting.



In-Person Participation: In-person public comments will be heard first. Following in-person public comments, virtual attendees will be heard in the order in which they raise their hand via the Zoom platform. Speaking time will be limited to two minutes per person, unless specified by the Chairperson. Requests to speak will not be taken after the public comment period ends, unless under the Chair's discretion.

Instructions for providing in-person public comments:

1. Fill out a speaker slip located at the entrance of the Board Room;
2. Submit speaker slip to MTS staff seated at the entrance of the Board Room;
3. When your name is announced, please approach the podium located on the right side of the dais to make your public comments.

Members of the public are permitted to make general public comment at the beginning of the agenda or specific comments referencing items on the agenda during the public comment period. General Public Comment, at the beginning of the Board of Directors meeting only, will be limited to five speakers. Additional speakers with general public comments will be heard at the end of the meeting.



Assistive Listening Devices (ALDs): ALDs are available from the Clerk of the Board* prior to the meeting and are to be returned at the end of the meeting.



Reasonable Accommodations: As required by the Americans with Disabilities Act (ADA), requests for agenda information in an alternative format or to request reasonable accommodations to facilitate meeting participation, please contact the Clerk of the Board* at least two working days prior to the meeting.



***Contact Information:** Contact the Clerk of the Board via email at ClerkoftheBoard@sdmts.com, phone at (619) 398-9681 or by mail at **1255 Imperial Ave. Suite 1000, San Diego CA 92101.**



Agenda del Comité de Supervisión de la Auditoría

Haga clic en el enlace para acceder a la reunión:

<https://us02web.zoom.us/j/94562188418>






ID de la reunión
en Zoom

Formas de Participar



Computadora: Haga clic en el enlace más arriba. Recibirá instrucciones para operar el navegador de Zoom o la aplicación de Zoom. Una vez que haya iniciado sesión en la reunión, tendrá la opción de participar usando el sistema de audio de su computadora o teléfono.

Funciones del Seminario En Línea:

 Levantar la mano	▶	Use la herramienta de levantar la mano cada vez que desee hacer un comentario público.
	▶	Los participantes pueden habilitar el subtitulado haciendo clic en el ícono CC. También puede ver la transcripción completa y cambiar el tamaño de letra haciendo clic en “configuración de subtítulos”. Estas herramientas no están disponibles por teléfono.
	▶	Este símbolo indica que usted se encuentra en silencio , haga clic en este ícono para quitar el silenciador de su micrófono.
	▶	Este símbolo indica que su micrófono se encuentra encendido . Haga clic en este símbolo para silenciar su micrófono.
	▶	La herramienta de chat deben usarla los panelistas y asistentes únicamente para asuntos “pertinentes a la reunión”, ya que comentarios realizados a través de esta herramienta no se conservarán como parte del registro de la reunión. Consulte el Comentario público verbal en vivo para obtener instrucciones sobre cómo hacer un comentario público.



Teléfono Inteligente o Tableta: Descargue la aplicación de Zoom y participe en la reunión haciendo clic en el enlace o usando el ID del seminario web (que se encuentra en el enlace).



Teléfono:

1. Si está participando en la reunión mediante audio de su teléfono y viendo la reunión en un dispositivo, marque el número indicado en la pestaña de llamada telefónica “unirse por audio” en la ventana emergente inicial e ingrese el ID de la reunión (que se encuentra en el enlace).
2. Si está participando solo por teléfono, marque: **+1-669-900-9128** o **+1-253-215-8782** e ingrese el ID de la reunión que se encuentra en el enlace, pulse #. Tendrá acceso al audio de la reunión, **pero NO podrá ver las presentaciones en PowerPoint.**



Comentarios Públicos Verbales en Vivo: Use la herramienta “levantar la mano” cada vez que desee hacer un comentario público sobre alguno de los artículos. Levante la mano una vez que el artículo de la agenda sobre el que desea comentar haya sido convocado. Los comentarios públicos en persona se escucharán primero, se escuchará a los asistentes virtuales en el orden en el que levanten la mano. No se aceptarán solicitudes para hablar después de que termine el periodo para hacer comentarios públicos, a menos de que el presidente determine de otra forma a su discreción. Comentarios públicos generales, únicamente al inicio de la reunión de la Junta de Directores, se limitarán a cinco personas que deseen hablar. Las personas adicionales que deseen aportar comentarios públicos generales podrán hacerlo al final de la reunión. Se otorga two minutos de tiempo por persona que desee hablar, a menos de que el presidente instruya de otra forma. (Consulte la página 2 para obtener instrucciones sobre cómo hacer un comentario público.)

Comentarios Públicos a Través de Zoom

1. Haga clic en el enlace que se encuentra en la parte superior de esta página de instrucciones
2. Haga clic en el ícono de levantar la mano en el centro inferior de la plataforma
3. El secretario anunciará su nombre cuando sea su turno de hablar
4. Desactive el silenciador para que pueda hablar

Comentarios Públicos Realizados Únicamente por Teléfono

1. Marque el **+1-669-900-9128**
2. Ingrese el ID de la reunión en Zoom que se encuentra en el enlace y pulse #
3. Marque *9 para levantar la mano por teléfono
4. El secretario indicará los últimos 4 dígitos de su número de teléfono para anunciar que usted será el siguiente en hablar
5. Marque *6 para desactivar el silenciador



Comentarios Públicos por Escrito (Antes de la Reunión): Los comentarios públicos por escrito se registrarán en el registro público y se entregarán a los miembros de la Junta de MTS antes de la reunión. Los comentarios deben enviarse por correo electrónico o postal al secretario de la Junta* antes de las 4:00 p.m. el día anterior a la reunión.



Servicios de Traducción: Pueden solicitarse servicios de traducción comunicándose con el secretario de la Junta* por lo menos cuatro días hábiles antes de la reunión.



Participación en Persona: Los comentarios públicos en persona se escucharán primero. Después de los comentarios públicos en persona, se escuchará a los asistentes virtuales en el orden en el que levanten la mano a través de la plataforma de Zoom. El tiempo para hablar se limitará a dos minutos por persona, a menos de que el presidente especifique de otra forma. No se recibirán solicitudes para hablar después de que termine el periodo para hacer comentarios públicos, a menos de que el presidente determine de otra forma a su discreción.

Instrucciones para brindar comentarios públicos en persona:

1. Llene la boleta para personas que desean hablar que se encuentran en la entrada de la Sala de la Junta.
2. Entregue la boleta para personas que desean hablar al personal de MTS que se encuentra sentado en la entrada de la Sala de la Junta.
3. Cuando anuncien su nombre, por favor, acérquese al podio ubicado en el lado derecho de la tarima para hacer sus comentarios públicos.

Los miembros del público pueden hacer comentarios públicos generales al inicio de la agenda o comentarios específicos que hagan referencia a los puntos de la agenda durante el periodo de comentarios públicos. Los comentarios públicos generales únicamente al inicio de la reunión de la Junta de Directores, se limitarán a cinco personas que deseen hablar. Las personas adicionales que deseen aportar comentarios públicos generales podrán hacerlo al final de la reunión.



Dispositivos de Asistencia Auditiva (ALD, por sus siglas en inglés): Los ALD están disponibles con el secretario de la Junta* antes de la reunión y estos deberán ser devueltos al final de la reunión.



Facilidades Razonables: Según lo requerido por la Ley de Estadounidenses con Discapacidades (ADA, por sus siglas en inglés), para presentar solicitudes de información de la agenda en un formato alternativo o solicitar facilidades razonables para facilitar su participación en la reunión, por favor, comuníquese con el secretario de la Junta* por lo menos dos días hábiles antes de la reunión.



***Información de Contacto:** Comuníquese con el secretario de la Junta por correo electrónico en ClerkoftheBoard@sdmts.com, por teléfono al **(619) 398-9681** o por correo postal en **1255 Imperial Ave. Suite 1000, San Diego CA 92101.**



Audit Oversight Committee Agenda

November 2, 2023

AOC will begin immediately following the adjournment of the
Joint Executive Committee & Budget Development Committee Meeting

(The Joint EC & BDC will begin at 9:00am)

In-Person Participation: James R. Mills Building, 1255 Imperial Avenue, 10th Floor Board Room, San Diego CA 92101

Teleconference Participation: (669) 444-9171; Webinar ID: 945 6218 8418, <https://us02web.zoom.us/j/94562188418>

NO.	ITEM SUBJECT AND DESCRIPTION	ACTION
1.	Roll Call	
2.	Public Comments This item has a two minute per speaker time limit. If you have a report to present, please give your copies to the Clerk of the Board.	
3.	Approval of Minutes Action would approve the July 13, 2023 Audit Oversight Committee Meeting Minutes.	Approve
DISCUSSION AND REPORT ITEMS		
4.	Draft of Fiscal Year 2023 Annual Comprehensive Financial Report (ACFR) (Erin Dunn With Ken Pun and Coley Delaney of the Pun Group) Action would receive a draft of the Fiscal Year (FY) 2023 ACFR for review and discussion.	Receive
OTHER ITEMS		
5.	Staff Communications and Committee Member Communications	
6.	Next Meeting Date: to be determined	
7.	Adjournment	



MINUTES
MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
AUDIT OVERSIGHT COMMITTEE

July 13, 2023

[Clerk's note: Except where noted, public, staff and board member comments are paraphrased. The full comment can be heard by reviewing the recording at the [MTS website](#).]

1. Roll Call

Chair Whitburn called the Audit Oversight Committee meeting to order at 9:03 a.m. A roll call sheet listing Audit Oversight Committee member attendance is attached.

2. Public Comment

There were no Public Comments.

3. Approval of Minutes

Board Member Hall moved to approve the minutes of the November 3, 2022, MTS Audit Oversight Committee meeting. Vice Chair Goble seconded the motion, and the vote was 4 to 0 in favor with Board Member Vargas, Board Member Moreno and Board Member Bush absent.

DISCUSSION ITEMS

4. Internal Audit Activity Update Report (Toufic Tabshouri)

Toufic Tabshouri, MTS Internal Auditor, presented an update on recent internal audit activities. He provided details on: completed calendar year 2022 audits, calendar year 2023 audits, and the fraud, waste and abuse hotline.

Committee Comment

Board Member Hall asked about the implementation delay in various PRONTO system features. He asked Mr. Tabshouri's opinion about the project delay. He replied that the system is still newly implemented and that it is unlikely that he will audit the system. Board Member Hall hoped that the agency would see a return in the money invested for the system. Mr. Tabshouri assured the Board that he would audit a variety of Information Technology projects, but may not necessarily audit the PRONTO system just yet. Sharon Cooney, MTS Chief Executive Officer, assured Board Member Hall that it was always the agency's intent to include additional functionalities into the system. She noted the technological advances caused by the COVID-19 pandemic and that the additional features will be introduced into the system as a Phase 2 to the project. She assured the Board that the functionalities would be added, but not necessarily during the initial phase of the system.

Action Taken

Informational item only. No action taken.

5. The Pun Group Engagement Letter for The Fiscal Year (FY) 2023 Audit (Erin Dunn)

Erin Dunn, MTS Controller, presented on The Pun Group's engagement letter for the FY 2023 audit. She presented on: scope of work, management's responsibilities, auditors' responsibilities, approach to the audit, interim audit procedures, interim audit results, and implementation of a significant new GASB standard.

Action Taken

Informational item only. No action taken.

6. Interim Audit (Erin Dunn with Ken Pun and Coley Delaney of The Pun Group)

Erin Dunn, MTS Controller, along with Ken Pun and Coley Delaney of The Pun Group presented on the interim audit. They outlined: interim audit procedures, interim audit results and the implementation of a significant new GASB standard.

Committee Comment

Board Member Hall asked about the vendor's employee addresses and the findings. Mr. Delaney replied that this meant the audit of expense reimbursements. Board Member Hall asked if the auditors cross referenced corporate officers with names. Mr. Delaney noted that they typically match only addresses. Mr. Pun noted that they can identify any related party transaction as part of a test to cross reference an employee's business with a similar address to assess commonalities and assure that the expense is just a reimbursement. Board Member Hall asked if the auditors were able to identify any violations. Mr. Pun replied that they could not find any.

Action Taken

Informational item only. No action taken.

OTHER ITEMS

7. Committee Member Communications and Other Business

There was no Committee Member Communications and Other Business discussion.

8. Next Meeting Date

The next Audit Oversight Committee meeting is to be determined.

9. Adjournment

The meeting was adjourned at 9:30 a.m.

Chairperson
San Diego Metropolitan Transit System

Clerk of the Board
San Diego Metropolitan Transit System

SAN DIEGO METROPOLITAN TRANSIT SYSTEM
AUDIT OVERSIGHT COMMITTEE

ROLL CALL

MEETING OF (DATE): July 13, 2023 CALL TO ORDER (TIME): 9:03 a.m.
 RECESS: _____ RECONVENE: _____
 CLOSED SESSION: _____ RECONVENE: _____
 PUBLIC HEARING: _____ RECONVENE: _____
 ORDINANCES ADOPTED: _____ ADJOURN: 9:30 a.m.

REPRESENTING	BOARD MEMBER	ALTERNATE	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
Chair	Whitburn <input checked="" type="checkbox"/>	No Alternate <input type="checkbox"/>	9:03 a.m.	9:30 a.m.
City of San Diego	Elo-Rivera <input checked="" type="checkbox"/>	Montgomery Steppe <input type="checkbox"/>	9:03 a.m.	9:30 a.m.
County of San Diego	Vacant <input type="checkbox"/>	Vargas <input type="checkbox"/>	ABSENT	ABSENT
East County	Hall <input checked="" type="checkbox"/>	Frank <input type="checkbox"/>	9:03 a.m.	9:30 a.m.
SANDAG Transportation Committee	Moreno <input type="checkbox"/>	Bush <input type="checkbox"/>	ABSENT	ABSENT
South Bay	Bush <input type="checkbox"/>	Leyba-Gonzalez <input type="checkbox"/>	ABSENT	ABSENT
Vice Chair	Goble <input checked="" type="checkbox"/>	No Alternate <input type="checkbox"/>	9:03 a.m.	9:30 a.m.

SIGNED BY THE CLERK OF THE BOARD: /S/ Dalia Gonzalez



**Metropolitan
Transit
System**

Agenda Item No. 4

**MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
AUDIT OVERSIGHT COMMITTEE**

November 2, 2023

SUBJECT:

Draft of Fiscal Year 2023 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) 2023 ACFR for review and discussion.

Budget Impact

None

DISCUSSION:

The Finance Department presents for review and discussion the FY 2023 ACFR.

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

1. Formatting and final proofreading
2. 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

Attachments: A. FY2023 ACFR Draft
B. Auditor's Communication to Those Charged with Governance

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

San Diego Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc. and San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations). MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego. MTS is also the For-Hire Vehicle administrator for nine cities.





Annual Comprehensive Financial Report

for the Fiscal Years Ended June 30, 2023 and 2022
San Diego, California



DRAFT 10.25.2023_v2

San Diego Metropolitan Transit System

San Diego, California

*Annual Comprehensive Financial Report
and Independent Auditors' Report*

For the Years Ended June 30, 2023 and 2022

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, 2023 and 2022 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, 2023 and 2022 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, 2023 and 2022 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 UTC 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 65 miles of track. SDTC operates 27 routes with an active fleet of 258 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 72 fixed-route bus lines and paratransit services with an active fleet of 462 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.

The For-Hire Vehicle Administration (FHV) licenses and regulates taxicabs, jitneys, nonemergency medical, charter, low speed vehicle, and sightseeing for-hire vehicles for the following cities San Diego, National City, El Cajon, Imperial Beach, La Mesa, Lemon Grove, Poway, Santee, Chula Vista and Oceanside. Although MTS is financially accountable for the operation of FHV, it is full cost recovery through FHV permit fees.

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 continues to show signs of recovery and an optimistic outlook for the future. San Diego's Gross Domestic Product (GDP) was \$224.9 billion in 2021, which accounts for 7.8% of California's GDP. California's GDP growth is projected to be .5% or less in 2022 and 2023, and up slightly to 1.5% growth in 2024. (UCLA Anderson Forecast, December 2022). Since the reopening of the economy in 2021, the supply chain disruption and greater consumer demand for goods has caused higher inflation. Over the past 12 months, food is up 3.6%, energy 12.6% and all other items 6.5%. According to the San Diego Tourism Authority (SDTA), San Diego concluded 2022 with 28.5 million visitors, about 81% of pre-pandemic visitors in 2019. In 2023, total visitation to San Diego is expected to reach 91% of 2019 visitation with 31.8 million visitors. 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. The region's quality of life attracts a well-educated, talented workforce and well-off retirees which have contributed to local consumer spending. The unemployment rate was 4.0% in June 2023, up from 3.2% in 2022, and down from 7.0% in 2021. San Diego compares favorably to both the unemployment rate in California and the nation during the same period.

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 FY2023 budget assumed a 29% reduction in fare revenues compared to the pre-pandemic run rate, a drop from \$99.3 million to \$70.8 million. Ridership was impacted by work stoppages at three of its bus divisions in May and June, resulting in lost revenues over that period. Overall, ridership increased by 19% in FY2023 compared to FY2022, and passenger fare revenue finished at \$67.5 million, however both ridership and passenger fare revenue are still well below the pre-pandemic baselines. At this point, the pandemic's effects on passenger fare revenues are expected to continue into FY2025. Sales tax receipts for the region continued to be strong in FY2023, with State Transit Assistance (STA), Transportation Development Act (TDA) and TransNet funding all exceeding the original FY2023 targets. 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 drawn \$90.2 million of CARES funding to supplement lost revenues, \$17.9 million in FY2020, \$72.1 million in FY2021, \$0.1 million in FY2022 and \$0.1 million in FY2023. 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, of which MTS has drawn \$47.6 million in FY2022 and \$90.2 million in FY2023. The FY2024 approved budget assumes \$85.0 million of ARP/CARES funding will be drawn, leaving a balance of approximately \$47.4 million for future fiscal years. Additionally, MTS has a contingency reserve balance of 12.5% of the operating budget at its disposal.

Major Initiatives

The opinions of our riders are very important to MTS, and MTS has conducted onboard customer satisfaction surveys for more than a decade, approximately every other year since 2011. Following the COVID-19 pandemic, MTS was eager to re-engage riders to assess the current state of rider satisfaction on the system, and conducted the first customer satisfaction survey since 2019. MTS Consultant Redhill Group conducted onboard surveys of more than 1,800 MTS passengers. Surveys were administered in English and Spanish, and were also available in Chinese and Tagalog. The survey gauged customer satisfaction on a range of topics, including: Service levels, safety, fares, and more. The survey revealed an overall satisfaction rate of 91%.

In May 2022, MTS began construction on an overhead gantry charging system at the South Bay Bus Operations & Maintenance Facility in Chula Vista. This system is capable of charging 24 battery-electric buses at a time, and it is expandable to add more charging capacity as MTS transitions its fleet to all electric over the coming years.

MTS has installed the Schunk SLS 301 series Depot Charging Pantograph, which offers a quicker and safer hands-free electric vehicle charge. Buses can be docked in the depot in seconds and fully charged in just a few hours. This offers advantages for efficient operations for a clean energy fleet. Construction is nearing completion and 13 60-foot electric buses have begun to arrive on site. MTS launched the new Rapid 227 route (Iris Rapid) in October 2023, which serves one of the busiest South Bay corridors between the shores of Imperial Beach and Otay Mesa.

MTS has also started building similar overhead charging systems at its other bus facilities; the Imperial Avenue Division (IAD) design is complete and should be completed in 2024, followed by the Kearny Mesa Division (KMD) in 2026. MTS recently received \$12 million in competitive grant funding from the Transit and Intercity Capital Rail Program (TIRCP) for the KMD project, part of an overall TIRCP award of \$60 million.

MTS currently has five bus divisions distributed throughout the service area, but is at-capacity at those divisions. Any service increases and the transition to zero-emission buses (ZEB) will require additional capacity, leading MTS to begin its search for a sixth division. Analysis recommends central site along I-805 corridor to optimize operations, closest to future service expansion. MTS requires 10-12 acres for up to 250 buses and 600 employees for the next generation Clean Transit Advancement Campus (CTAC), which would be dedicated to just electric bus charging for a 100% ZEB operation. After months of analysis and outreach, a preferred site off Federal Blvd. was selected and the MTS Board approved moving forward with the project in October 2022. If all goes as planned, MTS expects to have a fully operational CTAC in 2028.

In May 2023, the MTS Board approved the Social Equity Listening Tour project priorities after a year-long community engagement effort with hundreds of participants, in-person workshops and pop-up events to collect priorities from vulnerable populations. MTS partnered with Pueblo Planning, an equity-oriented community engagement and planning firm, who, in turn, collaborated with five community-based organizations to collect feedback from traditionally underserved communities about ways MTS can provide more equitable service and identify areas of improvements to make the transit experience an inclusive one for all riders. In order to address the priorities identified in the report, including cleanliness, shelter, lighting and more, \$3 million of Capital Improvement Projects (CIP) funds were allocated to five new projects. MTS staff will also draft a new Board Policy on Equity as an outcome of the Social Equity Listening Tour findings.

MTS continues to seek joint development projects across its system. The Grantville Transit Center project is now complete which opened its doors to hundreds of residents in August – providing critical housing needs for the region. In April, the MTS Board approved staff to enter into negotiations with the San Diego Foundation to find a firm to develop our parking lot next to the 12th & Imperial Transit Center into a 47-floor high rise for affordable and market-rate housing. Other properties MTS is in the process of redeveloping or actively looking to redevelop include:

- Palm Avenue Trolley Station – 390 units
- Rancho Bernardo Transit Center – 100 estimated units
- Beyer Blvd Transit Center – 100 estimated units
- El Cajon Transit Center – 400 estimated units
- E Street Transit Center – 170-390 estimated units

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, 2022. This was the seventeenth consecutive year and the twenty-seventh 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

_____, 2023

San Diego Metropolitan Transit System

Listing of Board of Directors and Management

BOARD OF DIRECTORS

Members	Board position (elected position)
Stephen Whitburn	Chair, since 5/23; Board Member, since 12/20 (Councilmember, City of San Diego)
Steve Goble	Vice Chair, since 5/23; Board Member, since 1/17 (Councilmember, City of El Cajon)
Monica Montgomery Steppe	Chair Pro Tem, since 1/23, Board Member, since 12/18 (Councilmember, City of San Diego)
Marcus Bush	Board Member, since 12/20 (Councilmember, City of National City)
Carolina Chavez	Board Member, since 1/23 (Councilmember, City of Chula Vista)
Patricia Dillard	Board Member, since 1/23 (Councilmember, City of La Mesa)
Mike Donovan	Board Member, since 1/23 (Councilmember, City of Coronado)
Sean Elo-Rivera	Board Member, since 12/20 (Councilmember, City of San Diego)
Caylin Frank	Board Member, since 12/18 (Councilmember, City of Poway)
George Gastil	Board Member, since 1/21 (Councilmember, City of Lemon Grove)
Todd Gloria	Board Member, since 12/20 (Mayor, City of San Diego)
Ronn Hall	Board Member, since 5/17 (Councilmember, City of Santee)
John McCann	Board Member, since 1/23 (Mayor, City of Chula Vista)
Matthew Leyba-Gonzalez	Board Member, since 12/20 (Councilmember, City of Imperial Beach)
VACANT	Board Member (Supervisor, County Board of Supervisors)

BOARD COMMITTEE MEMBERSHIP

Executive Committee	Accessible Services Advisory Committee	Airport Authority Advisory Committee	Public Security Committee
Stephen Whitburn, Chair	George Gastil, Chair	Sean Elo-Rivera	Monica Montgomery Steppe, Chair
Steve Goble, Vice Chair			Carolina Chavez
Marcus Bush			Patricia Dillard
Sean Elo-Rivera			Mike Donovan
Ronn Hall			
Vivian Moreno			
VACANT			
Audit Oversight Committee	Budget Development Committee	Los Angeles-San Diego Rail Corridor Agency	Taxicab Advisory Committee
Stephen Whitburn, Chair	Vivian Moreno, Chair	Caylin Frank	Sean Elo-Rivera, Chair
Steve Goble, Vice Chair	Sean Elo-Rivera		
Marcus Bush	Steve Goble		
Sean Elo-Rivera	John McCann		
Ronn Hall	Stephen Whitburn		
Vivian Moreno			
VACANT			
SANDAG Board	SANDAG Regional Planning Committee	SANDAG Transportation Committee	San Diego Regional Building Authority
Matthew Leyba-Gonzalez	George Gastil	Vivian Moreno	John McCann

San Diego Metropolitan Transit System

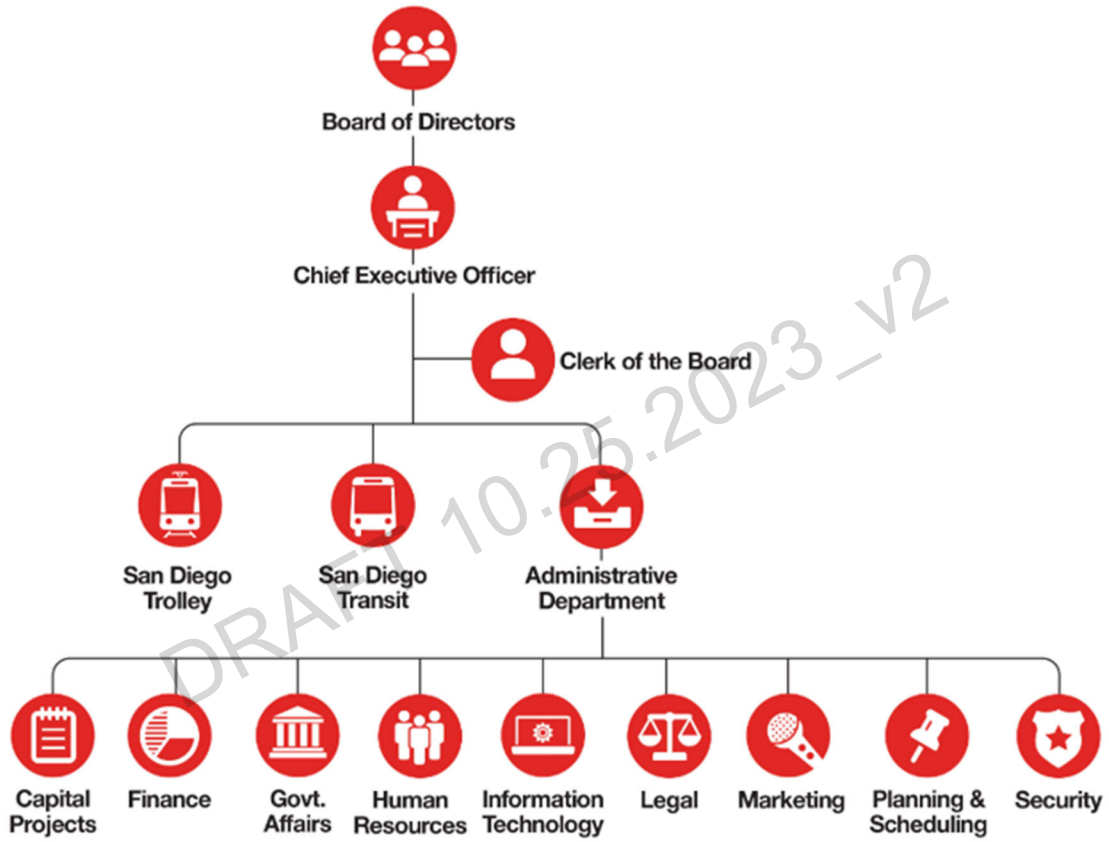
Listing of Board of Directors and Management (Continued)

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
Brian Riley	Chief Operating Officer, Rail
Jeff Stumbo	Chief Human Resources Officer
Emily Outlaw	Chief Information Officer
Denis Desmond	Director, Planning
Heather Furey	Director, Capital Projects
Mark Olson	Director, Marketing and Communications
Tim Curran	Director, Transit Enforcement & Passenger Safety
Julia Tuer	Manager of Government Affairs

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
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Presented to

**San Diego Metropolitan Transit System
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

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 the Financial Statements

Opinions

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, 2023 and 2022, and the related notes to the basic financial statements, which collectively comprise MTS's basic financial statements as listed in the table of contents.

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 the MTS, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MTS, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

Implementation of GASB Statement No. 96

As described in Note 1I and 1Q to the basic financial statements, MTS implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of GASB Statement No. 96 requires MTS to record subscription assets and corresponding subscription liabilities for all SBITAs with a non-cancellable term over one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

To the Board of Directors
of the San Diego Metropolitan Transit System
San Diego, California
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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MTS's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MTS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MTS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, the Schedules of Changes in Net Pension Liability and Related Ratios, the Schedules of Contributions – Pension Plans, and the Schedules of Changes in Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

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

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise MTS's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS and *Government Auditing Standards*. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2023, 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
_____, 2023

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**San Diego Metropolitan Transit System
Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022**

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, 2023 and 2022. This information should be used in conjunction with the Letter of Transmittal, which can be found on pages i through v of this report.

Financial Highlights

- Net position, as reported in the statement of net position, totaled \$3,459 million as of June 30, 2023, \$3,483 million as of June 30, 2022 and \$1,919 million as of June 30, 2021. Of this amount, \$108 million was unrestricted as of June 30, 2023, \$9 million was unrestricted as of June 30, 2022 and \$(45) million was the unrestricted deficit as of June 30, 2021. Total net position decreased by \$(24.3) million in the current year and increased by \$1.6 billion in the prior year. The current year decrease is primarily due to a \$121 million decrease in capital, lease and subscription assets, partially offset by a \$107 million increase in cash and receivables. The prior year increase was primarily associated with \$1.1 billion in contributed capital from SANDAG for the new UCSD Trolley Line, a \$46 million increase in cash and a \$53 million decrease in the aggregate net pension liability.
- For the year ended June 30, 2023, 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 19.59%, compared to 17.95% for the year ended June 30, 2022 and 16.10% for the year ended June 30, 2021. Both the current year and prior year increases are primarily due to \$11 million and \$8 million increases in passenger revenue due to ridership continuing to rebound after the COVID-19 pandemic.

Overview of the Financial Statements

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

Financial statements. The financial statements are designed to provide readers with a broad overview of MTS's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of MTS's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of MTS is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *statement of cash flows* presents information showing the sources and uses of cash related to operating activities, noncapital financing activities, capital and related financing activities and investing activities. In addition, the statement provides information about significant non-cash investing, capital and financing activities.

Since MTS's primary function is to provide transportation services to the region's citizens and recover costs through user fees and charges, the financial statements include business-type activities. In addition, the financial statements include not only MTS itself (*known as the primary government*), but also two legally separate transit operators and one legally separate freight railway, for which MTS is financially accountable: San Diego and Arizona Eastern Railway Company (SD&AE).

MTS has fiduciary responsibility over one private purpose trust fund, San Diego Transit Corporation Employee Retirement Plan, which we have also included financial statements for.

San Diego Metropolitan Transit System
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2023 and 2022

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 \$3,459 million at the close of the most recent fiscal year and \$3,483 million at the end of FY2022.

The largest portion of MTS's net position reflects the investment in capital, leased, and subscription-based assets, net of accumulated depreciation and amortization and reduced by any outstanding bonds or other borrowings and deferred inflows and outflows of resources, referred to throughout this report as "Net Investment in Capital Assets". Most of the investment in capital assets is comprised of trolley system assets, buses, and construction-in-progress totaling \$88.7 million, of which the largest projects are the replacement of our SD100 Light Revenue Vehicles and the Iris Rapid electric bus charging infrastructure project, at \$48.9 and \$7.5 million respectively. Prior year construction-in-progress totaled \$112 million, of which the largest projects were the replacement of our SD100 Light Revenue Vehicles and the RTMS Hardware Upgrade project, at \$61.0 and \$9.4 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 FY2023, MTS transferred completed projects worth \$106.6 million to SDTC, SDTI and MTS - Contracted Services compared to \$122.2 million in FY2022.

The balance in the unrestricted component of net position increased by \$98 million during the current year and \$56 million in the prior year. Total assets decreased by \$13 million, primarily due to a decrease in capital assets of \$121 million, offset by an increase in cash and receivables of \$107 million. In FY2022, total assets increased by \$1.6 billion primarily due to capital, leased, and subscription assets increasing by \$1.5 billion, as well as cash increasing by \$46 million. In the current fiscal year, total liabilities increased by \$68 million primarily due to a \$77 million increase in net pension liability partially offset by a \$11 million decrease in net OPEB liability. The previous year decrease of \$45 million was primarily due to decreases in net pension liability of \$53 million and accounts payable of \$7 million, partially offset by a \$16 million increase in unearned revenue.

	2023	2022 (as restated)	Change	2021 (as restated)	Change
Current and other assets	\$ 434,835,372	\$ 325,924,622	\$ 108,910,750	\$ 265,339,510	\$ 60,585,112
Noncurrent and capital assets	3,407,815,415	3,530,162,846	(122,347,431)	2,024,407,717	1,505,755,129
Total assets	<u>3,842,650,787</u>	<u>3,856,087,468</u>	<u>(13,436,681)</u>	<u>2,289,747,227</u>	<u>1,566,340,241</u>
Deferred outflows of resources	74,965,242	40,858,756	34,106,486	56,237,682	(15,378,926)
Current and other liabilities	93,553,086	89,154,122	4,398,964	79,432,307	9,721,815
Long-term liabilities outstanding	300,668,942	236,690,977	63,977,965	291,439,410	(54,748,433)
Total liabilities	<u>394,222,028</u>	<u>325,845,099</u>	<u>68,376,929</u>	<u>370,871,717</u>	<u>(45,026,618)</u>
Deferred inflows of resources	64,537,896	87,910,919	(23,373,023)	56,184,717	31,726,202
Net position:					
Net investment in capital assets	3,351,318,258	3,473,997,788	(122,679,530)	1,966,228,675	1,507,769,113
Unrestricted (deficit)	107,537,847	9,192,418	98,345,429	(47,300,200)	56,492,618
Total net position	<u>\$ 3,458,856,105</u>	<u>\$ 3,483,190,206</u>	<u>\$ (24,334,101)</u>	<u>\$ 1,918,928,475</u>	<u>\$ 1,564,261,731</u>

San Diego Metropolitan Transit System
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2023 and 2022

The increase in operating revenue is attributable to \$11 million in additional passenger revenue this year due to ridership continuing to recover from the COVID-19 pandemic. In the prior year, operating revenue was also up \$8 million in passenger revenue as ridership was starting to rebound from the pandemic. Nonoperating revenues increased by \$101 million in the current year, of which \$52 million relates to Federal American Rescue Plan revenue, \$15 million in STA funding and \$10 million in State LCTOP and TIRCP revenue. While nonoperating revenues were consistent between FY2022 and FY2021, Federal revenue dropped by \$62 million, while TDA and TransNet increased by \$27 million and \$18 million, respectively. The current year increase in operating expenses totaling \$81 million, includes a \$30 million increase in personnel expenses, \$12 million in energy costs and \$33 million in depreciation expenses, \$27 million of which relates to a full year of depreciation on the Midcoast Trolley Line, compared to just seven months in FY2022. The increase in personnel includes a \$15 million of pension costs under GASB 68 as well as a \$4 million decrease in personnel cost recovery. Energy costs spiked due to record high commodity prices. In FY2022, the operating expense increase of \$61 million was due to \$45 million in depreciation expense for the new trolley line, \$8 million in energy costs and \$7 million in outside services.

	2023	2022 (as restated)	Change	2021 (as restated)	Change
Revenues:					
Operating revenues:					
Passenger revenue	\$ 67,481,023	\$ 56,076,882	\$ 11,404,141	\$ 47,913,391	\$ 8,163,491
Other operating revenue	19,562,074	21,357,795	(1,795,721)	18,424,202	2,933,593
Nonoperating revenues:					
Federal revenue	191,051,771	141,982,464	49,069,307	203,821,648	(61,839,184)
Transportation Development Act	131,274,182	124,385,030	6,889,152	97,873,145	26,511,885
State Transit Assistance	50,133,029	34,878,787	15,254,242	30,355,674	4,523,113
State revenue - other	20,076,778	9,558,324	10,518,454	5,995,304	3,563,020
<i>TransNet</i> funds	68,040,812	61,651,134	6,389,678	44,062,481	17,588,653
Other nonoperating revenue	17,164,380	13,852,495	3,311,885	15,308,638	(1,456,143)
Total revenues	564,784,049	463,742,911	101,041,138	463,754,483	(11,572)
Expenses:					
Operating expenses	587,320,838	505,979,472	81,341,366	445,664,494	60,314,978
Nonoperating expenses	442,068	551,231	(109,163)	685,518	(134,287)
Total expenses	587,762,906	506,530,703	81,232,203	446,350,012	60,180,691
Income (loss) before capital contributions	(22,978,857)	(42,787,792)	19,808,935	17,404,471	(60,192,263)
Capital contributions	(1,355,244)	1,607,049,523	(1,608,404,767)	39,009,719	1,568,039,804
Increase (decrease) in net position	(24,334,101)	1,564,261,731	(1,588,595,832)	56,414,190	1,507,847,541
Net position:					
Beginning of year	3,483,190,206	1,918,928,475	1,564,261,731	1,862,514,285	56,414,190
End of year	<u>\$3,458,856,105</u>	<u>\$3,483,190,206</u>	<u>\$ (24,334,101)</u>	<u>\$1,918,928,475</u>	<u>\$1,564,261,731</u>

San Diego Metropolitan Transit System
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2023 and 2022

Capital Assets and Debt Administration

Capital assets. MTS's investment in capital assets net of accumulated depreciation and amortization as of June 30, 2023 and 2022 amounted to \$3,365 million and \$3,486 million, respectively. This investment in capital assets includes land, buildings, vehicles, equipment, and construction-in-progress as well as leased and subscription based assets. Major capital asset events during the current fiscal year included the following:

- MTS continues to modernize the bus and rail fleet. In FY2023, MTS placed 38 new buses into service totaling \$24.1 million, and 8 new trolleys totaling \$34.5 million.
- MTS capitalized the Regional Transit Management System (RTMS), a full Computer Aided Dispatch/Automatic Vehicle Location (CAD/AVL) solution that tracks on-time performance, communicates with buses via radio, and provides passengers with real-time information. This project upgraded the radio systems to support voice and data transmissions on MTS-owned frequencies in the region, and RTMS vehicle hardware on the majority of MTS's bus fleet.
- SANDAG contributed an additional \$22.2 million in assets in FY2023 related to the UCSD Midcoast Trolley Line Extension to MTS totaling \$1.6 billion. The 11-mile extension features nine new stations from Old Town north to the UTC Transit Center.

CAPITAL ASSETS

(Net of Accumulated Depreciation and Amortization)

	2023	2022 (as restated)	2021 (as restated)
Land	\$ 252,472,813	\$ 252,301,976	\$ 256,909,683
Buildings	2,316,479,580	2,433,107,094	948,397,397
Vehicles	596,660,980	591,175,323	562,666,289
Equipment & other	97,351,383	84,987,183	37,821,183
Lease assets	10,640,938	11,034,527	11,428,116
Subscription assets	3,141,582	1,756,621	1,869,965
Construction-in-progress	88,711,277	111,978,852	159,868,381
Total	\$ 3,365,458,553	\$ 3,486,341,576	\$ 1,978,961,014

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 \$1.845 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 constantly monitors and maintains an underlying rating for the Pension Obligation Bonds, the current rating remains at "AA/Stable." Additional information on MTS's long-term debt can be found in Note 8 to the financial statements.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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PRIMARY GOVERNMENT

San Diego Metropolitan Transit System
Statements of Net Position
June 30, 2023 and 2022

ASSETS	2023	2022 (as restated)
Current assets:		
Cash, cash equivalents, and investments	\$ 232,978,456	\$ 110,932,746
Cash, cash equivalents, and investments restricted for capital support	27,346,537	26,020,685
Accounts and other receivables	13,898,759	8,416,285
Due from other governments	122,125,937	143,588,651
Lease receivable	1,553,167	1,625,433
Inventory	34,321,429	31,706,205
Prepaid items and other current assets	2,611,087	3,634,617
Total current assets	434,835,372	325,924,622
Noncurrent assets:		
Lease receivable, due in more than one year	42,356,862	43,821,270
Capital assets, net	3,365,458,553	3,486,341,576
Total noncurrent assets	3,407,815,415	3,530,162,846
Total assets	3,842,650,787	3,856,087,468
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows of resources	69,069,675	34,476,563
OPEB-related deferred outflows of resources	5,895,567	6,382,193
Total deferred outflows of resources	74,965,242	40,858,756
LIABILITIES		
Current liabilities:		
Accounts payable	29,814,462	21,946,675
Due to other governments	2,163,046	2,770,615
Unearned revenue	31,419,216	35,412,684
Accrued expenses	3,205,753	2,948,021
Retentions payable	897,501	9,043
Retentions payable from restricted assets	8,531,874	8,531,874
Due within one year:		
Lease liability	281,291	270,898
Subscription liability	555,733	556,465
Compensated absences	7,834,798	7,176,923
Accrued damage, injury, and employee claims	7,004,412	6,545,924
Long-term debt	1,845,000	2,985,000
Total current liabilities	93,553,086	89,154,122
Noncurrent liabilities:		
Due in more than one year:		
Lease liability	10,603,510	10,884,802
Subscription liability	1,802,260	622,580
Compensated absences	4,367,917	4,474,478
Accrued damage, injury, and employee claims	14,539,138	14,987,385
Long-term debt	-	1,845,000
Aggregate net pension liabilities	226,747,327	150,120,700
Aggregate total OPEB liabilities	42,608,790	53,756,032
Total noncurrent liabilities	300,668,942	236,690,977
Total liabilities	394,222,028	325,845,099
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows of resources	1,147,698	34,375,291
OPEB-related deferred inflows of resources	19,054,780	7,316,739
Lease-related deferred inflows of resources	44,335,418	46,218,889
Total deferred inflows of resources	64,537,896	87,910,919
NET POSITION		
Net investment in capital assets	3,351,318,258	3,473,997,788
Unrestricted	107,537,847	9,192,418
Total net position	\$ 3,458,856,105	\$ 3,483,190,206

See accompanying notes to basic financial statements.

San Diego Metropolitan Transit System
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2023 and 2022

	2023	2022 (as restated)
Operating Revenues:		
Passenger revenue	\$ 67,481,023	\$ 56,076,882
Advertising	3,500,713	1,945,816
Miscellaneous	16,061,361	19,411,979
Total operating revenues	87,043,097	77,434,677
Operating Expenses:		
Personnel costs	173,772,575	143,949,609
Outside services	124,333,369	117,535,205
Transit operations funding	658,504	616,396
Materials and supplies	17,294,793	14,778,642
Energy costs	51,203,442	38,975,438
Risk management	6,399,111	11,538,889
Miscellaneous	8,167,128	6,333,928
Depreciation and amortization	205,491,916	172,251,365
Total operating expenses	587,320,838	505,979,472
Operating income (loss)	(500,277,741)	(428,544,795)
Public Support and Nonoperating Revenues (Expenses):		
Federal revenue	191,051,771	141,982,464
Transportation Development Act (TDA) funds	131,274,182	124,385,030
State Transit Assistance (STA) funds	43,066,262	30,074,949
STA State of Good Repair	7,066,767	4,803,838
State revenue - other	20,076,778	9,558,324
<i>TransNet</i> funds	68,040,812	61,651,134
Other local subsidies	12,212,978	13,814,150
Investment earnings	5,055,860	800,004
Interest expense	(442,068)	(551,231)
Gain (Loss) on disposal of assets	(104,458)	(761,659)
Total public support and nonoperating revenues (expenses)	477,298,884	385,757,003
Income (loss) before capital contributions	(22,978,857)	(42,787,792)
Capital contributions, net	(1,355,244)	1,607,049,523
Changes in net position	(24,334,101)	1,564,261,731
Net Position:		
Beginning of year	3,483,190,206	1,918,928,475
End of year	\$ 3,458,856,105	\$ 3,483,190,206

San Diego Metropolitan Transit System
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022 (as restated)
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 97,388,609	\$ 82,741,936
Payments to suppliers	(208,065,124)	(184,444,266)
Payments to employees	(157,020,386)	(144,916,726)
Payments for damage and injury	(5,275,257)	(4,384,811)
Net cash (used in) operating activities	(272,972,158)	(251,003,867)
Cash Flows From Noncapital Financing Activities:		
Public support funds received	466,095,261	379,267,505
Net cash provided by noncapital financing activities	466,095,261	379,267,505
Cash Flows From Capital and Related Financing Activities:		
Debt service costs	(3,144,512)	(3,145,003)
Property acquisition	(69,969,339)	(80,215,550)
Proceeds from disposal of assets	217,143	656,201
Net cash (used in) capital and related financing activities	(72,896,708)	(82,704,352)
Cash Flows From Investing Activities:		
Interest received on investments	3,145,167	224,439
Net cash provided by investing activities	3,145,167	224,439
Net increase (decrease) in cash, cash equivalents, and investments	123,371,562	45,783,725
Cash, Cash Equivalents, and Investments:		
Beginning of year	136,953,431	91,169,706
End of year	\$ 260,324,993	\$ 136,953,431
Reconciliation of Cash, Cash Equivalents, and Investments to Statements of Net Position:		
Cash, cash equivalents, and investments	\$ 232,978,456	\$ 110,932,746
Cash, cash equivalents, and investments restricted for capital support	27,346,537	26,020,685
Total cash, cash equivalents, and investments	\$ 260,324,993	\$ 136,953,431

San Diego Metropolitan Transit System
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022 (as restated)</u>
Reconciliation of Operating (Loss) to Net Cash (Used In) Operating Activities:		
Operating (loss)	\$ (500,277,741)	\$ (428,544,795)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation and amortization	205,491,916	172,251,365
(Increase) decrease in:		
Accounts and other receivables	(5,482,474)	3,271,783
Due from other governments	15,126,257	(837,238)
Inventory	(177,606)	(1,124,853)
Prepaid items and other current assets	1,023,530	(1,299,181)
Increase (decrease) in:		
Accounts payable	423,319	531,512
Due to other governments	(647,239)	265,686
Accrued expenses	257,731	(1,174,808)
Unearned revenue	1,895,673	4,353,502
Aggregate net pension liability	8,805,922	(5,828,337)
Aggregate total OPEB liability	1,077,425	1,904,150
Compensated absences	551,314	(236,531)
Accrued damage, injury and employee claims	(1,040,185)	5,463,878
Total adjustments	<u>227,305,583</u>	<u>177,540,928</u>
Net cash (used in) operating activities	<u>\$ (272,972,158)</u>	<u>\$ (251,003,867)</u>
Noncash investing, capital, and financing activities:		
Contributions of capital assets and inventory parts from SANDAG	\$ 23,620,737	\$ 1,619,421,359
Contributions of capital assets to outside parties	<u>(24,975,981)</u>	<u>(718,640)</u>
	<u>\$ (1,355,244)</u>	<u>\$ 1,618,702,719</u>
Increase (decrease) in fair value of investments	<u>\$ (667,909)</u>	<u>\$ (398,264)</u>

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FIDUCIARY FUND

San Diego Metropolitan Transit System
Statements of Fiduciary Net Position
June 30, 2023 and 2022

ASSETS	San Diego Transit Corporation Employee Retirement Plan Pension Trust Fund	
	2023	2022
Investments, at fair value:		
Common stocks	\$ 61,854,033	\$ 58,668,033
Mutual funds	59,799,632	56,340,502
Corporate debt / Bond funds	52,385,530	52,671,200
Closely held instruments	484	7,694
U.S. treasury inflation protected security funds	9,355,832	9,006,975
Short-term investment funds	601,832	813,377
Total investments	<u>183,997,343</u>	<u>177,507,781</u>
Receivables:		
Dividends and interest	3,495	909
Other receivables	31,825	-
Total receivables	<u>35,320</u>	<u>909</u>
Total assets	<u>184,032,663</u>	<u>177,508,690</u>
LIABILITIES		
Due to plan sponsor	634,237	541,246
Other payables	225,734	90,018
Total liabilities	<u>859,971</u>	<u>631,264</u>
NET POSITION		
Net position restricted for plan benefits	<u>\$ 183,172,692</u>	<u>\$ 176,877,426</u>

San Diego Metropolitan Transit System
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2023 and June 30, 2022

	San Diego Transit Corporation Employee Retirement Plan Pension Trust Fund	
	2023	2022
ADDITIONS:		
Contributions:		
Employer	\$ 16,157,770	\$ 15,838,082
Employee	1,719,444	1,621,654
Total contributions	<u>17,877,214</u>	<u>17,459,736</u>
Investment income (loss):		
Interest	38,083	1,949
Dividends	4,490,000	6,977,161
Net realized and unrealized gains (losses) on investments	7,074,461	(29,442,846)
Total investment income (loss)	<u>11,602,544</u>	<u>(22,463,736)</u>
Investment expense	(199,423)	(296,142)
Net investment income	<u>11,403,121</u>	<u>(22,759,878)</u>
Total additions to fiduciary net position	<u>29,280,335</u>	<u>(5,300,142)</u>
DEDUCTIONS:		
Distributions to participants	22,630,610	22,029,157
Administrative expenses	354,459	265,106
Total deductions from fiduciary net position	<u>22,985,069</u>	<u>22,294,263</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	6,295,266	(27,594,405)
NET POSITION RESTRICTED FOR PLAN BENEFITS:		
Beginning of year	176,877,426	204,471,831
End of year	<u>\$ 183,172,692</u>	<u>\$ 176,877,426</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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San Diego Metropolitan Transit System
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For the Years Ended June 30, 2023 and 2022

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San Diego Metropolitan Transit System
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For the Years Ended June 30, 2023 and 2022

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San Diego Metropolitan Transit System
Notes to the Basic Financial Statements
For the Years Ended June 30, 2023 and 2022

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, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Primary Government (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 and annual cost-of-living adjustments for Plan members, as well as joint-survivor benefits to 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.

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.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Fiduciary Activities (Continued)

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 and annual cost-of-living adjustments for Plan members and joint-survivor benefits to 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, 2023 and 2022

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 a consumption of net assets that applies to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods and that, therefore, will not be recognized as revenue until that time.

MTS receives funding primarily from the following revenue sources:

Passenger Revenue

Passenger fares comprised approximately 18 percent and 16 percent of MTS's \$380.2 million and \$342.2 million operating budget for FY2023 and FY2022 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. On November 15, 2021, the Bipartisan Infrastructure Law was signed, reauthorizing surface transportation programs through Federal FY (FFY) 2026. The legislation establishes the legal authority to commence and continue Federal Transit Administration (FTA) programs. Each reauthorization amends the Federal Transit Laws codified in 49 USC Chapter 53. FTA funding is structured on a reimbursement basis (after expenses are incurred), and funds both the CIP and operating budgets. The reauthorization provides for the following funding streams MTS commonly receives:

- 5307 Urban Area Formula Grants for capital improvements and preventive maintenance
- 5311 Formula Grants for Rural Areas for capital improvements and to supplement operating costs
- 5337 State of Good Repair Funding for capital improvements and preventive maintenance
- 5339 Bus and Bus Facilities Funding for capital improvements
- 5311 Formula Grants for Rural Areas Funding for rural service operations
- 5311(f) Inter-City Bus Program Funding for rural service operations connecting to inter-city network

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 continues to supplement lost revenues and increased expenses related to the pandemic. MTS received \$0.1 million in FY2023, and has received \$90.2 million in total.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Federal Transit Administration (FTA) (Continued)

On March 11, 2021, the President signed The American Rescue Plan Act of 2021 (ARP), which provided \$30.5 billion to support the nation's public transportation systems. MTS was apportioned \$140 million in ARP Act funding which MTS continues to utilize in addressing the structural deficit in the operating budget. MTS received \$90.2 million in FY2023 and \$48 million in FY2022.

On March 16, 2023, the MTS Board of Directors directed staff to draw federal stimulus funds as fast as possible based on eligible expenses (versus budgetary need) and to keep excess funds in the operating deficit reserve until needed to address the structural deficit in current and future fiscal years. As of June 30, 2023, MTS has drawn \$228 million of the \$360 million in total apportioned stimulus funds, leaving \$132 million in remaining funds to be drawn in future fiscal years.

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.

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 a supplemental funding 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 MidCoast Trolley Extension, 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 traveled throughout California. Since inception, MTS has been awarded \$112.8 million, and has received \$56.8 million, of which \$15.2 million was earned in FY23 and \$9.5 million was earned in FY22. MTS expects to receive the remaining \$56.0 million in Fiscal Years 2024-2026.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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.

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 is currently authorized through December 31, 2024.

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.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

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

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

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

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

F. Inventory

Inventories are valued at the weighted average unit cost.

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. Leases

Lessee

MTS has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in our financial statements with an initial, individual value of \$10,000 or more with a lease term greater than one year. Variable payments based on future performance or usage of the underlying assets are not included in the measurement of the lease liability.

At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that MTS has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Leases (Continued)

Lessee (Continued)

Key estimates and judgments related to leases include how MTS determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- MTS uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, MTS generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease, plus any option periods that are reasonably certain to be exercised.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that MTS is reasonably certain to exercise. MTS monitors changes in circumstances that would require a remeasurement of a lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use along with other capital assets and lease liabilities are reported on the statement of net position.

Lessor

MTS is a lessor for leases of buildings and land and recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance or usage of the underlying asset are not included in the measurement of the lease receivable.

At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how MTS determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- MTS uses the average of the LAIF rate and the incremental borrowing rate (IBR) provided by our financial institution at July 1, 2021 for existing leases or the current rate at the time a new lease is executed.
- The lease term includes the noncancelable period of the lease plus any option periods that are likely to be exercised.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

MTS monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Subscription-Based Information Technology Arrangements (SBITAs)

MTS has a policy to recognize a SBITA liability and a right-to-use subscription asset (SBITA asset) in our financial statements with an initial, individual value of \$50,000 or more with a subscription term greater than one year.

At the commencement of a subscription, when the subscription asset is placed into service, the SBITA liability is measured at the present value of payments expected to be made during the subscription term. Future subscription payments are discounted using MTS's incremental borrowing rate and MTS recognizes amortization of the discount on the subscription liability as interest expense in subsequent financial reporting periods.

SBITA assets are measured as the sum of the initial subscription liability, payments made to the SBITA vendor before the commencement of the lease term, and capitalizable implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

Key estimates and judgments related to SBITAs include how MTS determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- MTS uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, MTS generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the period during which MTS has a noncancelable right to use the underlying IT asset. The subscription term also includes periods covered by an option to extend if it is reasonably certain to be exercised.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option years that MTS is reasonably certain to exercise. MTS monitors changes in circumstances that would require a remeasurement of a subscription and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use subscription assets are reported along with other capital assets and subscription liabilities are reported on the statement of net position.

J. Capital Assets

Capital, lease, and subscription assets include land and right-of-way, buildings and infrastructure assets, vehicles, equipment, and "right-to-use" assets. These capital and right-to-use assets are included on the financial statements and throughout this report as "Capital Assets." Capital and right-to-use 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.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Capital Assets (Continued)

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
Right-to-use assets	3 to 40

K. 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.

L. 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.

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 plan. 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.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Net Position

Net Position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, lease and subscription assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of debt and deferred inflows and outflows of resources that are attributable to the acquisition, construction, or improvement of those assets.

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

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

P. Use of Estimates

The preparation of the basic financial statements in conformity with U.S. GAAP 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, 2023

During fiscal year ended June 30, 2023, MTS has implemented the following new GASB Pronouncements:

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. Implementation of this Statement did not have a significant effect on MTS's financial statements for the fiscal year ended June 30, 2023.

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. Implementation of this statement did not have a significant effect on MTS's financial statements for the fiscal year ended June 30, 2023.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Implementation of New GASB Pronouncements for the Year Ended June 30, 2023 (Continued)

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. Implementation of this Statement had a significant effect on MTS's financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 99 - In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Implementation of this Statement did not have a significant effect on MTS's financial statements for the fiscal year ended June 30, 2023.

R. Upcoming Government Accounting Standards Implementation

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

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Application of this statement is effective for MTS's fiscal year ending June 30, 2024.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Application of this statement is effective for MTS's fiscal year ending June 30, 2025.

Note 2 – Cash, Cash Equivalents, and Investments

A. Primary Government

Cash, cash equivalents, and investments are reported in the accompanying statements of net position as follows on June 30, 2023 and 2022:

	2023	2022
Cash, cash equivalents, and investments	\$ 232,978,456	\$ 110,932,746
Cash, cash equivalents, and investments restricted for capital support	27,346,537	26,020,685
Total cash, cash equivalents, and investments	\$ 260,324,993	\$ 136,953,431

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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

A. Primary Government (Continued)

Cash, cash equivalents, and investments consisted as follows on June 30, 2023 and 2022:

Investment Type	Measurement Input	Fair Value	
		2023	2022
Cash, cash equivalents, and investments:			
Demand deposits	N/A	\$ 29,468,237	\$ 61,526,730
Retention trust account	N/A	8,531,874	8,531,874
San Diego County Treasurer's Pooled Money Fund	Uncategorized	178,968,838	36,358,946
State of California - Local Agency Investment Fund	Uncategorized	43,356,044	30,535,881
Total cash, cash equivalents, and investments		\$ 260,324,993	\$ 136,953,431

Demand Deposits

As of June 30, 2023, the carrying amount of demand deposits was \$29,468,237 and the bank balance was \$32,646,644 compared to \$61,526,730 and \$62,807,163 at June 30, 2022, 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.
- 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

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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

A. Primary Government (Continued)

Investments (Continued)

- Municipal bonds as listed below with a rating “A”, its equivalent, or higher and a final maturity not exceeding five years from the date of trade settlement:
 - 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, 2023, MTS had \$43,356,044 invested in LAIF, which had invested 2.78% of the pool investment funds in structured notes and asset-backed securities compared to \$30,535,881 and 1.88% at June 30, 2022.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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 6.90% and 8.26% of the Investment Pool as of June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, the fair value of our position in the pool is 99.53% and 97.38%, 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 Treasury 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, 2023 and 2022.

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, 2023, MTS had \$178,968,838 invested with the San Diego County Treasurer's Pooled Money Fund, which had invested 5.37% of the pool investment funds in asset-backed securities compared to \$36,358,946 and 4.09% at June 30, 2022.

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, 2023 and 2022

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 Cash, Cash Equivalents, and Investments to Maturity

Cash, cash equivalents, and investments held by MTS grouped by maturity date at June 30, 2023 and 2022, are shown below:

<u>Maturity</u>	<u>2023</u>	<u>2022</u>
Current to one year	\$ 260,324,993	\$ 136,953,431
Total	<u>\$ 260,324,993</u>	<u>\$ 136,953,431</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 2 – Cash, Cash Equivalents, and Investments (Continued)**B. Fiduciary Fund****Investments**

The fair value, net asset value and the percentage of the investments at June 30, 2023 and 2022 were as follows:

	Fair Value June 30, 2023	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	\$ 19,055,735	\$ 19,055,735	\$ -
Total Common Stocks	19,055,735	19,055,735	-
<u>Mutual Funds:</u>			
GMO Benchmark Free Allocation Fund	17,070,830	17,070,830	-
Fidelity U.S. Sustainability Index Fund	3,582,321	3,582,321	-
PIMCO All Asset All Authority Fund	19,311,293	19,311,293	-
Total Mutual Funds	39,964,444	39,964,444	-
<u>Corporate Bond Funds:</u>			
Vanguard Total Bond Fund	52,385,530	52,385,530	-
Total Corporate Bond Funds	52,385,530	52,385,530	-
<u>U.S. Treasury Inflation Protected Security Funds:</u>			
Vanguard Fund	9,355,832	9,355,832	-
Total U.S. Treasury Inflation Protected Security Funds	9,355,832	9,355,832	-
<u>Short-Term Investment Funds:</u>			
First American Prime Obligations Fund	601,832	601,832	-
Subtotal Short-Term Investment Funds	601,832	601,832	-
<u>Closely Held Instruments:</u>			
Pacific Hedge Strategies, LLC	484	-	484
Total Closely Held Instruments	484	-	484
Total Investments by Fair Value Level	121,363,857	\$ 121,363,373	\$ 484
Investments Measured at NAV:			
<u>Common Stocks:</u>			
Systematic Edge U.S. Low Vol	18,505,388		
BNYM Newton Small-Mid Cap Growth	5,575,879		
MFS Investment Management	18,717,031		
Subtotal Common Stocks	42,798,298		
<u>Mutual Funds:</u>			
Westwood Trust Large Cap Equity EB Fund	19,835,188		
Subtotal Mutual Funds	19,835,188		
Total Investments Measured at NAV	62,633,486		
Total Investments	\$ 183,997,343		

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 2 – Cash, Cash Equivalents, and Investments (Continued)**B. Fiduciary Fund (Continued)****Investments (Continued)**

	Fair Value June 30, 2022	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	\$ 16,637,959	\$ 16,637,959	\$ -
Total Common Stocks	<u>16,637,959</u>	<u>16,637,959</u>	<u>-</u>
<u>Mutual Funds:</u>			
GMO Benchmark Free Allocation Fund	15,693,113	15,693,113	-
Fidelity U.S. Sustainability Index Fund	3,020,878	3,020,878	-
PIMCO All Asset All Authority Fund	19,761,510	19,761,510	-
Total Mutual Funds	<u>38,475,501</u>	<u>38,475,501</u>	<u>-</u>
<u>Corporate Bond Funds:</u>			
Vanguard Total Bond Fund	52,671,200	52,671,200	-
Total Corporate Bond Funds	<u>52,671,200</u>	<u>52,671,200</u>	<u>-</u>
<u>U.S. Treasury Inflation Protected Security Funds:</u>			
Vanguard Fund	9,006,975	9,006,975	-
Total U.S. Treasury Inflation Protected Security Funds	<u>9,006,975</u>	<u>9,006,975</u>	<u>-</u>
<u>Short-Term Investment Funds:</u>			
First American Prime Obligations Fund	812,889	812,889	-
Subtotal Short-Term Investment Funds	<u>812,889</u>	<u>812,889</u>	<u>-</u>
<u>Closely Held Instruments:</u>			
Pacific Hedge Strategies, LLC	7,694	-	7,694
Total Closely Held Instruments	<u>7,694</u>	<u>-</u>	<u>7,694</u>
Total Investments by Fair Value Level	<u>117,612,218</u>	<u>\$ 117,604,524</u>	<u>\$ 7,694</u>
Investments Measured at NAV:			
<u>Short-Term Investment Funds:</u>			
Westwood Cash Equivalent Fund	488		
Subtotal Short-Term Investment Funds	<u>488</u>		
<u>Common Stocks:</u>			
Systematic Edge U.S. Low Vol	19,758,126		
BNYM Newton Small-Mid Cap Growth	5,373,629		
MFS Investment Management	16,898,319		
Subtotal Common Stocks	<u>42,030,074</u>		
<u>Mutual Funds:</u>			
Westwood Trust Large Cap Equity EB Fund	17,865,001		
Subtotal Mutual Funds	<u>17,865,001</u>		
Total Investments Measured at NAV	<u>59,895,563</u>		
Total Investments	<u>\$ 177,507,781</u>		

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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

B. Fiduciary Fund (Continued)

Investments (Continued)

Fair Value Measurement – Investment Valuation

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, excluding cash and cash equivalents, measured at fair value based on NAV per share as of June 30, 2023 and 2022, respectively:

<u>June 30, 2023</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently available)</u>	<u>Redemption Notice Period</u>
Systematic Edge U.S. Low Vol	\$ 18,505,388	N/A	Monthly	5 days
BNYM Newton Small-Mid Cap Growth	5,575,879	N/A	Daily	Daily
MFS Investment Management	18,717,031	N/A	Daily	Daily
Westwood Trust Large Cap Equity EB Fund	19,835,188	N/A	Daily	Daily
Total	<u>\$ 62,633,486</u>			

<u>June 30, 2022</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently available)</u>	<u>Redemption Notice Period</u>
Systematic Edge U.S. Low Vol	\$ 19,758,126	N/A	Monthly	5 days
BNYM Newton Small-Mid Cap Growth	5,373,629	N/A	Daily	Daily
MFS Investment Management	16,898,319	N/A	Daily	Daily
Westwood Trust Large Cap Equity EB Fund	17,865,001	N/A	Daily	Daily
Westwood Cash Equivalent Fund	488	N/A	Daily	Daily
Total	<u>\$ 59,895,563</u>			

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 2 – Cash, Cash Equivalents, and Investments (Continued)**B. Fiduciary Fund (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:

	2023	2022
Unrealized appreciation (depreciation) on investments held	\$ 4,007,454	\$ (40,345,380)
Realized gain on investments	3,067,007	10,902,534
Net realized and unrealized investment gains (losses)	\$ 7,074,461	\$ (29,442,846)

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	45.0%	30% - 60%
Fixed Income	35.0%	25% - 55%
Alternatives	20.0%	10% - 30%
Total	100.0%	

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:

	2023		2022	
	Fair Value	%	Fair Value	%
<u>Common Stocks:</u>				
PIMCO Research Affiliates Equity (RAE) Fund	\$ 19,055,735	10.4%	\$ 16,637,959	9.4%
MFS Investment Management	18,717,031	10.2%	16,898,319	9.5%
Systematic Edge U.S. Low Vol	18,505,388	10.1%	19,758,126	11.1%
<u>Mutual Funds:</u>				
Westwood Trust Large Cap Equity EB Fund	19,835,188	10.8%	17,865,001	10.1%
PIMCO All Asset All Authority Fund	19,311,293	10.5%	19,761,510	11.1%
GMO Benchmark Free Allocation Fund	17,070,830	9.3%	15,693,113	8.8%
<u>Corporate Bond Funds:</u>				
Vanguard Total Bond Fund	52,385,530	28.5%	52,671,200	29.7%
<u>U.S. Treasury Inflation Protected Security Funds:</u>				
Vanguard Fund	9,355,832	5.1%	9,006,975	5.1%

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 2 – Cash, Cash Equivalents, and Investments (Continued)**B. Fiduciary Fund (Continued)****Investments (Continued)**Rate of return

For the years ended June 30, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.98 percent and -14.25 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, 2023						
	Not Rated	AAA	AA	A	BBB	Below Investment Grade	Total
Corporate Bond Funds:							
Vanguard Total Bond Fund (VBTIX)	\$ -	\$ 37,036,570	\$ 1,519,180	\$ 6,600,577	\$ 7,229,203	\$ -	\$ 52,385,530
U.S. Treasury Inflation Protected Security Fund:							
Vanguard Infl-Prot;Inst (VIPIX)	-	9,355,832	-	-	-	-	9,355,832
All Other Investments	122,255,981	-	-	-	-	-	122,255,981
Total	\$ 122,255,981	\$ 46,392,402	\$ 1,519,180	\$ 6,600,577	\$ 7,229,203	\$ -	\$ 183,997,343
	June 30, 2022						
	Not Rated	AAA	AA	A	BBB	Below Investment Grade	Total
Corporate Bond Funds:							
Vanguard Total Bond Fund (VBTIX)	\$ -	\$ 37,396,552	\$ 1,580,136	\$ 6,162,530	\$ 7,479,310	\$ 52,672	\$ 52,671,200
U.S. Treasury Inflation Protected Security Fund:							
Vanguard Infl-Prot;Inst (VIPIX)	-	9,006,975	-	-	-	-	9,006,975
All Other Investments	115,829,606	-	-	-	-	-	115,829,606
Total	\$ 115,829,606	\$ 46,403,527	\$ 1,580,136	\$ 6,162,530	\$ 7,479,310	\$ 52,672	\$ 177,507,781

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, 2023 and 2022

Note 2 – Cash, Cash Equivalents, and Investments (Continued)**B. Fiduciary Fund (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, 2023 and 2022, the net accounts and other receivables consisted of the following:

	2023	2022
Passenger revenue - general public	\$ 3,020,093	\$ 907,636
Other trade receivables	8,946,609	5,634,379
Pension plan receivable	1,932,057	1,874,270
Total accounts and other receivables	<u>\$ 13,898,759</u>	<u>\$ 8,416,285</u>

B. Due from Other Governments

At June 30, 2023 and 2022, amounts due from other governments consisted of the following:

	2023	2022
FTA Grant Funds	\$ 81,982,076	\$ 79,043,527
STA Funds	11,824,248	9,354,685
State of California	9,800,512	15,423,378
SANDAG - TransNet	9,163,306	22,070,042
US Treasury	5,606,285	7,979,662
Passenger Revenue - Other Governments	1,328,140	2,358,096
North County Transit District - passenger revenue and shared costs	863,891	1,964,648
UCSD Route Reimbursement	690,453	229,279
SANDAG - Project/Route reimbursement	681,361	4,832,404
County of San Diego	140,010	261,977
Department of Homeland Security	45,655	70,953
Total due from other governments	<u>\$ 122,125,937</u>	<u>\$ 143,588,651</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 3 – Accounts Receivable (Continued)**C. Lease Receivable and Related Deferred Inflows of Resources**

MTS leases various types of property including land, buildings and easements. Lease receivable consists of agreements with others for the right-to-use of the underlying assets at various locations owned by MTS. The remaining terms of the agreements range from 7 to 43 years. The calculated interest rates used vary depending on the length of the lease.

For the fiscal year ended June 30, 2023, MTS recognized \$1,883,472 in lease revenue and \$488,660 in interest revenue, and the outstanding receivable amount is \$43,910,029. For the fiscal year ended June 30, 2022, MTS recognized \$1,883,472 in lease revenue and \$504,952 in interest revenue and the receivable amount was \$45,446,703.

A summary of changes in lease receivable for the fiscal year ended June 30, 2023 is as follows:

Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts due within one year	Amounts due in more than one year
\$ 45,446,703	\$ 88,759	\$ (1,625,433)	\$ 43,910,029	\$ 1,553,167	\$ 42,356,862

A summary of changes in lease receivable for the fiscal year ended June 30, 2022 is as follows:

Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts due within one year	Amounts due in more than one year
\$ 46,959,309	\$ -	\$ (1,512,606)	\$ 45,446,703	\$ 1,625,433	\$ 43,821,270

As of June 30, 2023, the required payments for these leases, including interest, are:

Year Ending June 30	Lease Receivable	Interest	Total
2024	\$ 1,553,167	\$ 472,166	\$ 2,025,333
2025	1,596,659	455,371	2,052,030
2026	1,613,809	438,222	2,052,031
2027	1,631,143	420,887	2,052,030
2028	1,648,665	403,365	2,052,030
2029-2033	8,162,718	1,749,889	9,912,607
2034-2038	8,516,597	1,298,419	9,815,016
2039-2043	7,895,050	826,360	8,721,410
2044-2048	2,604,354	557,223	3,161,577
2049-2053	2,992,973	403,799	3,396,772
2054-2058	3,433,735	227,633	3,661,368
2059-2063	1,694,566	72,532	1,767,098
2064-2066	566,593	9,407	576,000
Total	\$ 43,910,029	\$ 7,335,273	\$ 51,245,302

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 3 – Accounts Receivable (Continued)**C. Lease Receivable and Related Deferred Inflows of Resources (Continued)**

As of June 30, 2023, the amounts reported as deferred inflows of resources will be recognized as lease revenue as follows:

Year Ending June 30	Total
2024	\$ 1,883,472
2025	1,883,472
2026	1,883,472
2027	1,883,472
2028	1,883,472
2029-2033	9,065,244
2034-2038	8,715,816
2039-2043	7,570,713
2044-2048	2,424,277
2049-2053	2,424,277
2054-2058	2,424,277
2059-2063	1,497,278
2064-2068	696,310
2069-2073	90,790
2074	9,076
Total	\$ 44,335,418

Note 4 – Inventory

At June 30, 2023 and 2022, inventory consisted of the following repair and maintenance parts and administrative supplies:

	2023	2022
San Diego Transit Corporation	\$ 4,362,288	\$ 4,198,174
San Diego Trolley, Inc.	29,959,141	27,508,031
Total inventory	\$ 34,321,429	\$ 31,706,205

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 5 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022 (as restated)	Additions	Deletions	Balance June 30, 2023
Capital assets, not depreciated:				
Land and right-of-way	\$ 252,301,976	\$ 170,837	\$ -	\$ 252,472,813
Construction-in-progress	111,978,852	85,021,312	(108,288,887)	88,711,277
Total capital assets, not depreciated	<u>364,280,828</u>	<u>85,192,149</u>	<u>(108,288,887)</u>	<u>341,184,090</u>
Capital assets, depreciated:				
Buildings and structures	3,727,938,690	44,055,150	(26,808,180)	3,745,185,660
Buses and vehicles	992,282,997	59,536,329	(26,334,455)	1,025,484,871
Equipment and other capital assets	141,047,046	27,518,583	(3,295,262)	165,270,367
Total capital assets, depreciated	<u>4,861,268,733</u>	<u>131,110,062</u>	<u>(56,437,897)</u>	<u>4,935,940,898</u>
Less accumulated depreciation for:				
Buildings and structures	(1,294,831,596)	(135,217,192)	1,342,708	(1,428,706,080)
Buses and vehicles	(401,107,674)	(54,034,240)	26,318,023	(428,823,891)
Equipment and other capital assets	(56,059,863)	(14,758,279)	2,899,158	(67,918,984)
Total accumulated depreciation	<u>(1,751,999,133)</u>	<u>(204,009,711)</u>	<u>30,559,889</u>	<u>(1,925,448,955)</u>
Lease assets:				
Land and land improvements	9,656,946	-	-	9,656,946
Buildings and structures	14,256,740	-	-	14,256,740
Total lease assets	<u>23,913,686</u>	<u>-</u>	<u>-</u>	<u>23,913,686</u>
Less accumulated amortization for:				
Land and land improvements	(476,886)	(238,443)	-	(715,329)
Buildings and structures	(12,402,273)	(155,146)	-	(12,557,419)
Total accumulated amortization	<u>(12,879,159)</u>	<u>(393,589)</u>	<u>-</u>	<u>(13,272,748)</u>
Subscription assets:	2,462,798	2,473,577	(706,310)	4,230,065
Less: accumulated amortization	(706,177)	(1,088,616)	706,310	(1,088,483)
Total capital assets, depreciated/amortized, net	<u>3,122,060,748</u>	<u>(71,908,277)</u>	<u>(25,878,008)</u>	<u>3,024,274,463</u>
Total capital assets, net	<u>\$ 3,486,341,576</u>	<u>\$ 13,283,872</u>	<u>\$ (134,166,895)</u>	<u>\$ 3,365,458,553</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 5 – Capital Assets (Continued)

A summary of changes in capital assets for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021 (as restated)	Additions	Deletions	Balance June 30, 2022
Capital assets, not depreciated:				
Land and right-of-way	\$ 256,909,683	\$ -	\$ (4,607,707)	\$ 252,301,976
Construction-in-progress	159,868,381	75,390,586	(123,280,115)	111,978,852
Total capital assets, not depreciated	<u>416,778,064</u>	<u>75,390,586</u>	<u>(127,887,822)</u>	<u>364,280,828</u>
Capital assets, depreciated:				
Buildings and structures	2,141,341,939	1,593,504,892	(6,908,141)	3,727,938,690
Buses and vehicles	968,255,812	79,720,036	(55,692,851)	992,282,997
Equipment and other capital assets	138,193,357	59,330,016	(56,476,327)	141,047,046
Total capital assets, depreciated	<u>3,247,791,108</u>	<u>1,732,554,944</u>	<u>(119,077,319)</u>	<u>4,861,268,733</u>
Less accumulated depreciation:				
Buildings and structures	(1,192,944,542)	(108,701,825)	6,814,771	(1,294,831,596)
Buses and vehicles	(405,589,523)	(51,207,411)	55,689,260	(401,107,674)
Equipment and other capital assets	(100,372,174)	(11,242,364)	55,554,675	(56,059,863)
Total accumulated depreciation	<u>(1,698,906,239)</u>	<u>(171,151,600)</u>	<u>118,058,706</u>	<u>(1,751,999,133)</u>
Total capital assets, depreciated, net	<u>1,548,884,869</u>	<u>1,561,403,344</u>	<u>(1,018,613)</u>	<u>3,109,269,600</u>
Lease assets:				
Land and land improvements	9,656,946	-	-	9,656,946
Buildings and structures	2,164,759	-	-	2,164,759
Total lease assets	<u>11,821,705</u>	<u>-</u>	<u>-</u>	<u>11,821,705</u>
Less accumulated amortization:				
Land and land improvements	(238,443)	(238,443)	-	(476,886)
Buildings and structures	(155,146)	(155,146)	-	(310,292)
Total accumulated amortization	<u>(393,589)</u>	<u>(393,589)</u>	<u>-</u>	<u>(787,178)</u>
Subscription assets:	1,869,965	592,832	-	2,462,797
Less: accumulated amortization	-	(706,176)	-	(706,176)
Total capital assets, depreciated/amortized, net	<u>1,562,182,950</u>	<u>1,560,896,411</u>	<u>(1,018,613)</u>	<u>3,122,060,748</u>
Total capital assets, net	<u>\$ 1,978,961,014</u>	<u>\$ 1,636,286,997</u>	<u>\$ (128,906,435)</u>	<u>\$ 3,486,341,576</u>

Construction in Progress

MTS converted \$108 million in capital assets from construction-in-progress (CIP) to assets in service in FY2023 compared to \$123 million in FY2022. A summary of capital asset additions transferred from CIP to depreciable assets by MTS is as follows:

	2023	2022
MTS - General Operations	\$ 1,684,907	\$ 409,048
MTS - Contracted Services	29,562,856	25,933,205
San Diego Transit Corporation	16,206,714	10,784,756
San Diego Trolley, Inc.	60,834,410	85,434,466
City of La Mesa	-	718,640
Total	<u>\$ 108,288,887</u>	<u>\$ 123,280,115</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 5 – Capital Assets (Continued)**Capital Contributions**

Capital asset additions totaling \$22.2 million were contributed by SANDAG in FY2023 compared to \$1.607 billion in FY2022, due to the new UCSD Midcoast Trolley Line extension in the previous year. SANDAG also contributed spare parts for the new LRVs to SDTI. MTS Contributed \$21,741,949 in capital assets to the City of Chula Vista and \$3,234,032 to the California Department of Transportation in FY2023, and MTS contributed \$718,640 to the City of La Mesa in FY2022. A summary of capital contributions is as follows:

	2023	2022 (as restated)
San Diego Trolley, Inc.	\$ 22,178,220	\$ 1,606,503,252
Total	22,178,220	1,606,503,252
San Diego Trolley, Inc - LRV Spare Parts Inventory	1,442,517	1,264,911
City of Chula Vista	(21,741,949)	-
California Department of Transportation	(3,234,032)	-
City of La Mesa	-	(718,640)
Total capital contributions	<u>\$ (1,355,244)</u>	<u>\$ 1,607,049,523</u>

Depreciation and Amortization

Depreciation and amortization expense for capital assets for the years ended June 30, 2023 and 2022 were comprised of the following:

	2023	2022 (as restated)
MTS - General Operations	\$ 4,564,044	\$ 5,669,241
MTS - Contracted Services	27,651,292	25,894,939
San Diego Transit Corporation	29,086,910	27,339,470
San Diego Trolley, Inc.	144,189,670	113,347,715
Total	<u>\$ 205,491,916</u>	<u>\$ 172,251,365</u>

Note 6 – Due to Other Governments

At June 30, 2023 and 2022, amounts due to other governments consisted of the following:

	2023	2022
State of California - miscellaneous	\$ 522,498	\$ 1,216,039
North County Transit District - passenger revenue	398,647	297,545
City of San Diego - miscellaneous	374,392	15,084
City of Lemon Grove - TDA funds	178,951	138,506
City of El Cajon - TDA funds	134,223	103,887
SANDAG - project reimbursements	128,906	376,814
City of Poway - TDA funds	88,654	68,617
City of La Mesa - TDA funds	76,054	58,865
Other Governments - miscellaneous	75,839	143,144
County of San Diego - miscellaneous	64,449	54,332
Federal Transit Administration - miscellaneous	49,667	228,129
City of Chula Vista - miscellaneous	40,343	46,106
City of Coronado - TDA funds	30,423	23,547
Total due to other governments	<u>\$ 2,163,046</u>	<u>\$ 2,770,615</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 7 – Unearned Revenue

At June 30, 2023 and 2022, unearned revenue consisted of the following:

	2023	2022
Caltrans LCTOP funds received in advance	\$ 14,655,273	\$ 18,654,669
Fare media payments received in advance	10,039,345	7,958,963
STA State of Good Repair funds received in advance	5,177,022	7,066,767
Naming rights payment received in advance	1,088,935	1,581,435
Other reimbursements received in advance	458,641	150,850
Total unearned revenue	\$ 31,419,216	\$ 35,412,684

Note 8 – Long-Term Liabilities**A. Summary**

A summary of changes in long-term obligations for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022 (as restated)	Additions	Reductions	Balance June 30, 2023	Amounts due within one year	Amounts due in more than one year
MTS:						
Compensated absences	\$ 1,546,793	\$ 1,238,149	\$ (1,186,912)	\$ 1,598,030	\$ 1,186,912	\$ 411,118
Accrued damage, injury, and employee claims	942,163	1,123,749	(598,536)	1,467,376	517,040	950,336
Subscription liability	1,179,045	2,524,531	(1,345,583)	2,357,993	555,733	1,802,260
Aggregate net pension liability	8,178,565	13,132,471	(3,556,973)	17,754,063	-	17,754,063
Aggregate total OPEB liability	8,548,040	914,802	(2,719,491)	6,743,351	-	6,743,351
Total MTS	20,394,606	18,933,702	(9,407,495)	29,920,813	2,259,685	27,661,128
MTS Contracted Services:						
Lease liability	9,195,788	-	(165,308)	9,030,480	168,544	8,861,936
Total MTS Contracted Services	9,195,788	-	(165,308)	9,030,480	168,544	8,861,936
San Diego Transit Corporation:						
Pension Obligation Bonds - public offering	4,830,000	-	(2,985,000)	1,845,000	1,845,000	-
Compensated absences	6,416,469	3,888,049	(3,558,255)	6,746,263	3,558,255	3,188,008
Accrued damage, injury, and employee claims	13,880,206	10,200,000	(11,128,029)	12,952,177	4,115,645	8,836,532
Lease liability	567,299	-	(87,884)	479,415	92,447	386,968
Aggregate net pension liability	126,795,212	50,935,669	(17,459,736)	160,271,145	-	160,271,145
Aggregate total OPEB liability	31,328,053	2,967,352	(9,326,450)	24,968,955	-	24,968,955
Total San Diego Transit Corporation	183,817,239	67,991,070	(44,545,354)	207,262,955	9,611,347	197,651,608
San Diego Trolley, Inc.:						
Compensated absences	3,688,139	3,259,914	(3,089,631)	3,858,422	3,089,631	768,791
Accrued damage, injury, and employee claims	6,710,940	4,015,244	(3,602,187)	7,123,997	2,371,727	4,752,270
Lease liability	1,392,613	-	(17,707)	1,374,906	20,300	1,354,606
Aggregate net pension liability	15,146,923	42,453,131	(8,877,935)	48,722,119	-	48,722,119
Aggregate total OPEB liability	13,879,939	1,066,992	(4,050,447)	10,896,484	-	10,896,484
Total San Diego Trolley, Inc.	40,818,554	50,795,281	(19,637,907)	71,975,928	5,481,658	66,494,270
Total	\$ 254,226,187	\$ 137,720,053	\$ (73,756,064)	\$ 318,190,176	\$ 17,521,234	\$ 300,668,942

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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

A summary of changes in long-term obligations for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021 (as restated)	Additions	Reductions	Balance June 30, 2022	Amounts due within one year	Amounts due in more than one year
MTS:						
Compensated absences	\$ 1,735,974	\$ 1,013,830	\$ (1,203,011)	\$ 1,546,793	\$ 903,011	\$ 643,782
Accrued damage, injury, and employee claims	1,167,094	300,000	(524,931)	942,163	380,580	561,583
Subscription liability	1,459,402	272,080	(552,437)	1,179,045	556,465	622,580
Aggregate net pension liability	15,174,709	3,586,575	(10,582,719)	8,178,565	-	8,178,565
Aggregate total OPEB liability	7,455,121	1,237,171	(144,252)	8,548,040	-	8,548,040
Total MTS	26,992,300	6,409,656	(13,007,350)	20,394,606	1,840,056	18,554,550
MTS Contracted Services:						
Lease liability	9,357,924	-	(162,136)	9,195,788	165,308	9,030,480
Total MTS Contracted Services	9,357,924	-	(162,136)	9,195,788	165,308	9,030,480
San Diego Transit Corporation:						
Pension Obligation Bonds - public offering	7,665,000	-	(2,835,000)	4,830,000	2,985,000	1,845,000
Compensated absences	6,651,856	3,176,290	(3,411,677)	6,416,469	3,411,677	3,004,792
Accrued damage, injury, and employee claims	10,787,296	7,192,910	(4,100,000)	13,880,206	4,046,243	9,833,963
Lease liability	650,807	-	(83,508)	567,299	87,884	479,415
Aggregate net pension liability	149,245,705	37,883,757	(60,334,250)	126,795,212	-	126,795,212
Aggregate total OPEB liability	32,247,006	2,234,076	(3,153,029)	31,328,053	-	31,328,053
Total San Diego Transit Corporation	207,247,670	50,487,033	(73,917,464)	183,817,239	10,530,804	173,286,435
San Diego Trolley, Inc.:						
Compensated absences	3,500,102	3,050,272	(2,862,235)	3,688,139	2,862,235	825,904
Accrued damage, injury, and employee claims	4,564,903	4,206,772	(2,060,735)	6,710,940	2,119,101	4,591,839
Lease liability	1,407,878	-	(15,265)	1,392,613	17,706	1,374,907
Aggregate net pension liability	38,637,444	17,986,889	(41,477,410)	15,146,923	-	15,146,923
Aggregate total OPEB liability	14,029,534	1,796,047	(1,945,642)	13,879,939	-	13,879,939
Total San Diego Trolley, Inc.	62,139,861	27,039,980	(48,361,287)	40,818,554	4,999,042	35,819,512
Total	\$ 305,737,755	\$ 83,936,669	\$ (135,448,237)	\$ 254,226,187	\$ 17,535,210	\$ 236,690,977

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

	2023		2022	
	Due Within One Year	Noncurrent Liabilities	Due Within One Year	Noncurrent Liabilities
Long-Term Liabilities:				
Compensated absences	\$ 7,834,798	\$ 4,367,917	\$ 7,176,923	\$ 4,474,478
Accrued damage, injury, and employee claims	7,004,412	14,539,138	6,545,924	14,987,385
Lease liability	281,291	10,603,510	270,898	10,884,802
Subscription liability	555,733	1,802,260	556,465	622,580
Long-term debt	1,845,000	-	2,985,000	1,845,000
Aggregate net pension liability	-	226,747,327	-	150,120,700
Aggregate total OPEB liability	-	42,608,790	-	53,756,032
Total long-term liabilities	\$ 17,521,234	\$ 300,668,942	\$ 17,535,210	\$ 236,690,977

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 8 – Long-Term Liabilities (Continued)**B. 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 6.00% 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, 2023 and 2022, the outstanding balance of the Pension Obligation Bonds is \$1,845,000 and \$4,830,000, respectively. The required payments for the Pension Obligation Bonds, including interest, are:

Year ending June 30	Principal	Interest	Total
2024	\$ 1,845,000	\$ 47,509	\$ 1,892,509
Total	\$ 1,845,000	\$ 47,509	\$ 1,892,509

C. Lease Liability

MTS has entered into leases for land and building use. The remaining terms on the leases range from 1 to 38 years. The calculated interest rates used range between 0.86% and 1.94% depending on the length of the lease.

At June 30, 2023 and 2022, the outstanding balance of the leases is \$10,884,801 and \$11,155,700, respectively.

Principal and interest payments to maturity as of June 30, 2023 are as follows:

Year ending June 30	Principal	Interest	Total
2024	\$ 281,291	\$ 205,987	\$ 487,278
2025	291,195	201,163	492,358
2026	266,501	196,376	462,877
2027	274,893	191,535	466,428
2028	283,598	186,540	470,138
2029-2033	1,273,679	858,934	2,132,613
2034-2038	1,400,565	733,278	2,133,843
2039-2043	1,664,966	585,254	2,250,220
2044-2048	1,486,846	424,449	1,911,295
2049-2053	1,422,810	289,810	1,712,620
2054-2058	1,567,615	145,005	1,712,620
2059-2061	670,842	14,205	685,047
Total	\$ 10,884,801	\$ 4,032,536	\$ 14,917,337

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 8 – Long-Term Liabilities (Continued)**C. Lease Liability (Continued)**

In addition to the lease obligations reported above, MTS has one additional sublease with the County of San Diego. The amount due each year is based on actual operating and capital costs. Since these amounts can vary significantly year over year, they are not included in the lease liability calculations. For fiscal years 2023 and 2022, total lease payments for the sublease were \$1,651,509 and \$1,558,450, respectively.

D. Subscription Liability

MTS has entered into subscription-based information technology arrangements (SBITAs) for services related to cloud-based software applications, data storage and management services. Under the terms of these arrangements, MTS does not take possession of the software at any time and the vendor provides ongoing services for the software's operation. The subscription periods vary, with initial non-cancellable terms ranging from 2 to 10 years. The calculated interest rate used ranges between 0.86% and 4.04%, depending on the length of the SBITA and date of the agreement.

As of June 30, 2023, the capitalized right-to-use assets related to SBITAs were \$4,230,065 and the total subscription liability was \$2,357,993, of which \$555,733 is reported as a current liability representing the amount due within the next fiscal year. As of June 30, 2022, the right to use asset was \$2,462,798, the total subscription liability was \$1,179,045 with the short term subscription payable being \$556,465.

Principal and interest payments to maturity as of June 30, 2023 are as follows:

Year ending June 30	Principal	Interest	Total
2024	\$ 555,733	\$ 60,558	\$ 616,291
2025	390,961	48,870	439,831
2026	308,756	38,766	347,522
2027	326,786	28,887	355,673
2028	201,095	21,881	222,976
2029-2033	574,662	33,507	608,169
Total	<u>\$ 2,357,993</u>	<u>\$ 232,469</u>	<u>\$ 2,590,462</u>

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 \$50,000 to \$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 \$2,000,000 subject to a \$10,000 deductible and the cyber liability policy has a limit of \$12,000,000 subject to a \$250,000 deductible.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 9 – Risk Management (Continued)

These policies protect against theft, loss or unauthorized disclosure of personally identifiable information. SDTC purchases fiduciary liability coverage through commercial insurance to protect the agency from claims alleging mismanagement of the SDTC Employees' Retirement Plan. The fiduciary liability coverage policy has a limit of \$2,000,000 subject to a \$25,000 deductible.

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
2021	\$ 16,451,282	\$ 5,168,011	\$ (5,100,000)	\$ 16,519,293
2022	16,519,293	10,914,016	(5,900,000)	21,533,309
2023	21,533,309	7,410,241	(7,400,000)	21,543,550

Following is a summary of accrued damage, injury, and employee claims for fiscal years 2023 and 2022:

	2023	2022
Current portion	\$ 7,004,412	\$ 6,545,924
Non-current portion	14,539,138	14,987,385
Total	<u>\$ 21,543,550</u>	<u>\$ 21,533,309</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 \$21,543,550 at June 30, 2023 and \$21,533,309 at June 30, 2022.

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

Note 10 – Commitments and Contingencies

Pending legal actions. MTS, SDTC and SDTI have been named in certain legal actions pending at June 30, 2023. 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.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 - June 30, 2022

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 post-employment 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 offers non-management retirees the opportunity to participate in a Kaiser HMO plan and an out-of-area reimbursement stipend which is available only to those grandfathered in to receive such benefit. Administration of the Kaiser HMO plans transitioned to SDTC in the current fiscal year after the ATU Local 1309 and IBEW Local 465 health and welfare trust funds were dissolved effective August 31, 2022, and December 31, 2022, respectively.

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.

Employees Covered

As of the June 30, 2023 (measurement date 2022), the following current and former employees were covered by the benefit terms:

	MTS	SDTI	SDTC
Active employees	160	542	753
Inactive employees or beneficiaries currently receiving benefits	30	58	231
Inactive employees entitled to but not yet receiving benefits	-	-	-
Total	190	600	984

As of the June 30, 2022 (measurement date 2021), the following current and former employees were covered by the benefit terms:

	MTS	SDTI	SDTC
Active employees	170	507	793
Inactive employees or beneficiaries currently receiving benefits	26	51	249
Inactive employees entitled to but not yet receiving benefits	-	-	-
Total	196	558	1,042

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 11 – Other Postemployment Benefits (Continued)**Actuarial Assumptions**

The total OPEB liability, as of June 30, 2023 (measurement date 2022), was determined using the following actuarial assumptions:

	MTS	SDTI	SDTC
Actuarial Cost Method	Entry Age Cost Method (level percentage of pay)		
Valuation Date	June 30, 2021		
Measurement Date	June 30, 2022		
Actuarial Assumptions:			
Discount Rate		4.09% 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	7.50%, decreasing 0.25% per year		
Dental Trend Rates	4% per annum		
Mortality Rate	SOA PUB-2010 General Headcount Weighted Mortality Table - Scale MP-2021		
Pre-Retirement Turnover	2021 CalPERS Experience Study	Management 3-10% Union 2-25%	

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09% percent as of the measurement date June 30, 2022 and 2.18% as of the measurement date June 30, 2021. The high-quality municipal bond rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices as of June 30, 2022. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Ratings Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

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, 2023 (measurement date 2022):

	MTS	SDTI	SDTC	Aggregate
1% Decrease	3.09%	3.09%	3.09%	3.09%
Total OPEB Liability	\$ 7,954,909	\$ 12,700,698	\$ 29,053,087	\$ 49,708,694
Current Discount Rate	4.09%	4.09%	4.09%	4.09%
Total OPEB Liability	\$ 6,743,351	\$ 10,896,484	\$ 24,968,955	\$ 42,608,790
1% Increase	5.09%	5.09%	5.09%	5.09%
Total OPEB Liability	\$ 5,766,833	\$ 9,427,183	\$ 21,668,039	\$ 36,862,055

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 11 – Other Postemployment Benefits (Continued)***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate (Continued)***

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, 2022 (measurement date 2021):

	MTS	SDTI	SDTC	Aggregate
1% Decrease	1.18%	1.18%	1.18%	1.18%
Total OPEB Liability	\$ 10,267,089	\$ 16,473,117	\$ 37,061,542	\$ 63,801,748
Current Discount Rate	2.18%	2.18%	2.18%	2.18%
Total OPEB Liability	\$ 8,548,040	\$ 13,879,939	\$ 31,328,053	\$ 53,756,032
1% Increase	3.18%	3.18%	3.18%	3.18%
Total OPEB Liability	\$ 7,183,547	\$ 11,798,764	\$ 26,707,418	\$ 45,689,729

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, 2023 (measurement date 2022):

	MTS	SDTI	SDTC	Aggregate
1% Decrease in Healthcare Cost Trend Rate			6.50% HMO/PPO decreasing to 2.0% HRA Contribution Increase	
Total OPEB Liability	\$ 5,484,266	\$ 9,056,498	\$ 21,002,716	\$ 35,543,480
Current Healthcare Cost Trend Rate			7.50% HMO/PPO decreasing to 3.0% HRA Contribution Increase	
Total OPEB Liability	\$ 6,743,351	\$ 10,896,484	\$ 24,968,955	\$ 42,608,790
1% Increase in Healthcare Cost Trend Rate			8.50% HMO/PPO decreasing to 4.0% HRA Contribution Increase	
Total OPEB Liability	\$ 8,416,294	\$ 13,284,149	\$ 30,096,024	\$ 51,796,467

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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

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, 2022 (measurement date 2021):

	MTS	SDTI	SDTC	Aggregate
1% Decrease in Healthcare Cost Trend Rate			6.50% HMO/PPO decreasing to	
			<u>3.00% HMO/PPO</u>	
Total OPEB Liability	\$ 6,838,555	\$ 11,336,781	\$ 25,946,435	\$ 44,121,771
Current Healthcare Cost Trend Rate			7.50% HMO/PPO decreasing to	
			<u>4.00% HMO/PPO</u>	
Total OPEB Liability	\$ 8,548,040	\$ 13,879,939	\$ 31,328,053	\$ 53,756,032
1% Increase in Healthcare Cost Trend Rate			8.50% HMO/PPO decreasing to	
			<u>5.00% HMO/PPO</u>	
Total OPEB Liability	\$ 10,867,666	\$ 17,250,693	\$ 38,415,839	\$ 66,534,198

Change in Total OPEB Liability

At June 30, 2023, the change in the Total OPEB liability is as follows:

	MTS	SDTI	SDTC	Aggregate
Balance at June 30, 2022	\$ 8,548,040	\$ 13,879,939	\$ 31,328,053	\$ 53,756,032
Changes Recognized for the Measurement Period:				
Service Cost	714,088	749,568	2,246,032	3,709,688
Interest on the total OPEB liability	200,714	317,424	721,320	1,239,458
Changes in assumptions	(2,608,790)	(3,912,097)	(8,349,207)	(14,870,094)
Benefit payments	(110,701)	(138,350)	(977,243)	(1,226,294)
Net Changes	(1,804,689)	(2,983,455)	(6,359,098)	(11,147,242)
Balance at June 30, 2023	\$ 6,743,351	\$ 10,896,484	\$ 24,968,955	\$ 42,608,790

At June 30, 2022, the change in the Total OPEB liability is as follows:

	MTS	SDTI	SDTC	Aggregate
Balance at June 30, 2021	\$ 7,455,121	\$ 14,029,534	\$ 32,247,006	\$ 53,731,661
Changes Recognized for the Measurement Period:				
Service Cost	559,935	577,191	1,354,186	2,491,312
Interest on the total OPEB liability	211,713	386,140	879,890	1,477,743
Difference between expected and actual experience	(31,742)	(1,764,102)	(1,192,985)	(2,988,829)
Changes in assumptions	465,523	832,716	(907,986)	390,253
Benefit payments	(112,510)	(181,540)	(1,052,058)	(1,346,108)
Net Changes	1,092,919	(149,595)	(918,953)	24,371
Balance at June 30, 2022	\$ 8,548,040	\$ 13,879,939	\$ 31,328,053	\$ 53,756,032

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 11 – Other Postemployment Benefits (Continued)**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 2023 and 2022, the following contributions were made:

	MTS	SDTI	SDTC	Aggregate
2023 Contributions	\$ 147,799	\$ 187,732	\$ 1,127,242	\$ 1,462,773
2022 Contributions	\$ 110,701	\$ 138,350	\$ 977,243	\$ 1,226,294

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

For the year ended June 30, 2023 and 2022, OPEB expense is included in the accompanying statement of revenues, expenses, and changes in net position as follows:

	MTS	SDTI	SDTC	Aggregate
2023 OPEB Expense	\$ 700,304	\$ 639,806	\$ 1,200,089	\$ 2,540,199
2022 OPEB Expense	\$ 757,826	\$ 862,153	\$ 1,510,463	\$ 3,130,442

At June 30, 2023, (measurement date 2022) 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	\$ 147,799	\$ -	\$ 187,732	\$ -
Difference between expected and actual experience	-	(383,480)	146,650	(1,725,583)
Changes in assumptions	926,537	(2,686,877)	1,571,172	(3,979,597)
Total	<u>\$ 1,074,336</u>	<u>\$ (3,070,357)</u>	<u>\$ 1,905,554</u>	<u>\$ (5,705,180)</u>

	SDTC		Aggregate	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 1,127,242	\$ -	\$ 1,462,773	\$ -
Difference between expected and actual experience	-	(2,222,375)	146,650	(4,331,438)
Changes in assumptions	1,788,435	(8,056,868)	4,286,144	(14,723,342)
Total	<u>\$ 2,915,677</u>	<u>\$ (10,279,243)</u>	<u>\$ 5,895,567</u>	<u>\$ (19,054,780)</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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

At June 30, 2022, (measurement date 2021) 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	\$ 110,701	\$ -	\$ 138,350	\$ -
Difference between expected and actual experience	-	(434,191)	167,600	(1,904,531)
Changes in assumptions	1,030,506	(345,843)	1,752,930	(518,447)
Total	<u>\$ 1,141,207</u>	<u>\$ (780,034)</u>	<u>\$ 2,058,880</u>	<u>\$ (2,422,978)</u>

	SDTC		Aggregate	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 977,243	\$ -	\$ 1,226,294	\$ -
Difference between expected and actual experience	-	(2,778,679)	167,600	(5,117,401)
Changes in assumptions	2,204,863	(1,335,048)	4,988,299	(2,199,338)
Total	<u>\$ 3,182,106</u>	<u>\$ (4,113,727)</u>	<u>\$ 6,382,193</u>	<u>\$ (7,316,739)</u>

The combined \$1,462,773 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, 2024 compared to the combined \$1,226,294 reported in previous year.

As of June 30, 2023 (measurement date 2022), 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
2024	\$ (214,498)	\$ (427,186)	\$ (1,367,347)	\$ (2,009,031)
2025	(214,498)	(427,186)	(1,297,025)	(1,938,709)
2026	(214,498)	(427,190)	(1,297,020)	(1,938,708)
2027	(214,498)	(320,934)	(1,089,746)	(1,625,178)
2028	(157,861)	(302,247)	(1,089,745)	(1,549,853)
Thereafter	(1,127,967)	(2,082,615)	(2,349,925)	(5,560,507)
Total	<u>\$ (2,143,820)</u>	<u>\$ (3,987,358)</u>	<u>\$ (8,490,808)</u>	<u>\$ (14,621,986)</u>

As of June 30, 2022 (measurement date 2021), 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
2023	\$ (13,822)	\$ (101,178)	\$ (723,612)	\$ (838,612)
2024	(13,822)	(101,178)	(323,696)	(438,696)
2025	(13,822)	(101,178)	(253,374)	(368,374)
2026	(13,822)	(101,182)	(253,369)	(368,373)
2027	(13,822)	5,074	(46,095)	(54,843)
Thereafter	319,582	(102,806)	(308,718)	(91,942)
Total	<u>\$ 250,472</u>	<u>\$ (502,448)</u>	<u>\$ (1,908,864)</u>	<u>\$ (2,160,840)</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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:

	2023	2022
MTS CalPERS Plans	\$ 17,754,063	\$ 8,178,565
SDTI CalPERS Plans	46,298,914	15,254,085
SDTI PARS Plan	2,423,205	(107,162)
SDTC Retirement Plan	160,271,145	126,795,212
Total	<u>\$ 226,747,327</u>	<u>\$ 150,120,700</u>

Deferred Outflows of Resources

Deferred Outflows of Resources at June 30, 2023 are reported in the accompanying statement of net position as follows:

	Contributions Made After Measurement Date	Difference Between Expected and Actual Experience	Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Employer's Proportion	Difference Between Employer's Contributions and Proportionate Share of Contributions	Total
MTS CalPERS Plans	\$ 2,960,147	\$ 356,536	\$ 3,252,073	\$ 1,819,275	\$ 97,187	\$ 206,793	\$ 8,692,011
SDTI CalPERS Plans	6,229,147	667,417	8,051,866	6,302,174	-	-	21,250,604
SDTI PARS Plan	318,025	109,403	758,452	340,249	-	-	1,526,129
SDTC Retirement Plan	16,125,384	2,428,401	19,047,146	-	-	-	37,600,931
Total	<u>\$ 25,632,703</u>	<u>\$ 3,561,757</u>	<u>\$ 31,109,537</u>	<u>\$ 8,461,698</u>	<u>\$ 97,187</u>	<u>\$ 206,793</u>	<u>\$ 69,069,675</u>

Deferred Outflows of Resources at June 30, 2022 are reported in the accompanying statement of net position as follows:

	Contributions Made After Measurement Date	Difference Between Expected and Actual Experience	Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Employer's Proportion	Difference Between Employer's Contributions and Proportionate Share of Contributions	Total
MTS CalPERS Plans	\$ 2,772,487	\$ 917,138	\$ -	\$ -	\$ 245,106	\$ 427,964	\$ 4,362,695
SDTI CalPERS Plans	5,769,619	1,269,483	-	-	-	-	7,039,102
SDTI PARS Plan	348,656	-	-	-	-	-	348,656
SDTC Retirement Plan	15,838,082	1,780,436	-	5,107,592	-	-	22,726,110
Total	<u>\$ 24,728,844</u>	<u>\$ 3,967,057</u>	<u>\$ -</u>	<u>\$ 5,107,592</u>	<u>\$ 245,106</u>	<u>\$ 427,964</u>	<u>\$ 34,476,563</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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

Deferred Inflows of Resources at June 30, 2023 are reported in the accompanying statement of net position as follows:

	Difference Between Expected and Actual Experience	Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Employer's Proportion	Difference Between Employer's Contributions and Proportionate Share of Contributions	Total
MTS CalPERS Plans	\$ 238,793	\$ -	\$ -	\$ 359,230	\$ 69,381	\$ 667,404
SDTI CalPERS Plans	480,294	-	-	-	-	480,294
SDTI PARS Plan	-	-	-	-	-	-
SDTC Retirement Plan	-	-	-	-	-	-
Total	\$ 719,087	\$ -	\$ -	\$ 359,230	\$ 69,381	\$ 1,147,698

Deferred Inflows of Resources at June 30, 2022 are reported in the accompanying statement of net position as follows:

	Difference Between Expected and Actual Experience	Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Employer's Proportion	Difference Between Employer's Contributions and Proportionate Share of Contributions	Total
MTS CalPERS Plans	\$ -	\$ 7,139,455	\$ -	\$ -	\$ -	\$ 7,139,455
SDTI CalPERS Plans	317,006	15,437,677	195,434	-	-	15,950,117
SDTI PARS Plan	43,737	1,038,809	27,362	-	-	1,109,908
SDTC Retirement Plan	-	10,175,811	-	-	-	10,175,811
Total	\$ 360,743	\$ 33,791,752	\$ 222,796	\$ -	\$ -	\$ 34,375,291

Pension Expense

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

	2023	2022
MTS CalPERS Plans	\$ 1,734,279	\$ 2,970,733
SDTI CalPERS Plans	7,592,651	1,593,579
SDTI PARS Plan	561,012	(158,702)
SDTC Retirement Plan	24,550,685	14,494,898
Total	\$ 34,438,627	\$ 18,900,508

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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 PEPRAs, 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, 2023 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	39.23%
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
Cost of Living Adjustments	2.00%

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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	9.91%
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
Cost of living adjustments	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	8.03%
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
Cost of living adjustments	2.00%

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 12 – Employee Retirement Systems (Continued)**B. MTS (Continued)**

Employees Covered – At June 30, 2023 (measurement date 2022) and June 30, 2022 (measurement date 2021), the following employees were covered by the benefit terms:

	2023	2022
Inactive employees or beneficiaries currently receiving benefits	160	149
Inactive employees entitled to but not yet receiving benefits	58	58
Active employees	165	156
Total	383	363

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, 2023 and 2022 (measurement date 2022 and 2021), the active employee contribution rates and average employer contribution rates were as follows:

	2023		2022	
	Employee Contribution Rate	Employer Contribution Rate	Employee Contribution Rate	Employer Contribution Rate
MTS - Miscellaneous Plan-1223	8.00%	39.23%	8.00%	36.20%
MTS Miscellaneous Second Tier Plan - 30134	7.00%	9.91%	7.00%	9.85%
MTS PEPRM Miscellaneous Plan - 26789	6.75%	8.03%	6.75%	8.12%

For the years ended June 30, 2023 and 2022 (measurement date 2022 and 2021), the plan's proportionate share of aggregate contributions recognized as part of pension expense were:

	2023	2022
Contributions - employer	\$ 2,867,564	\$ 2,265,608
Contributions - employee	689,408	630,069

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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, 2023 and 2022 (measurement dates 2022 and 2021), MTS reported \$17,754,063 and \$8,178,565 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 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, 2021). 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, 2022). 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, 2022 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY2022).
- (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, 2023 and 2022

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, 2022, 2021, and 2020 (measurement dates) were as follows:

Proportion June 30, 2020	0.359750%
Proportion June 30, 2021	0.430720%
Change - Increase (Decrease)	0.070970%
Proportion June 30, 2022	0.379420%
Change - Increase (Decrease)	-0.051300%

For the years ended June 30, 2023 and 2022, MTS recognized pension expense of \$1,734,279 and \$2,970,733, respectively. At June 30, 2023 and 2022, MTS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 2,960,147	\$ -	\$ 2,772,487	\$ -
Difference between expected and actual experience	356,536	(238,793)	917,138	-
Changes in assumptions	1,819,275	-	-	-
Change in employer's proportion	97,187	(359,230)	245,106	-
Difference between actual and proportionate share of employer contributions	206,793	(69,381)	427,964	-
Net difference between projected and actual earnings on pension plan investments	3,252,073	-	-	(7,139,455)
Total	<u>\$ 8,692,011</u>	<u>\$ (667,404)</u>	<u>\$ 4,362,695</u>	<u>\$ (7,139,455)</u>

The \$2,960,147 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, 2024.

As of the measurement date June 30, 2022, 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
2024	\$ 1,426,535
2025	1,099,129
2026	549,718
2027	1,989,078
2028	-
Total	<u>\$ 5,064,460</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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
2023	\$ (917,696)
2024	(1,154,261)
2025	(1,504,312)
2026	(1,972,978)
2027	-
Total	<u>\$ (5,549,247)</u>

Actuarial Assumptions – The total pension liability in the June 30, 2021 actuarial valuation was determined using the actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	varies by entry age and service
Payroll Growth	2.80%
Investment Rate of Return	6.90% (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 80% of scale MP 2020.

Change in Assumptions – The discount rate lowered from 7.15% in 2022 to 6.90% in 2023. The inflation rate lowered from 2.50% in 2022 to 2.30% in 2023. The payroll growth increased from 2.75% in 2022 to 2.80% in 2023. The investment rate of return lowered from 7.15% in 2022 to 6.90% in 2023. In the prior year, 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, 2023 and 2022

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.90 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 6.90 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90 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 – In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

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	New Strategic Allocation	Real Return (a)
Global equity - cap-weighted	30.00%	4.45%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment-grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

(a) an expected inflation of 2.30% was assumed for this period

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 12 – Employee Retirement Systems (Continued)**B. MTS (Continued)****Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents MTS's proportionate share of the net pension liability as of June 30, 2023 and 2022, 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:

	2023	2022
1% Decrease	5.90%	6.15%
Net Pension Liability	\$ 27,710,310	\$ 16,863,735
Current Discount Rate	6.90%	7.15%
Net Pension Liability	\$ 17,754,063	\$ 8,178,565
1% Increase	7.90%	8.15%
Net Pension Liability	\$ 9,562,543	\$ 998,659

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, 2023, MTS reported a payable of \$42,955 for the outstanding amount of contributions to the pension plan required for the current year compared to \$34,149 for the year ended June 30, 2022.

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, 2023 and 2022

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

The Plans' provisions and benefits in effect as of June 30, 2023 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%	10.34%
Required employer contribution rates	16.69%	14.35%
Pre-Retirement Death Benefit	1959 Survivor Benefit Level 2	1959 Survivor Benefit Level 2
Post-Retirement Death Benefit	\$500 Lump Sum	\$500 Lump Sum
Cost of living adjustment	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	17.69%
Pre-Retirement Death Benefit	1959 Survivor Benefit Level 2
Post-Retirement Death Benefit	\$500 Lump Sum
Cost of living adjustment	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, 2023 and 2022

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, 2023 are summarized as follows:

San Diego Trolley PARS Plan
CLOSED TO NEW MEMBERS

Hire date	Prior to January 1, 2013
Benefit formula	2.7% @ 55
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Final Average Compensation Period	12 months
Retirement age	50–63
Monthly benefits, as a % of eligible compensation	0.282–0.574%
Required employee contribution rates	Not Required or Permitted
Required employer contribution rates	9.02%
Pre-Retirement Death Benefit	None
Post-Retirement Death Benefit	Joint-and-100% Survivor Option
Disability Retirement Benefit	None
Cost of Living Adjustment	2.00%

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 12 – Employee Retirement Systems (Continued)**C. SDTI (Continued)****Employees Covered**

At June 30, 2023 and 2022 (measurement dates 2022 and 2021), the following employees were covered by the benefit terms for each Plan:

	CalPERS Plan		PARS Plan	
	2023	2022	2023	2022
Inactive employees or beneficiaries currently receiving benefits	318	299	55	54
Inactive employees entitled to but not yet receiving benefits	110	104	1	1
Active employees	631	616	38	41

*SDTI PEPRA Plan is included in the SDTI Miscellaneous Plan June 30, 2021 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, 2023 and 2022 (measurement dates 2022 and 2021), the active employee contribution rates and average employer contribution rates were as follows:

	2023		2022	
	Employee	Employer	Employee	Employer
SDTI Miscellaneous Plan 1406 - Management EE	8.00%	16.69%	8.00%	16.16%
SDTI Miscellaneous Plan 1406 - Union EE	10.34%	14.35%	10.08%	14.08%
SDTI Miscellaneous PEPRA Plan 26965	6.25%	17.69%	6.25%	17.16%

For the years ended June 30, 2023 and 2022 (measurement dates 2022 and 2021), the contributions recognized as part of pension expense were:

	CalPERS Plans	
	2023	2022
Contributions - employer	\$ 5,769,619	\$ 5,237,955
Contributions - employees	2,366,931	2,398,196

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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 year ended June 30, 2022 (measurement date) the employer's contribution rate was 9.02% and for June 30, 2021 (measurement date), the employer's contribution rate was 8.76%.

For the years June 30, 2023 and 2022 (measurement date 2022 and 2021), the contributions recognized as part of pension expense were:

	PARS Plan	
	2023	2022
Contributions - employer	\$ 348,656	\$ 358,879
Contributions - employees	-	-

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, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 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, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	varies by entry age and service
Payroll Growth	2.80%
Investment Rate of Return	6.90% (1)
Mortality	Derived using CalPERS' Membership Data for all Funds (2)
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power applies, 2.50% thereafter

(1) Net of pension plan investment and administrative expenses; includes inflation

(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 80% of scale MP 2020.

Changes in Assumptions – The discount rate lowered from 7.15% in 2022 to 6.90% in 2023. The inflation rate lowered from 2.50% in 2022 to 2.30% in 2023. The payroll growth increased from 2.75% in 2022 to 2.80% in 2023. The investment rate of return lowered from 7.15% in 2022 to 6.90% in 2023. In the prior year, 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, 2023 and 2022

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 6.90 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 6.90 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90 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, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. 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	New Strategic Allocation	Real Return (a)
Global equity - cap-weighted	30.00%	4.45%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment-grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

(a) an expected inflation of 2.30% was assumed for this period

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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, 2022, using an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.50%
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	6.00%
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 discount rate was lowered from 6.50% to 6.00%. In the current year, the investment rate of return was lowered from 6.50% to 6.00%. 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 6.00 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, 2023 and 2022

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 6.00 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 (a)
U.S. Cash	6.93%	0.21%	0.20%
U.S. Core Fixed Income	36.18%	1.95%	1.84%
U.S. Equity Market	45.67%	5.70%	4.10%
Foreign Developed Equity	5.53%	6.99%	5.25%
Emerging Market Equity	3.67%	9.44%	5.97%
U.S. REITs	2.02%	6.27%	4.11%

(a) Assumed inflation: 2.35% mean and 1.25% 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, 2023 and 2022, 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	
	2023	2022	2023	2022
1% Decrease	5.90%	6.15%	5.00%	5.50%
Net Pension Liability	\$ 75,854,037	\$ 41,181,293	\$ 3,703,766	\$ 1,023,280
Current Discount Rate	6.90%	7.15%	6.00%	6.50%
Net Pension Liability	\$ 46,298,914	\$ 15,254,085	\$ 2,423,205	\$ (107,162)
1% Increase	7.90%	8.15%	7.00%	7.50%
Net Pension Liability	\$ 22,039,030	\$ (6,130,390)	\$ 1,351,096	\$ (1,055,567)

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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

At June 30, 2023 (measurement date 2022), 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, 2022	\$ 184,420,051	\$ 169,165,966	\$ 15,254,085
Changes in the year:			
Service cost	5,576,840	-	5,576,840
Interest on the total pension liability	13,189,942	-	13,189,942
Changes of assumptions	7,877,818	-	7,877,818
Difference between expected and actual experience	(392,728)	-	(392,728)
Benefit payments, including refunds of member contributions	(7,069,799)	(7,069,799)	-
Net Plan to Plan resource movement	-	-	-
Contributions - employer	-	5,769,619	(5,769,619)
Contributions - employee	-	2,366,931	(2,366,931)
Net investment income	-	(12,824,227)	12,824,227
Administrative expense	-	(105,280)	105,280
Net Changes	19,182,073	(11,862,756)	31,044,829
Balance at June 30, 2023	\$ 203,602,124	\$ 157,303,210	\$ 46,298,914

At June 30, 2022 (measurement date 2021), 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, 2021	\$ 174,307,843	\$ 137,140,060	\$ 37,167,783
Changes in the year:			
Service cost	4,670,260	-	4,670,260
Interest on the total pension liability	12,372,042	-	12,372,042
Changes of assumptions	-	-	-
Difference between expected and actual experience	(284,762)	-	(284,762)
Benefit payments, including refunds of member contributions	(6,645,332)	(6,645,332)	-
Net Plan to Plan resource movement	-	-	-
Contributions - employer	-	5,237,955	(5,237,955)
Contributions - employee	-	2,398,196	(2,398,196)
Net investment income	-	31,172,082	(31,172,082)
Administrative expense	-	(136,995)	136,995
Net Changes	10,112,208	32,025,906	(21,913,698)
Balance at June 30, 2022	\$ 184,420,051	\$ 169,165,966	\$ 15,254,085

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, 2023 and 2022

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

At June 30, 2023 (measurement date 2022), 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, 2022	\$ 9,458,310	\$ 9,565,472	\$ (107,162)
Changes in the year:			
Service cost	193,977	-	193,977
Interest on the total pension liability	566,474	-	566,474
Changes of assumptions	552,904	-	552,904
Difference between expected and actual experience	177,780	-	177,780
Benefit payments, including refunds of member contributions	(428,359)	(428,359)	-
Contributions - employer	-	348,656	(348,656)
Contributions - employee	-	-	-
Net investment income	-	(1,370,500)	1,370,500
Administrative expense	-	(17,388)	17,388
Net Changes	1,062,776	(1,467,591)	2,530,367
Balance at June 30, 2023	\$ 10,521,086	\$ 8,097,881	\$ 2,423,205

At June 30, 2022 (measurement date 2021), 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, 2021	\$ 9,082,342	\$ 7,612,681	\$ 1,469,661
Changes in the year:			
Service cost	201,071	-	201,071
Interest on the total pension liability	590,139	-	590,139
Changes of assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Benefit payments, including refunds of member contributions	(415,242)	(415,242)	-
Contributions - employer	-	358,879	(358,879)
Contributions - employee	-	-	-
Net investment income	-	2,025,536	(2,025,536)
Administrative expense	-	(16,382)	16,382
Net Changes	375,968	1,952,791	(1,576,823)
Balance at June 30, 2022	\$ 9,458,310	\$ 9,565,472	\$ (107,162)

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, 2023 and 2022

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, 2023 and 2022, SDTI recognized pension expense of \$8,153,663 and \$1,434,877, respectively. At June 30, 2023 and 2022, SDTI reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS Plans			
	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 6,229,147	\$ -	\$ 5,769,619	\$ -
Difference between expected and actual experience	667,417	(480,294)	1,269,483	(317,006)
Changes in assumptions	6,302,174	-	-	(195,434)
Net difference between projected and actual earnings on pension plan investments	8,051,866	-	-	(15,437,677)
Total	<u>\$ 21,250,604</u>	<u>\$ (480,294)</u>	<u>\$ 7,039,102</u>	<u>\$ (15,950,117)</u>

	PARS Plan			
	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 318,025	\$ -	\$ 348,656	\$ -
Difference between expected and actual experience	109,403	-	-	(43,737)
Changes in assumptions	340,249	-	-	(27,362)
Net difference between projected and actual earnings on pension plan investments	758,452	-	-	(1,038,809)
Total	<u>\$ 1,526,129</u>	<u>\$ -</u>	<u>\$ 348,656</u>	<u>\$ (1,109,908)</u>

The combined \$6,547,172 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, 2024 compared to \$6,118,275 for the previous year.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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, 2022, 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
2024	\$ 3,364,917	\$ 428,867
2025	2,693,089	309,222
2026	2,082,741	81,705
2027	6,400,416	388,310
2028	-	-
Total	<u>\$ 14,541,163</u>	<u>\$ 1,208,104</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
2023	\$ (3,620,133)	\$ (315,114)
2024	(3,035,499)	(240,477)
2025	(3,707,327)	(247,710)
2026	(4,317,675)	(306,607)
2027	-	-
Total	<u>\$ (14,680,634)</u>	<u>\$ (1,109,908)</u>

Payable to the Pension Plan

At June 30, 2023, SDTI reported a payable of \$91,881 to CalPERS and \$4,940 to PARS for the outstanding amount of contributions to the pension plans required for the fiscal year compared to \$279,650 payable to CalPERS and \$4,626 payable to PARS for the year ended June 30, 2022.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 12 – Employee Retirement Systems (Continued)**D. SDTC****General Information about the Pension Plans**

Plan Description - The San Diego Transit Corporation Employees' Retirement Plan (the "Plan") is a single employer defined benefit plan which is currently open to all full-time non-contract employees and certain part-time non-contract employees who have completed one year of service in which they have worked at least 1,000 hours. 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, but remains open for non-contract employees.

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 and disability benefits and annual cost-of-living adjustments for Plan members as well as joint-survivor benefits to 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, 2023 are as follows:

	San Diego Transit Pension Plan – Non-Contract Employees	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
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%	7.75%
Required employer contribution rates	69.09%	69.34%
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%
Cost of living adjustment		

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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	69.09%	69.09%
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, 2023 and 2022 (measurement date 2022 and 2021), the following employees were covered by the benefit terms for the Plan:

	2023	2022
Inactive employees or beneficiaries currently receiving benefits	1,058	1,048
Inactive employees entitled to but not yet receiving benefits	184	192
Active employees	331	355

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, 2022 (measurement date), the active employee contribution rate is 7.75–8.00% of annual pay, and the average employer’s contribution rate is 69.15% of annual payroll compared to 6.25–8.00% and 66.43% for the previous year.

For the year ended June 30, 2023 and 2022 (measurement date 2022 and 2021), the contributions recognized as part of pension expense for the Plan were as follows:

	2023	2022
Contributions - employer	\$ 15,838,082	\$ 23,718,402
Contributions - employees	1,621,654	1,950,898

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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, 2022, using an annual actuarial valuation as of July 1, 2022.

Actuarial Assumptions – The total pension liabilities in the July 1, 2022 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	July 1, 2022
Measurement Date	July 1, 2022
Actuarial Cost Method	Individual entry age to final decrement
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.50%
Projected Salary Increase	2.75% plus merit component based on employee classification and years of service
Investment Rate of Return (1)	6.00%
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	2.50%

(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 discount rate decreased from 6.75% to 6.00%. In the prior year, the inflation rate decreased from 2.75% to 2.50%. In the prior year, the expected rate of return on assets decreased from 6.75% to 6.00%. In the prior year, the COLA increase changed from 2.00% to 2.50%.

Discount Rate – The discount rate used to measure the Total Pension Liability was 6.00%.

SDTC has 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 (15 years remaining as of the July 1, 2022 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, 2023 and 2022

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 6.00% 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	Target Allocation	Real Return (a)
United States Equity	25.00%	4.30%
International Equity	20.00%	6.85%
Fixed Income	35.00%	1.50%
Alternatives (Multi-Asset)	20.00%	3.50%

(a) an expected inflation of 2.5% is used.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability for the SDTC Plan as of June 30, 2023 and 2022, 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:

	2023	2022
1% Decrease	5.00%	5.00%
Net Pension Liability	\$ 196,007,935	\$ 162,106,744
Current Discount Rate	6.00%	6.00%
Net Pension Liability	\$ 160,271,145	\$ 126,795,212
1% Increase	7.00%	7.00%
Net Pension Liability	\$ 129,904,478	\$ 96,791,474

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

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

At June 30, 2023 (measurement date 2022), 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, 2022	\$ 331,267,043	\$ 204,471,831	\$ 126,795,212
Changes in the year:			
Service cost	3,612,367	-	3,612,367
Interest on the total pension liability	19,441,516	-	19,441,516
Changes of assumptions	-	-	-
Difference between expected and actual experience	4,856,802	-	4,856,802
Benefit payments, including refunds of member contributions	(22,029,157)	(22,029,157)	-
Contributions - employer	-	15,838,082	(15,838,082)
Contributions - employee	-	1,621,654	(1,621,654)
Net investment income	-	(22,759,878)	22,759,878
Administrative expense	-	(265,106)	265,106
Net Changes	5,881,528	(27,594,405)	33,475,933
Balance at June 30, 2023	\$ 337,148,571	\$ 176,877,426	\$ 160,271,145

At June 30, 2022 (measurement date 2021), 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, 2021	\$ 315,167,505	\$ 165,921,800	\$ 149,245,705
Changes in the year:			
Service cost	3,087,757	-	3,087,757
Interest on the total pension liability	20,767,402	-	20,767,402
Changes of assumptions	10,215,184	-	10,215,184
Difference between expected and actual experience	3,560,873	-	3,560,873
Benefit payments, including refunds of member contributions	(21,531,678)	(21,531,678)	-
Contributions - employer	-	23,718,402	(23,718,402)
Contributions - employee	-	1,950,898	(1,950,898)
Net investment income	-	34,664,950	(34,664,950)
Administrative expense	-	(252,541)	252,541
Net Changes	16,099,538	38,550,031	(22,450,493)
Balance at June 30, 2022	\$ 331,267,043	\$ 204,471,831	\$ 126,795,212

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, 2023 and 2022

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, 2023 and 2022, SDTC recognized pension expense of \$24,550,685 and \$14,494,898, respectively. At June 30, 2023 and 2022, SDTC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 16,125,384	\$ -	\$ 15,838,082	\$ -
Changes in assumptions	-	-	5,107,592	-
Difference between expected and actual experience	2,428,401	-	1,780,436	-
Net difference between projected and actual earnings on pension plan investments	19,047,146	-	-	(10,175,811)
Total	<u>\$ 37,600,931</u>	<u>\$ -</u>	<u>\$ 22,726,110</u>	<u>\$ (10,175,811)</u>

The \$16,125,384 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, 2024 compared to \$15,838,082 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
2024	\$ 7,615,102
2025	4,573,587
2026	2,309,805
2027	6,977,053
2028	-
Total	<u>\$ 21,475,547</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
2023	\$ 5,573,283
2024	(1,790,352)
2025	(2,403,466)
2026	(4,667,248)
2027	-
Total	<u>\$ (3,287,783)</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 12 – Employee Retirement Systems (Continued)**D. SDTC (Continued)****Payable to the Pension Plan**

At June 30, 2023, SDTC reported a payable of \$1,302,826 for the outstanding amount of contributions to the pension plan required for the fiscal year compared to \$1,333,025 for the year ended June 30, 2022.

Note 13 – Other Required Individual Disclosures**A. Deficit Net Position**

Contracted Services, SDTC and SDTI had unrestricted net position (deficits) of \$(10,405,627) \$(156,427,544) and \$(12,140,608) as of June 30, 2023 compared to \$(10,417,378), \$(148,557,425) and \$(10,940,649) for the year ended June 30, 2022. These deficits are primarily a result of the implementation of GASB 68 (pension) 75 (OPEB), and 87 (leases) 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.

Note 14 – Net Investment in Capital Assets

For the years ended June 30, 2023 and 2022, the net investment in capital assets consisted of the following:

	<u>2023</u>	<u>2022 (as restated)</u>
Capital assets, net	\$ 3,365,458,553	\$ 3,486,341,576
Less: retentions payable	(897,501)	(9,043)
Less: lease liabilities	(10,884,801)	(11,155,700)
Less: subscription liabilities	(2,357,993)	(1,179,045)
Net investment in capital assets	<u>\$ 3,351,318,258</u>	<u>\$ 3,473,997,788</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

Note 15 – Restatement of Net Position

As a result of implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* as well as SANDAG adjusting MTS’s capital contribution number after the prior year ACFR was published, net position as of July 1, 2022 was restated as follows:

	Originally Reported	GASB 96 SBITA Adjustments	Capital Contribution Adjustments	As Restated
Prepaid items and other current assets	\$ 4,185,608	\$ (550,991)	\$ -	\$ 3,634,617
Capital assets, net of accumulated depreciation and amortization	3,495,960,410	-	(11,375,455)	3,484,584,955
Subscription assets, net of accumulated amortization	-	1,756,621	-	1,756,621
Subscription payable, current	-	(556,465)	-	(556,465)
Subscription payable, non-current	-	(622,580)	-	(622,580)
Total adjustments		26,585	(11,375,455)	
Net position	<u>\$ 3,494,539,076</u>	<u>\$ 26,585</u>	<u>\$ (11,375,455)</u>	<u>\$ 3,483,190,206</u>
	Originally Reported	GASB 96 SBITA Adjustments	Capital Contribution Adjustments	As Restated
Outside services	\$ 118,280,875	\$ (745,670)	\$ -	\$ 117,535,205
Depreciation and amortization	171,822,930	706,176	(277,741)	172,251,365
Interest expense	538,322	12,909	-	551,231
Capital contributions	1,618,702,719	-	(11,653,196)	1,607,049,523
Total adjustments		(26,585)	(11,375,455)	
Net position	<u>\$ 3,494,539,076</u>	<u>\$ 26,585</u>	<u>\$ (11,375,455)</u>	<u>\$ 3,483,190,206</u>

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**REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)**

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited)
For the Years Ended June 30, 2023 and 2022

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

MTS
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2022	2021	2020	2019	2018
Proportion of the net pension liability	0.37942%	0.43072%	0.35975%	0.35122%	0.34449%
Proportionate share of the net pension liability	\$ 17,754,063	\$ 8,178,565	\$ 15,174,709	\$ 14,064,659	\$ 12,982,663
Covered payroll	\$ 14,346,741	\$ 14,166,669	\$ 13,715,993	\$ 12,892,323	\$ 12,873,186
Proportionate share of the net pension liability as percentage of covered payroll	123.75%	57.73%	110.64%	109.09%	100.85%
Plan's fiduciary net position as percentage of the total pension liability	75.69%	87.57%	74.92%	75.16%	75.65%
Proportionate share of aggregate employer contributions	\$ 2,867,564	\$ 2,265,608	\$ 2,024,949	\$ 1,763,681	\$ 1,536,182

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

MTS
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2017	2016	2015	2014
Proportion of the net pension liability	0.34040%	0.33571%	0.35383%	0.33427%
Proportionate share of the net pension liability	\$ 13,418,753	\$ 11,661,984	\$ 9,707,169	\$ 8,261,550
Covered payroll	\$ 11,809,510	\$ 11,078,469	\$ 9,954,718	\$ 9,277,782
Proportionate share of the net pension liability as percentage of covered payroll	113.63%	105.27%	97.51%	89.05%
Plan's fiduciary net position as percentage of the total pension liability	72.65%	72.53%	75.07%	77.50%
Proportionate share of aggregate employer contributions	\$ 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, 2023 and 2022

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

Measurement Period, Year Ended June 30:	2022	2021	2020	2019	2018
Total Pension Liability					
Service cost	\$ 5,576,840	\$ 4,670,260	\$ 4,479,774	\$ 4,304,517	\$ 4,029,579
Interest on total pension liability	13,189,942	12,372,042	11,672,869	10,947,906	10,112,324
Difference between expected and actual experience	(392,728)	(284,762)	355,799	2,647,270	(498,533)
Changes in assumptions	7,877,718	-	-	-	(1,064,034)
Changes in benefit terms	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(7,069,799)	(6,645,332)	(5,723,615)	(5,389,412)	(5,090,945)
Net change in total pension liability	19,181,973	10,112,208	10,784,827	12,510,281	7,488,391
Total pension liability - beginning	184,420,051	174,307,843	163,523,016	151,012,735	143,524,344
Total pension liability - ending (a)	<u>\$ 203,602,024</u>	<u>\$ 184,420,051</u>	<u>\$ 174,307,843</u>	<u>\$ 163,523,016</u>	<u>\$ 151,012,735</u>
Plan fiduciary net position					
Contributions - employer	\$ 5,769,619	\$ 5,237,955	\$ 4,532,160	\$ 3,824,864	\$ 3,342,623
Contributions - employee	2,366,931	2,398,196	2,108,348	2,075,270	2,034,672
Net investment income	(12,824,227)	31,172,082	6,512,893	8,009,279	9,482,977
Benefit payments, including refunds of employee contributions	(7,069,799)	(6,645,332)	(5,723,615)	(5,389,412)	(5,090,945)
Net plan to plan resource movement	-	-	-	(86,676)	(281)
Administrative expense	(105,380)	(136,995)	(183,118)	281	(506,849)
Net change in plan fiduciary net position	(11,862,856)	32,025,906	7,246,668	8,433,606	9,262,197
Plan fiduciary net position - beginning	169,165,966	137,140,060	129,893,392	121,459,786	112,197,589
Plan fiduciary net position - ending (b)	<u>\$ 157,303,110</u>	<u>\$ 169,165,966</u>	<u>\$ 137,140,060</u>	<u>\$ 129,893,392</u>	<u>\$ 121,459,786</u>
Net pension liability - ending (a) - (b)	\$ 46,298,914	\$ 15,254,085	\$ 37,167,783	\$ 33,629,624	\$ 29,552,949
Plan fiduciary net position as a percentage of the total pension liability	77.26%	91.73%	78.68%	79.43%	80.43%
Covered payroll	\$ 35,512,059	\$ 33,604,962	\$ 31,913,060	\$ 29,886,251	\$ 27,790,199
Plan net pension liability as a percentage of covered payroll	130.38%	45.39%	116.47%	112.53%	106.34%

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 (measurement date)

*2022 - Discount rate decreased to 7.15 percent from 6.90 percent; inflation decreased from 2.50% to 2.30%; payroll increased from 2.75% to 2.80%

*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, 2023 and 2022

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

Measurement Period, Year Ended June 30:	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 3,882,206	\$ 3,580,302	\$ 3,615,793	\$ 3,721,950
Interest on total pension liability	9,611,237	9,201,415	8,554,525	7,982,614
Difference between expected and actual experience	(2,759,754)	375,697	(510,309)	-
Changes in assumptions	8,593,509	-	(2,274,755)	-
Changes in benefit terms	-	-	-	-
Benefit payments, including refunds of employee contributions	(4,901,765)	(4,345,171)	(3,799,240)	(3,155,596)
Net change in total pension liability	14,425,433	8,812,243	5,586,014	8,548,968
Total pension liability - beginning	129,098,911	120,286,668	114,700,654	106,151,686
Total pension liability - ending (a)	\$ 143,524,344	\$ 129,098,911	\$ 120,286,668	\$ 114,700,654
Plan fiduciary net position				
Contributions - employer	\$ 2,835,680	\$ 2,659,911	\$ 2,553,900	\$ 2,498,345
Contributions - employee	1,806,506	1,778,990	1,839,206	2,179,194
Net investment income	11,214,548	628,353	2,204,904	14,416,106
Benefit payments, including refunds of employee contributions	(4,901,765)	(4,345,171)	(3,799,240)	(3,155,596)
Net plan to plan resource movement	-	-	-	-
Administrative expense	(149,699)	(61,391)	(113,387)	-
Net change in plan fiduciary net position	10,805,270	660,692	2,685,383	15,938,049
Plan fiduciary net position - beginning	101,392,319	100,731,627	98,046,244	82,108,195
Plan fiduciary net position - ending (b)	\$ 112,197,589	\$ 101,392,319	\$ 100,731,627	\$ 98,046,244
Net pension liability - ending (a) - (b)	\$ 31,326,755	\$ 27,706,592	\$ 19,555,041	\$ 16,654,410
Plan fiduciary net position as a percentage of the total pension liability	78.17%	78.54%	83.74%	85.48%
Covered payroll	\$ 26,643,371	\$ 27,247,357	\$ 26,965,416	\$ 26,268,261
Plan net pension liability as a percentage of covered payroll	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, 2020 valuation date.

Changes of assumptions (measurement date)

*2022 - Discount rate decreased to 7.15 percent from 6.90 percent; inflation decreased from 2.50% to 2.30%; payroll increased from 2.75% to 2.80%

*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

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San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022

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

Measurement Period, Year Ended June 30:	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 193,977	\$ 201,071	\$ 195,690	\$ 226,689	\$ 198,627	\$ 230,296	\$ 223,588	\$ 267,889
Interest on total pension liability	566,474	590,139	591,918	565,523	587,363	556,089	523,457	480,808
Difference between expected and actual experience	177,780	-	(262,427)	-	(652,788)	-	(166,133)	-
Changes in assumptions	552,904	-	(164,168)	-	473,927	-	321,921	-
Changes in benefit terms	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(428,359)	(415,242)	(372,953)	(337,875)	(313,613)	(302,460)	(273,201)	(229,364)
Net change in total pension liability	1,062,776	375,968	(11,940)	454,337	293,516	483,925	629,632	519,333
Total pension liability - beginning	9,458,310	9,082,342	9,094,282	8,639,945	8,346,429	7,862,504	7,232,872	6,713,539
Total pension liability - ending (a)	\$10,521,086	\$ 9,458,310	\$ 9,082,342	\$ 9,094,282	\$ 8,639,945	\$ 8,346,429	\$ 7,862,504	\$ 7,232,872
Plan fiduciary net position								
Contributions - employer	\$ 348,656	\$ 358,879	\$ 436,518	\$ 443,125	\$ 549,296	\$ 605,864	\$ 547,473	\$ 590,203
Contributions - employee	-	-	-	-	-	-	-	-
Net investment income	(1,370,500)	2,025,536	186,614	413,503	458,921	638,858	(59,981)	127,592
Benefit payments, including refunds of employee contributions	(428,359)	(415,242)	(372,953)	(337,875)	(313,613)	(302,460)	(273,201)	(229,364)
Administrative expense	(17,388)	(16,382)	(15,143)	(14,630)	(17,012)	(13,417)	(14,665)	(12,186)
Net change in plan fiduciary net position	(1,467,591)	1,952,791	235,036	504,123	677,592	928,845	199,626	476,245
Plan fiduciary net position - beginning	9,565,472	7,612,681	7,377,645	6,873,522	6,195,930	5,267,085	5,067,459	4,591,214
Plan fiduciary net position - ending (b)	\$ 8,097,881	\$ 9,565,472	\$ 7,612,681	\$ 7,377,645	\$ 6,873,522	\$ 6,195,930	\$ 5,267,085	\$ 5,067,459
Net pension liability (asset) - ending (a) - (b)	\$ 2,423,205	\$ (107,162)	\$ 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	76.97%	101.13%	83.82%	81.12%	79.56%	74.23%	66.99%	70.06%
Covered payroll	\$ 3,927,255	\$ 4,471,089	\$ 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	61.70%	-2.40%	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 (measurement date):

- *2022 - Investment rate of return decreased from 6.50 to 6.00 percent.
- *2022 - Discount rate decreased from 6.50 to 6.00 percent
- *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, 2023 and 2022

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

SDTC PLAN
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2022	2021	2020	2019	2018
Total Pension Liability					
Service cost	\$ 3,612,367	\$ 3,087,757	\$ 3,326,248	\$ 3,345,262	\$ 3,559,738
Interest on total pension liability	19,441,516	20,767,402	20,793,979	20,568,075	20,325,978
Difference between expected and actual experience	4,856,802	3,560,873	(3,159,945)	3,139,304	(240,474)
Changes in assumptions	-	10,215,184	-	7,536,766	(640,322)
Changes in benefit terms	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(22,029,157)	(21,531,678)	(20,712,755)	(19,969,862)	(18,715,199)
Net change in total pension liability	5,881,528	16,099,538	247,527	14,619,545	4,289,721
Total pension liability - beginning	331,267,043	315,167,505	314,919,978	300,300,433	296,010,712
Total pension liability - ending (a)	<u>\$ 337,148,571</u>	<u>\$ 331,267,043</u>	<u>\$ 315,167,505</u>	<u>\$ 314,919,978</u>	<u>\$ 300,300,433</u>
Plan fiduciary net position					
Contributions - employer	\$ 15,838,082	\$ 23,718,402	\$ 14,709,528	\$ 13,633,181	\$ 13,020,223
Contributions - employee	1,621,654	1,950,898	2,017,164	2,074,025	1,751,616
Net investment income	(22,759,878)	34,664,950	24,666	8,415,801	8,792,300
Benefit payments, including refunds of employee contributions	(22,029,157)	(21,531,678)	(20,712,755)	(19,969,862)	(18,715,199)
Administrative expense	(265,106)	(252,541)	(256,420)	(252,585)	(244,890)
Net change in plan fiduciary net position	(27,594,405)	38,550,031	(4,217,817)	3,900,560	4,604,050
Plan fiduciary net position - beginning	204,471,831	165,921,800	170,139,617	166,239,057	161,635,007
Plan fiduciary net position - ending (b)	<u>\$ 176,877,426</u>	<u>\$ 204,471,831</u>	<u>\$ 165,921,800</u>	<u>\$ 170,139,617</u>	<u>\$ 166,239,057</u>
Net pension liability - ending (a) - (b)	\$ 160,271,145	\$ 126,795,212	\$ 149,245,705	\$ 144,780,361	\$ 134,061,376
Plan fiduciary net position as a percentage of the total pension liability	52.46%	61.72%	52.65%	54.03%	55.36%
Covered payroll	\$ 25,059,762	\$ 24,891,340	\$ 25,826,289	\$ 27,121,687	\$ 29,672,305
Plan net pension liability as a percentage of covered payroll	639.56%	509.39%	577.88%	533.82%	451.81%

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, 2021 valuation date.

Changes of assumptions (measurement date)

*2021 - Expected rate of return on assets decreased from 6.75 to 6.0 percent

*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, 2023 and 2022

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)

SDTC PLAN
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 3,660,961	\$ 3,469,595	\$ 3,590,766	\$ 3,908,376
Interest on total pension liability	19,885,608	18,865,499	18,434,275	17,812,979
Difference between expected and actual experience	1,185,687	(2,174,475)	812,878	2,905,692
Changes in assumptions	-	29,699,872	-	-
Changes in benefit terms	-	-	-	-
Benefit payments, including refunds of employee contributions	(17,977,346)	(17,350,158)	(16,584,043)	(15,466,924)
Net change in total pension liability	6,754,910	32,510,333	6,253,876	9,160,123
Total pension liability - beginning	289,255,802	256,745,469	250,491,593	241,331,470
Total pension liability - ending (a)	\$ 296,010,712	\$ 289,255,802	\$ 256,745,469	\$ 250,491,593
Plan fiduciary net position				
Contributions - employer	\$ 12,649,101	\$ 10,711,282	\$ 11,352,628	\$ 12,628,190
Contributions - employee	2,047,593	1,754,869	1,363,092	899,791
Net investment income	12,216,936	(540,093)	(2,018,866)	18,417,439
Benefit payments, including refunds of employee contributions	(17,977,346)	(17,350,158)	(16,584,043)	(15,466,924)
Administrative expense	(234,128)	(290,381)	(262,808)	(258,142)
Net change in plan fiduciary net position	8,702,156	(5,714,481)	(6,149,997)	16,220,354
Plan fiduciary net position - beginning	152,932,851	158,647,332	164,797,329	148,576,975
Plan fiduciary net position - ending (b)	\$ 161,635,007	\$ 152,932,851	\$ 158,647,332	\$ 164,797,329
Net pension liability - ending (a) - (b)	\$ 134,375,705	\$ 136,322,951	\$ 98,098,137	\$ 85,694,264
Plan fiduciary net position as a percentage of the total pension liability	54.60%	52.87%	61.79%	65.79%
Covered payroll	\$ 31,660,643	\$ 31,048,663	\$ 32,658,827	\$ 32,313,553
Plan net pension liability as a percentage of covered payroll	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, 2021 valuation date.

Changes of assumptions (measurement date)

*2021 - Expected rate of return on assets decreased from 6.75 to 6.0 percent

*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)
Last Ten Fiscal Years**

**SCHEDULE OF CONTRIBUTIONS
MTS**

Fiscal Year Ended June 30:	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 2,960,147	\$ 2,772,487	\$ 2,580,445	\$ 2,320,104	\$ 2,041,117
Contributions in relation to the actuarially determined contribution	(2,960,147)	(2,772,487)	(2,580,445)	(2,320,104)	(2,041,117)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 15,217,610	\$ 14,346,741	\$ 14,166,669	\$ 13,715,993	\$ 12,892,323
Contributions as a percentage of covered payroll	19.45%	19.32%	18.21%	16.92%	15.83%

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 2023 were derived from the June 30, 2020 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2020 Funding Valuation Report
Asset valuation method	Market value of assets
Inflation	2.500%
Salary increases	Varies based on entry age and service
Payroll growth	2.750%
Investment rate of return	7.00% 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.

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
Last Ten Fiscal Years

SCHEDULE OF CONTRIBUTIONS (CONTINUED)

MTS

Fiscal Year Ended June 30:	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,896,639	\$ 1,731,711	\$ 1,582,497	\$ 1,559,846	\$ 1,537,079
Contributions in relation to the actuarially determined contribution	(1,896,639)	(1,731,711)	(1,582,497)	(1,559,846)	(1,537,079)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,873,186	\$ 11,809,510	\$ 11,078,469	\$ 9,954,718	\$ 9,277,782
Contributions as a percentage of covered payroll	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 2023 were derived from the June 30, 2020 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2020 Funding Valuation Report
Asset valuation method	Market value of assets
Inflation	2.500%
Salary increases	Varies based on entry age and service
Payroll growth	2.750%
Investment rate of return	7.00% 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.

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
Last Ten Fiscal Years

SCHEDULE OF CONTRIBUTIONS
SDTI CALPERS PLAN

Fiscal Year Ended June 30:	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 6,229,147	\$ 5,769,619	\$ 5,237,955	\$ 4,532,160	\$ 3,824,864
Contributions in relation to the actuarially determined contribution	(6,229,147)	(5,769,619)	(5,237,955)	(4,532,160)	(3,824,864)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 37,077,411	\$ 35,512,059	\$ 33,604,962	\$ 31,913,060	\$ 29,886,251
Contributions as a percentage of covered payroll	16.80%	16.25%	15.59%	14.20%	12.80%

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 2023 were derived from the June 30, 2019 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2019 Funding Valuation Report
Asset valuation method	Fair value of assets
Inflation	2.500%
Salary increases	Varies based on entry age and service
Payroll growth	2.750%
Investment rate of return	7.0% 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.

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
Last Ten Fiscal Years

SCHEDULE OF CONTRIBUTIONS (CONTINUED)
SDTI CALPERS PLAN

Fiscal Year Ended June 30:	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 3,266,081	\$ 2,835,680	\$ 2,659,911	\$ 2,553,900	\$ 2,498,345
Contributions in relation to the actuarially determined contribution	<u>(3,266,081)</u>	<u>(2,835,680)</u>	<u>(2,659,911)</u>	<u>(2,553,900)</u>	<u>(2,498,345)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 27,790,199	\$ 26,643,371	\$ 27,247,357	\$ 26,965,416	\$ 26,268,261
Contributions as a percentage of covered payroll	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 2023 were derived from the June 30, 2019 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2019 Funding Valuation Report
Asset valuation method	Fair value of assets
Inflation	2.500%
Salary increases	Varies based on entry age and service
Payroll growth	2.750%
Investment rate of return	7.0% 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.

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
Last Ten Fiscal Years

SCHEDULE OF CONTRIBUTIONS
SDTI PARS PLAN

Fiscal Year Ended June 30:	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 312,672	\$ 334,820	\$ 381,185	\$ 408,250	\$ 459,504
Contributions in relation to the actuarially determined contribution	<u>(318,025)</u>	<u>(348,656)</u>	<u>(358,878)</u>	<u>(418,735)</u>	<u>(435,748)</u>
Contribution deficiency (excess)	<u>\$ (5,353)</u>	<u>\$ (13,836)</u>	<u>\$ 22,307</u>	<u>\$ (10,485)</u>	<u>\$ 23,756</u>
Covered payroll	\$ 3,466,427	\$ 3,927,255	\$ 4,471,089	\$ 4,351,424	\$ 4,909,640
Contributions as a percentage of covered payroll	9.17%	8.88%	8.03%	9.62%	8.88%

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 2023 were derived from the June 30, 2021 funding valuation report.

Valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Amortization period	12 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	6.00%

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
Last Ten Fiscal Years

SCHEDULE OF CONTRIBUTIONS (CONTINUED)
SDTI PARS PLAN

Fiscal Year Ended June 30:	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 460,930	\$ 499,993	\$ 445,465	\$ 546,873	\$ 463,079
Contributions in relation to the actuarially determined contribution	(549,296)	(605,864)	(547,473)	(590,203)	(453,934)
Contribution deficiency (excess)	<u>\$ (88,366)</u>	<u>\$ (105,871)</u>	<u>\$ (102,008)</u>	<u>\$ (43,330)</u>	<u>\$ 9,145</u>
Covered payroll	\$ 4,766,641	\$ 5,170,611	\$ 5,020,011	\$ 4,943,557	\$ 5,984,089
Contributions as a percentage of covered payroll	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 2023 were derived from the June 30, 2021 funding valuation report.

Valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Amortization period	12 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	6.00%

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
Last Ten Fiscal Years

SCHEDULE OF CONTRIBUTIONS
SDTC PLAN

Fiscal Year Ended June 30:	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 16,125,384	\$ 15,838,082	\$ 17,585,592	\$ 14,709,813	\$ 13,633,181
Contributions in relation to the actuarially determined contribution	<u>(16,125,384)</u>	<u>(15,838,082)</u>	<u>(23,718,402)</u>	<u>(14,709,813)</u>	<u>(13,633,181)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,132,810)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 23,631,077	\$ 25,059,762	\$ 24,891,340	\$ 25,826,289	\$ 27,121,687
Contributions as a percentage of covered payroll	68.24%	63.20%	95.29%	56.96%	50.27%

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 2023 were derived from the July 1, 2020 funding valuation report.

Valuation date	July 1, 2020
Actuarial cost method	Entry Age
Amortization method/period	Level percent of payroll, closed 25-year period
Asset valuation method	5-year smoothed market
Salary increases	2.75% plus merit component based on employee classification and years of services
Investment rate of return	6.75% net of pension plan investment expenses
Mortality	Actives: RP-2000 tables using male rates for both male and female members with generational improvements using scale MP-2015

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
Last Ten Fiscal Years

SCHEDULE OF CONTRIBUTIONS (CONTINUED)
SDTC PLAN

Fiscal Year Ended June 30:	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 13,020,223	\$ 12,649,101	\$ 10,711,282	\$ 11,352,628	\$ 12,628,190
Contributions in relation to the actuarially determined contribution	<u>(13,020,223)</u>	<u>(12,649,101)</u>	<u>(10,711,282)</u>	<u>(11,352,628)</u>	<u>(12,628,190)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 29,672,305	\$ 31,660,643	\$ 31,048,663	\$ 32,658,827	\$ 32,313,553
Contributions as a percentage of covered payroll	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 2023 were derived from the July 1, 2020 funding valuation report.

Valuation date	July 1, 2020
Actuarial cost method	Entry Age
Amortization method/period	Level percent of payroll, closed 25-year period
Asset valuation method	5-year smoothed market
Salary increases	2.75% plus merit component based on employee classification and years of services
Investment rate of return	6.75% net of pension plan investment expenses
Mortality	Actives: RP-2000 tables using male rates for both male and female members with generational improvements using scale MP-2015

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2023 and 2022

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

MTS
(LAST TEN YEARS*)

Measurement period, year ended June 30:	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 714,088	\$ 559,935	\$ 544,949	\$ 452,623	\$ 450,678	\$ 504,282
Interest	200,714	211,713	217,111	224,774	203,185	171,522
Change of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	-	(31,742)	(206,133)	(324,826)	-	-
Change in assumptions	(2,608,790)	465,523	610,704	139,049	(104,394)	(566,410)
Benefit payments, including refunds of member contributions	(110,701)	(112,510)	(117,063)	(111,141)	(99,520)	(96,621)
Net change in total OPEB liability	(1,804,689)	1,092,919	1,049,568	380,479	449,949	12,773
Total OPEB liability - beginning	8,548,040	7,455,121	6,405,553	6,025,074	5,575,125	5,562,352
Total OPEB liability - ending (a)	\$ 6,743,351	\$ 8,548,040	\$ 7,455,121	\$ 6,405,553	\$ 6,025,074	\$ 5,575,125
OPEB fiduciary net position						
Contributions - employer	\$ 110,701	\$ 112,510	\$ 117,063	\$ 111,141	\$ 99,520	\$ 96,621
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(110,701)	(112,510)	(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)	\$ 6,743,351	\$ 8,548,040	\$ 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%	0.00%	0.00%
Covered-employee payroll	\$ 14,503,909	\$ 14,147,812	\$ 12,699,847	\$ 13,522,496	\$ 12,763,760	\$ 12,392,000
Plan net OPEB liability as a percentage of covered payroll	46.49%	60.42%	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, 2023 and 2022

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

SDTI
(LAST TEN YEARS*)

Measurement period, year ended June 30:	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 749,568	\$ 577,191	\$ 561,743	\$ 442,873	\$ 440,969	\$ 493,375
Interest	317,424	386,140	412,287	415,912	389,043	336,668
Change of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	-	(1,764,102)	(351,313)	230,450	-	-
Change in assumptions	(3,912,097)	832,716	997,581	238,432	(168,207)	(956,245)
Benefit payments, including refunds of member contributions	(138,350)	(181,540)	(233,181)	(251,166)	(194,710)	(189,039)
Net change in total OPEB liability	(2,983,455)	(149,595)	1,387,117	1,076,501	467,095	(315,241)
Total OPEB liability - beginning	13,879,939	14,029,534	12,642,417	11,565,916	11,098,821	11,414,062
Total OPEB liability - ending (a)	\$ 10,896,484	\$ 13,879,939	\$ 14,029,534	\$ 12,642,417	\$ 11,565,916	\$ 11,098,821
OPEB fiduciary net position						
Contributions - employer	\$ 138,350	\$ 181,540	\$ 233,181	\$ 251,166	\$ 194,710	\$ 189,039
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(138,350)	(181,540)	(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)	\$ 10,896,484	\$ 13,879,939	\$ 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%	0.00%	0.00%
Covered-employee payroll	\$ 35,758,575	\$ 33,827,843	\$ 32,204,645	\$ 34,000,928	\$ 31,280,070	\$ 30,369,000
Plan net OPEB liability as a percentage of covered payroll	30.47%	41.03%	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, 2023 and 2022

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

Measurement period, year ended June 30:	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service Cost	\$ 2,246,032	\$ 1,354,186	\$ 1,317,943	\$ 1,180,991	\$ 1,176,005	\$ 1,317,293
Interest	721,320	879,890	947,591	1,056,425	1,000,292	875,283
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	-	(1,192,985)	(424,383)	(2,478,929)	-	-
Changes in assumptions	(8,349,207)	(907,986)	2,156,592	1,027,981	(421,922)	(2,399,513)
Benefit payments, including refunds of member contributions	(977,243)	(1,052,058)	(1,022,172)	(1,035,246)	(957,045)	(929,170)
Net change in total OPEB liability	(6,359,098)	(918,953)	2,975,571	(248,778)	797,330	(1,136,107)
Total OPEB liability - beginning	31,328,053	32,247,006	29,271,435	29,520,213	28,722,883	29,858,990
Total OPEB liability - ending (a)	\$ 24,968,955	\$ 31,328,053	\$ 32,247,006	\$ 29,271,435	\$ 29,520,213	\$ 28,722,883
OPEB fiduciary net position						
Contributions - employer	\$ 977,243	\$ 1,052,058	\$ 1,022,172	\$ 1,035,246	\$ 957,045	\$ 929,170
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(977,243)	(1,052,058)	(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)	\$ 24,968,955	\$ 31,328,053	\$ 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%	0.00%	0.00%
Covered-employee payroll	\$ 46,831,537	\$ 44,955,979	\$ 43,063,090	\$ 41,720,578	\$ 40,561,400	\$ 39,380,000
Plan net OPEB liability as a percentage of covered payroll	53.32%	69.69%	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 Operations

 Operations

 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, 2023

	General Operations	Contracted Services	SDTC	SDTI	Total
ASSETS					
Current assets:					
Cash, cash equivalents, and investments	\$ 234,464,758	\$ (257,103)	\$ (1,089,169)	\$ (140,030)	\$ 232,978,456
Cash, cash equivalents, and investments restricted for capital support	27,346,537	-	-	-	27,346,537
Accounts and other receivables	11,421,827	126,229	2,060,370	290,333	13,898,759
Due from other governments	121,640,507	903	27,120	457,407	122,125,937
Leases receivable	1,553,167	-	-	-	1,553,167
Internal balances	(31,618,284)	(1,647,366)	18,917,224	14,348,426	-
Inventory	-	-	4,362,288	29,959,141	34,321,429
Prepaid items and other current assets	1,220,127	50,000	903,632	437,328	2,611,087
Total current assets	366,028,639	(1,727,337)	25,181,465	45,352,605	434,835,372
Noncurrent assets:					
Lease receivable, due in more than one year	42,356,862	-	-	-	42,356,862
Capital assets, net	148,114,369	279,259,354	246,569,440	2,691,515,390	3,365,458,553
Total noncurrent assets	190,471,231	279,259,354	246,569,440	2,691,515,390	3,407,815,415
Total assets	556,499,870	277,532,017	271,750,905	2,736,867,995	3,842,650,787
DEFERRED OUTFLOWS OF RESOURCES					
Pension-related deferred outflows of resources	8,692,011	-	37,600,931	22,776,733	69,069,675
OPEB-related deferred outflows of resources	1,074,336	-	2,915,677	1,905,554	5,895,567
Total deferred outflows of resources	9,766,347	-	40,516,608	24,682,287	74,965,242
LIABILITIES					
Current liabilities:					
Accounts payable	15,115,060	7,411,001	3,028,221	4,260,180	29,814,462
Due to other governments	1,577,428	93,749	74,982	416,887	2,163,046
Unearned revenue	30,245,676	1,173,540	-	-	31,419,216
Accrued expenses	534,185	-	1,959,631	711,937	3,205,753
Retentions payable	888,935	545	4,776	3,245	897,501
Retentions payable from restricted assets	8,531,874	-	-	-	8,531,874
Due within one year:					
Lease liability	-	168,544	92,447	20,300	281,291
Subscription liability	555,733	-	-	-	555,733
Compensated absences	1,186,912	-	3,558,255	3,089,631	7,834,798
Accrued damage, injury, and employee claims	517,040	-	4,115,645	2,371,727	7,004,412
Long-term debt	-	-	1,845,000	-	1,845,000
Total current liabilities	59,152,843	8,847,379	14,678,957	10,873,907	93,553,086
Noncurrent liabilities:					
Due in more than one year:					
Lease liability	-	8,861,936	386,968	1,354,606	10,603,510
Subscription liability	1,802,260	-	-	-	1,802,260
Compensated absences	411,118	-	3,188,008	768,791	4,367,917
Accrued damage, injury, and employee claims	950,336	-	8,836,532	4,752,270	14,539,138
Aggregate net pension liability	17,754,063	-	160,271,145	48,722,119	226,747,327
Aggregate total OPEB liability	6,743,351	-	24,968,955	10,896,484	42,608,790
Total noncurrent liabilities	27,661,128	8,861,936	197,651,608	66,494,270	300,668,942
Total liabilities	86,813,971	17,709,315	212,330,565	77,368,177	394,222,028
DEFERRED INFLOWS OF RESOURCES					
Pension-related deferred inflows of resources	667,404	-	-	480,294	1,147,698
OPEB-related deferred inflows of resources	3,070,357	-	10,279,243	5,705,180	19,054,780
Lease-related deferred inflows of resources	44,335,418	-	-	-	44,335,418
Total deferred inflows of resources	48,073,179	-	10,279,243	6,185,474	64,537,896
NET POSITION					
Net investment in capital assets	144,867,441	270,228,329	246,085,249	2,690,137,239	3,351,318,258
Unrestricted (deficit)	286,511,626	(10,405,627)	(156,427,544)	(12,140,608)	107,537,847
Total net position	\$ 431,379,067	\$ 259,822,702	\$ 89,657,705	\$ 2,677,996,631	\$ 3,458,856,105

San Diego Metropolitan Transit System
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

	General Operations	Contracted Services	SDTC
Operating revenues:			
Passenger revenue	\$ -	\$ 21,150,675	\$ 19,666,167
Advertising	3,500,713	-	-
Miscellaneous	15,092,634	-	-
Total operating revenues	18,593,347	21,150,675	19,666,167
Operating expenses:			
Personnel costs	27,166,170	958,429	90,749,223
Outside services	22,695,431	88,122,192	2,485,532
Transit operations funding	197,236,772	-	-
Materials and supplies	143,463	73,821	6,730,464
Energy costs	346,796	11,377,608	11,185,887
Risk management	716,323	15,000	2,776,120
Miscellaneous	(23,909,561)	2,745,327	6,083,152
Depreciation and amortization	4,564,044	27,651,292	29,086,910
Total operating expenses	228,959,438	130,943,669	149,097,288
Operating income (loss)	(210,366,091)	(109,792,994)	(129,431,121)
Public support and nonoperating revenues (expenses):			
Federal revenue	191,051,771	27,516,463	33,132,454
Transportation Development Act (TDA) funds	131,274,182	44,699,366	8,816,718
State Transit Assistance (STA) funds	43,066,262	-	11,300,000
STA State of Good Repair	7,066,767	-	-
State revenue - other	20,076,778	46,125	-
<i>TransNet</i> funds	73,540,812	8,283,590	34,705,905
Other local subsidies	12,212,978	1,938,682	4,690,453
Investment earnings	5,055,860	-	-
Interest expense	(58,729)	(177,215)	(179,259)
Gain (loss) on disposal of assets	(129,647)	-	46,786
Total public support and nonoperating revenues (expenses)	483,157,034	82,307,011	92,513,057
Income (loss) before transfers and contributed capital	272,790,943	(27,485,983)	(36,918,064)
Transfers	(84,524,226)	-	-
Capital contributions, net	(106,603,980)	4,586,876	16,206,713
Changes in net position	81,662,737	(22,899,107)	(20,711,351)
Net Position:			
Beginning of year	349,716,330	282,721,809	110,369,056
End of year	\$ 431,379,067	\$ 259,822,702	\$ 89,657,705

San Diego Metropolitan Transit System
Combining Schedule of Revenues, Expenses, and Changes in Net Position (Continued)
For the Year Ended June 30, 2023

	SDTI	Eliminations	Total
Operating revenues:			
Passenger revenue	\$ 26,664,181	\$ -	\$ 67,481,023
Advertising	-	-	3,500,713
Miscellaneous	968,727	-	16,061,361
Total operating revenues	27,632,908	-	87,043,097
Operating expenses:			
Personnel costs	54,898,753	-	173,772,575
Outside services	11,030,214	-	124,333,369
Transit operations funding	-	(196,578,268)	658,504
Materials and supplies	10,347,045	-	17,294,793
Energy costs	28,293,151	-	51,203,442
Risk management	2,891,668	-	6,399,111
Miscellaneous	23,248,210	-	8,167,128
Depreciation and amortization	144,189,670	-	205,491,916
Total operating expenses	274,898,711	(196,578,268)	587,320,838
Operating income (loss)	(247,265,803)	196,578,268	(500,277,741)
Public support and nonoperating revenues (expenses):			
Federal revenue	36,897,141	(97,546,058)	191,051,771
Transportation Development Act (TDA) funds	38,971,606	(92,487,690)	131,274,182
State Transit Assistance (STA) funds	-	(11,300,000)	43,066,262
STA State of Good Repair	-	-	7,066,767
State revenue - other	-	(46,125)	20,076,778
<i>TransNet</i> funds	24,603,991	(73,093,486)	68,040,812
Other local subsidies	-	(6,629,135)	12,212,978
Investment earnings	-	-	5,055,860
Interest expense	(26,865)	-	(442,068)
Gain (loss) on disposal of assets	(21,597)	-	(104,458)
Total public support and nonoperating revenues (expenses)	100,424,276	(281,102,494)	477,298,884
Income (loss) before transfers and contributed capital	(146,841,527)	(84,524,226)	(22,978,857)
Transfers	-	84,524,226	-
Capital contributions, net	84,455,147	-	(1,355,244)
Changes in net position	(62,386,380)	-	(24,334,101)
Net Position:			
Beginning of year	2,740,383,011	-	3,483,190,206
End of year	\$ 2,677,996,631	\$ -	\$ 3,458,856,105

San Diego Metropolitan Transit System
Combining Schedule of Cash Flows
For the Year Ended June 30, 2023

	General Operations	Contracted Services	SDTC	SDTI	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 28,863,313	\$ 20,979,530	\$ 19,634,995	\$ 27,910,771	\$ 97,388,609
Payments to suppliers	145,473	(103,023,226)	(28,614,226)	(76,573,145)	(208,065,124)
Payments to employees	(26,597,721)	(958,429)	(80,142,949)	(49,321,287)	(157,020,386)
Payments for damage and injury	(306,824)	-	(3,339,806)	(1,628,627)	(5,275,257)
Net cash provided by (used in) operating activities	2,104,241	(83,002,125)	(92,461,986)	(99,612,288)	(272,972,158)
Cash flows from noncapital financing activities:					
Public support funds received	188,763,752	83,052,354	94,800,386	99,478,769	466,095,261
Net cash provided by noncapital financing activities	188,763,752	83,052,354	94,800,386	99,478,769	466,095,261
Cash flows from capital and related financing activities:					
Debt service costs	-	-	(3,144,512)	-	(3,144,512)
Property acquisition	(69,487,799)	(342,524)	(94,445)	(44,571)	(69,969,339)
Proceeds from disposal of assets	156,430	-	54,650	6,063	217,143
Net cash provided by (used in) capital and related financing activities	(69,331,369)	(342,524)	(3,184,307)	(38,508)	(72,896,708)
Cash flows from investing activities:					
Interest received on investments	3,145,167	-	-	-	3,145,167
Net cash provided by investing activities	3,145,167	-	-	-	3,145,167
Net increase (decrease) in cash and cash equivalents	124,681,791	(292,295)	(845,907)	(172,027)	123,371,562
Cash, cash equivalents, and investments:					
Beginning of year	137,129,504	35,192	(243,262)	31,997	136,953,431
End of year	\$ 261,811,295	\$ (257,103)	\$ (1,089,169)	\$ (140,030)	\$ 260,324,993
Cash, cash equivalents, and investments:					
Cash, cash equivalents, and investments	\$ 234,464,758	\$ (257,103)	\$ (1,089,169)	\$ (140,030)	\$ 232,978,456
Cash restricted for capital support	27,346,537	-	-	-	27,346,537
Total cash, cash equivalents, and investments	\$ 261,811,295	\$ (257,103)	\$ (1,089,169)	\$ (140,030)	\$ 260,324,993

San Diego Metropolitan Transit System
Combining Schedule of Cash Flows (Continued)
For the Year Ended June 30, 2023

	General Operations	Contracted Services	SDTC	SDTI	Total
Reconciliation of Operating (Loss) to Net Cash (Used In) Operating Activities					
Operating (loss):	\$ (13,787,823)	\$ (109,792,994)	\$ (129,431,121)	\$ (247,265,803)	\$ (500,277,741)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities					
Depreciation and amortization	4,564,044	27,651,292	29,086,910	144,189,670	205,491,916
(Increase) decrease in:					
Accounts and other receivables	(5,393,869)	177,985	(89,570)	(177,020)	(5,482,474)
Due from other governments	15,125,646	-	611	-	15,126,257
Inventory	-	-	-	(177,606)	(177,606)
Prepaid expenses and other current assets	362,638	22,825	136,278	501,789	1,023,530
Increase (decrease) in:					
Accounts payable	552,242	(691,088)	(60,931)	623,096	423,319
Due to other governments	(491,033)	(21,015)	(110,676)	(24,515)	(647,239)
Accrued expenses	74,933	-	106,600	76,198	257,731
Unearned revenue	2,244,803	(349,130)	-	-	1,895,673
Aggregate net pension liability	(1,225,869)	-	8,425,301	1,606,490	8,805,922
Aggregate total OPEB liability	552,505	-	72,847	452,073	1,077,425
Compensated absences	51,237	-	329,794	170,283	551,314
Accrued damage, injury and employee claims	(525,213)	-	(928,029)	413,057	(1,040,185)
Total adjustments	15,892,064	26,790,869	36,969,135	147,653,515	227,305,583
Net cash (used in) operating activities	\$ 2,104,241	\$ (83,002,125)	\$ (92,461,986)	\$ (99,612,288)	\$ (272,972,158)

Noncash investing, capital and financing activities:

During the year, SANDAG contributed \$23,620,737 in capital assets and inventory parts.

During the year, MTS contributed \$21,741,949 in capital assets to the City of Chula Vista.

During the year, MTS contributed \$3,234,032 in capital assets to the California Department of Transportation.

During the year, the fair value of investments decreased by \$667,909.

San Diego Metropolitan Transit System
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Combined Operations
For the Year Ended June 30, 2023

	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	\$ 70,280,253	\$ 70,840,789	\$ 67,481,023	\$ -	\$ 67,481,023	\$ (3,359,766)
Advertising	1,867,633	3,614,153	3,500,713	-	3,500,713	(113,440)
Miscellaneous operating revenues	19,835,136	16,710,461	16,061,361	(18,505)	16,042,856	(667,605)
Total operating revenues	91,983,022	91,165,403	87,043,097	(18,505)	87,024,592	(4,140,811)
Operating expenses:						
Personnel costs	162,832,584	164,121,078	173,772,575	(11,853,566)	161,919,009	2,202,069
Outside services	140,051,568	132,038,087	124,333,369	(1,634,451)	122,698,918	9,339,169
Transit operations funding	821,740	821,740	658,504	-	658,504	163,236
Materials and supplies	15,075,583	16,427,086	17,294,793	(756,155)	16,538,638	(111,552)
Energy costs	42,996,182	51,203,446	51,203,442	-	51,203,442	4
Risk management	8,562,549	7,773,340	6,399,111	1,408,665	7,807,776	(34,436)
Miscellaneous operating expenses	7,718,500	7,805,148	8,167,128	(251,221)	7,915,907	(110,759)
Depreciation and amortization	-	-	205,491,916	(205,491,916)	-	-
Total operating expenses	378,058,706	380,189,925	587,320,838	(218,578,644)	368,742,194	11,447,731
Operating income (loss)	(286,075,684)	(289,024,522)	(500,277,741)	218,560,139	(281,717,602)	7,306,920
Public support and nonoperating revenues (expenses):						
Federal revenue	104,308,917	154,053,800	191,051,771	(33,689,638)	157,362,133	3,308,333
Transportation Development Act (TDA) funds	97,808,062	97,808,063	131,274,182	(33,405,932)	97,868,250	60,187
State Transit Assistance (STA) funds	11,300,000	11,300,000	43,066,262	(31,766,262)	11,300,000	-
STA State of Good Repair	-	-	7,066,767	(7,066,767)	-	-
State revenue - other	80,000	112,000	20,076,778	(20,030,653)	46,125	(65,875)
TransNet funds	66,040,162	67,953,741	68,040,812	(102,471)	67,938,341	(15,400)
Other local subsidies	6,490,994	6,490,994	12,212,978	(5,583,843)	6,629,135	138,141
Investment earnings	217,017	1,522,754	5,055,860	(816,899)	4,238,961	2,716,207
Interest expense	(185,066)	(185,066)	(442,068)	280,632	(161,436)	23,630
Gain (loss) on disposal of assets	6,040	100,000	(104,458)	321,601	217,143	117,143
Total public support and nonoperating revenues (expenses):	286,066,126	339,156,286	477,298,884	(131,860,232)	345,438,652	6,282,366
Income (loss) before contributed capital	(9,558)	50,131,764	(22,978,857)	86,699,907	63,721,050	13,589,286
Reserve revenue	9,558	(50,131,764)	-	(296,339)	(296,339)	49,835,425
Capital contributions, net	-	-	(1,355,244)	1,355,244	-	-
Changes in net position	\$ -	\$ -	(24,334,101)	\$ 87,758,812	\$ 63,424,711	\$ 63,424,711
Net Position:						
Beginning of year, as restated			3,483,190,206			
End of year			<u>\$ 3,458,856,105</u>			

San Diego Metropolitan Transit System
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
General Operations
For the Year Ended June 30, 2023

	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:						
Advertising	\$ 1,867,633	\$ 3,614,153	\$ 3,500,713	\$ -	\$ 3,500,713	\$ (113,440)
Miscellaneous operating revenues	18,050,325	14,858,188	14,100,826	(18,505)	14,082,321	(775,867)
Total operating revenues	19,917,958	18,472,341	17,601,539	(18,505)	17,583,034	(889,307)
Operating expenses:						
Personnel costs	26,369,346	26,391,352	26,666,731	(132,438)	26,534,293	(142,941)
Outside services	24,007,546	24,350,107	22,672,539	1,017,325	23,689,864	660,243
Transit operations funding	821,740	821,740	197,236,772	(196,578,268)	658,504	163,236
Materials and supplies	33,404	51,470	143,259	-	143,259	(91,789)
Energy costs	280,528	344,300	340,914	-	340,914	3,386
Risk management	1,071,039	951,976	645,144	229,353	874,497	77,479
Miscellaneous operating expenses	(28,669,708)	(24,819,522)	(24,005,434)	(732,762)	(24,738,196)	(81,326)
Depreciation and amortization	-	-	4,549,988	(4,549,988)	-	-
Total operating expenses	23,913,895	28,091,423	228,249,913	(200,746,778)	27,503,135	588,288
Operating income (loss)	(3,995,937)	(9,619,082)	(210,648,374)	200,728,273	(9,920,101)	(301,019)
Public support and nonoperating revenues (expenses):						
Federal revenue	2,451,500	6,752,194	191,051,771	(131,235,696)	59,816,075	53,063,881
Transportation Development Act (TDA) funds	821,740	821,740	131,274,182	(122,485,691)	8,788,491	7,966,751
State Transit Assistance (STA) funds	-	-	43,066,262	(43,066,262)	-	-
STA State of Good Repair	-	-	7,066,767	(7,066,767)	-	-
State revenue - other	-	-	20,076,778	(20,076,778)	-	-
TransNet funds	505,680	422,394	73,540,812	(73,195,957)	344,855	(77,539)
Other local subsidies	-	-	12,212,978	(12,212,978)	-	-
Investment earnings	217,017	1,522,754	5,055,860	(816,899)	4,238,961	2,716,207
Interest expense	-	-	(58,729)	58,729	-	-
Gain (loss) on disposal of assets	-	100,000	(129,647)	286,077	156,430	56,430
Total public support and nonoperating revenues (expenses):	3,995,937	9,619,082	483,157,034	(409,812,222)	73,344,812	63,725,730
Income (loss) before transfers and contributed capital	-	-	272,508,660	(209,083,949)	63,424,711	63,424,711
Transfers	-	-	(84,524,226)	84,524,226	-	-
Reserve revenue	-	-	-	-	-	-
Capital contributions, net	-	-	(106,603,980)	106,603,980	-	-
Changes in net position	\$ -	\$ -	81,380,454	\$ (17,955,743)	\$ 63,424,711	\$ 63,424,711
Net Position:						
Beginning of year			331,246,992			
End of year			<u>\$ 412,627,446</u>			

San Diego Metropolitan Transit System
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
For Hire Vehicle Administration
For the Year Ended June 30, 2023

	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	Actuals on	
				Adjustments	Budget Basis	
Operating revenues:						
Miscellaneous operating revenues	\$ 581,375	\$ 710,600	\$ 794,764	\$ -	\$ 794,764	\$ 84,164
Total operating revenues	<u>581,375</u>	<u>710,600</u>	<u>794,764</u>	<u>-</u>	<u>794,764</u>	<u>84,164</u>
Operating expenses:						
Personnel costs	463,276	500,608	496,920	-	496,920	3,688
Outside services	27,500	22,300	9,708	-	9,708	12,592
Materials and supplies	527	500	204	-	204	296
Energy costs	7,000	7,000	5,882	-	5,882	1,118
Risk management	9,000	9,000	8,504	-	8,504	496
Miscellaneous operating expenses	94,115	73,278	66,219	-	66,219	7,059
Depreciation and amortization	-	-	-	-	-	-
Total operating expenses	<u>601,418</u>	<u>612,686</u>	<u>587,437</u>	<u>-</u>	<u>587,437</u>	<u>25,249</u>
Operating income (loss)	(20,043)	97,914	207,327	-	207,327	109,413
Public support and nonoperating revenues (expenses):						
Gain (loss) on disposal of assets	6,040	-	-	-	-	-
Total public support and nonoperating revenues (expenses):	<u>6,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	(14,003)	97,914	207,327	-	207,327	109,413
Reserve revenue	14,003	(97,914)	-	(207,327)	(207,327)	(109,413)
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>207,327</u>	<u>\$ (207,327)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			425,307			
End of year			<u>\$ 632,634</u>			

San Diego Metropolitan Transit System
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
San Diego and Arizona Eastern Railway
For the Year Ended June 30, 2023

	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	Actuals on	
				Adjustments	Budget Basis	
Operating revenues:						
Miscellaneous operating revenues	\$ 160,000	\$ 190,000	\$ 197,044	\$ -	\$ 197,044	\$ 7,044
Total operating revenues	<u>160,000</u>	<u>190,000</u>	<u>197,044</u>	<u>-</u>	<u>197,044</u>	<u>7,044</u>
Operating expenses:						
Personnel costs	8,659	8,749	2,519	-	2,519	6,230
Outside services	35,100	35,000	13,184	-	13,184	21,816
Risk management	88,401	79,901	62,675	-	62,675	17,226
Miscellaneous operating expenses	23,395	32,500	29,654	-	29,654	2,846
Depreciation and amortization	-	-	14,056	(14,056)	-	-
Total operating expenses	<u>155,555</u>	<u>156,150</u>	<u>122,088</u>	<u>(14,056)</u>	<u>108,032</u>	<u>48,118</u>
Operating income (loss)	4,445	33,850	74,956	14,056	89,012	55,162
Income (loss) before transfers and contributed capital	4,445	33,850	74,956	14,056	89,012	55,162
Reserve revenue	(4,445)	(33,850)	-	(89,012)	(89,012)	(55,162)
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	74,956	<u>\$ (74,956)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			18,044,031			
End of year			<u>\$ 18,118,987</u>			

San Diego Metropolitan Transit System
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
MTS - Contracted Services
For the Year Ended June 30, 2023

	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	Actuals on	
				Adjustments	Budget Basis	
Operating revenues:						
Passenger revenue	\$ 24,754,390	\$ 23,123,137	\$ 21,150,675	\$ -	\$ 21,150,675	\$ (1,972,462)
Total operating revenues	<u>24,754,390</u>	<u>23,123,137</u>	<u>21,150,675</u>	<u>-</u>	<u>21,150,675</u>	<u>(1,972,462)</u>
Operating expenses:						
Personnel costs	816,889	849,953	958,429	-	958,429	(108,476)
Outside services	101,130,572	95,434,186	88,122,192	(146,042)	87,976,150	7,458,036
Materials and supplies	138,000	61,093	73,821	-	73,821	(12,728)
Energy costs	10,616,757	12,506,765	11,377,608	-	11,377,608	1,129,157
Risk management	15,050	15,000	15,000	-	15,000	-
Miscellaneous operating expenses	3,461,439	3,117,613	2,745,327	342,524	3,087,851	29,762
Depreciation and amortization	-	-	27,651,292	(27,651,292)	-	-
Total operating expenses	<u>116,178,707</u>	<u>111,984,610</u>	<u>130,943,669</u>	<u>(27,454,810)</u>	<u>103,488,859</u>	<u>8,495,751</u>
Operating income (loss)	<u>(91,424,317)</u>	<u>(88,861,473)</u>	<u>(109,792,994)</u>	<u>27,454,810</u>	<u>(82,338,184)</u>	<u>6,523,289</u>
Public support and nonoperating revenues (expenses):						
Federal revenue	30,961,522	44,952,694	27,516,463	-	27,516,463	(17,436,231)
Transportation Development Act (TDA) funds	49,367,977	33,643,349	44,699,366	(146,042)	44,553,324	10,909,975
State Transit Assistance (STA) funds	-	-	-	-	-	-
State revenue - other	80,000	112,000	46,125	-	46,125	(65,875)
<i>TransNet</i> funds	9,213,507	8,352,119	8,283,590	-	8,283,590	(68,529)
Other local subsidies	1,801,311	1,801,311	1,938,682	-	1,938,682	137,371
Interest expense	-	-	(177,215)	177,215	-	-
Total public support and nonoperating revenues (expenses):	<u>91,424,317</u>	<u>88,861,473</u>	<u>82,307,011</u>	<u>31,173</u>	<u>82,338,184</u>	<u>(6,523,289)</u>
Income (loss) before contributed capital	<u>-</u>	<u>-</u>	<u>(27,485,983)</u>	<u>27,485,983</u>	<u>-</u>	<u>-</u>
Capital contributions, net	-	-	4,586,876	(4,586,876)	-	-
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(22,899,107)</u>	<u>\$ 22,899,107</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			<u>282,721,809</u>			
End of year			<u>\$ 259,822,702</u>			

San Diego Metropolitan Transit System
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
San Diego Transit Corporation (SDTC)
For the Year Ended June 30, 2023

	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	\$ 22,500,089	\$ 19,972,426	\$ 19,666,167	\$ -	\$ 19,666,167	\$ (306,259)
Miscellaneous operating revenues	143,692	-	-	-	-	-
Total operating revenues	22,643,781	19,972,426	19,666,167	-	19,666,167	(306,259)
Operating expenses:						
Personnel costs	85,176,083	85,179,677	90,749,223	(7,952,354)	82,796,869	2,382,808
Outside services	2,636,608	2,852,502	2,485,532	(364,650)	2,120,882	731,620
Materials and supplies	7,231,584	6,874,957	6,730,464	(109,184)	6,621,280	253,677
Energy costs	8,259,984	11,149,000	11,185,887	-	11,185,887	(36,887)
Risk management	3,214,118	2,846,169	2,776,120	52,441	2,828,561	17,608
Miscellaneous operating expenses	8,667,852	6,119,717	6,083,152	94,446	6,177,598	(57,881)
Depreciation and amortization	-	-	29,086,910	(29,086,910)	-	-
Total operating expenses	115,186,229	115,022,022	149,097,288	(37,366,211)	111,731,077	3,290,945
Operating income (loss)	(92,542,448)	(95,049,596)	(129,431,121)	37,366,211	(92,064,910)	2,984,686
Public support and nonoperating revenues (expenses):						
Federal revenue	32,572,793	50,624,329	33,132,454	-	33,132,454	(17,491,875)
Transportation Development Act (TDA) funds	9,455,027	44,117,996	8,816,718	(473,834)	8,342,884	(35,775,112)
State Transit Assistance (STA) funds	11,300,000	11,300,000	11,300,000	-	11,300,000	-
<i>TransNet</i> funds	34,710,011	34,502,654	34,705,905	-	34,705,905	203,251
Other local subsidies	4,689,683	4,689,683	4,690,453	-	4,690,453	770
Interest expense	(185,066)	(185,066)	(179,259)	17,823	(161,436)	23,630
Gain (loss) on disposal of assets	-	-	46,786	7,864	54,650	54,650
Total public support and nonoperating revenues (expenses):	92,542,448	145,049,596	92,513,057	(448,147)	92,064,910	(52,984,686)
Income (loss) before contributed capital	-	50,000,000	(36,918,064)	36,918,064	-	(50,000,000)
Reserve revenue	-	(50,000,000)	-	-	-	50,000,000
Capital contributions, net	-	-	16,206,713	(16,206,713)	-	-
Changes in net position	\$ -	\$ -	(20,711,351)	\$ 20,711,351	\$ -	\$ -
Net Position:						
Beginning of year			110,369,056			
End of year			<u>\$ 89,657,705</u>			

San Diego Metropolitan Transit System
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
San Diego Trolley, Inc. (SDTI)
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	
Operating revenues:						
Passenger revenue	\$ 23,025,774	\$ 27,745,226	\$ 26,664,181	\$ -	\$ 26,664,181	\$ (1,081,045)
Miscellaneous operating revenues	899,744	951,673	968,727	-	968,727	17,054
Total operating revenues	23,925,518	28,696,899	27,632,908	-	27,632,908	(1,063,991)
Operating expenses:						
Personnel costs	49,998,331	51,190,739	54,898,753	(3,768,774)	51,129,979	60,760
Outside services	12,214,242	9,343,992	11,030,214	(2,141,084)	8,889,130	454,862
Materials and supplies	7,672,068	9,439,066	10,347,045	(646,971)	9,700,074	(261,008)
Energy costs	23,831,913	27,196,381	28,293,151	-	28,293,151	(1,096,770)
Risk management	4,164,941	3,871,294	2,891,668	1,126,871	4,018,539	(147,245)
Miscellaneous operating expenses	24,141,407	23,281,562	23,248,210	44,571	23,292,781	(11,219)
Depreciation and amortization	-	-	144,189,670	(144,189,670)	-	-
Total operating expenses	122,022,902	124,323,034	274,898,711	(149,575,057)	125,323,654	(1,000,620)
Operating income (loss)	(98,097,384)	(95,626,135)	(247,265,803)	149,575,057	(97,690,746)	(2,064,611)
Public support and nonoperating revenues (expenses):						
Federal revenue	38,323,102	51,724,583	36,897,141	-	36,897,141	(14,827,442)
Transportation Development Act (TDA) funds	38,163,318	19,224,978	38,971,606	(2,788,055)	36,183,551	16,958,573
<i>TransNet</i> funds	21,610,964	24,676,574	24,603,991	-	24,603,991	(72,583)
Interest expense	-	-	(26,865)	26,865	-	-
Gain (loss) on disposal of assets	-	-	(21,597)	27,660	6,063	6,063
Total public support and nonoperating revenues (expenses):	98,097,384	95,626,135	100,424,276	(2,733,530)	97,690,746	2,064,611
Income (loss) before contributed capital	-	-	(146,841,527)	146,841,527	-	-
Capital contributions, net	-	-	84,455,147	(84,455,147)	-	-
Changes in net position	\$ -	\$ -	(62,386,380)	\$ 62,386,380	\$ -	\$ -
Net Position:						
Beginning of year, as restated			2,740,383,011			
End of year			2,677,996,631			

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

	2023	2022	2021	2020	2019
Business-type activities:					
Net investment in capital assets	\$ 3,351,318	\$ 3,473,998	\$ 1,965,674	\$ 1,874,320	\$ 1,822,922
Restricted	-	-	-	218	212
Unrestricted	107,538	9,192	(46,746)	(12,024)	(53,159)
Total business-type activities net position	\$ 3,458,856	\$ 3,483,190	\$ 1,918,928	\$ 1,862,514	\$ 1,769,975
Primary government:					
Net investment in capital assets	\$ 3,351,318	\$ 3,473,998	\$ 1,965,674	\$ 1,874,320	\$ 1,822,922
Restricted	-	-	-	218	212
Unrestricted	107,538	9,192	(46,746)	(12,024)	(53,159)
Total primary government net position	\$ 3,458,856	\$ 3,483,190	\$ 1,918,928	\$ 1,862,514	\$ 1,769,975

Source: Audited Financial Statements.

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

	2018	2017	2016	2015	2014
Business-type activities:					
Net investment in capital assets	\$ 1,785,808	\$ 1,739,360	\$ 1,760,427	\$ 1,699,222	\$ 1,395,206
Restricted	4,545	4,440	8,750	5,309	6,742
Unrestricted	(55,407)	(19,615)	(31,668)	(31,900)	181,114
Total business-type activities net position	\$ 1,734,946	\$ 1,724,185	\$ 1,737,509	\$ 1,672,631	\$ 1,583,062
Primary government:					
Net investment in capital assets	\$ 1,785,808	\$ 1,739,360	\$ 1,760,427	\$ 1,699,222	\$ 1,395,206
Restricted	4,545	4,440	8,750	5,309	6,742
Unrestricted	(55,407)	(19,615)	(31,668)	(31,900)	181,114
Total primary government net position	\$ 1,734,946	\$ 1,724,185	\$ 1,737,509	\$ 1,672,631	\$ 1,583,062

Source: Audited Financial Statements.

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

	2023	2022	2021	2020	2019
Operating revenues:					
Passenger revenue	\$ 67,481	\$ 56,077	\$ 47,913	\$ 79,532	\$ 92,225
Advertising	3,501	1,946	1,013	2,027	1,604
Charter	-	-	-	-	-
Miscellaneous	16,061	19,412	17,411	18,627	18,831
Total operating revenues	87,043	77,435	66,337	100,186	112,660
Operating expenses:					
Personnel costs	173,773	143,950	151,561	149,331	146,006
Outside services	124,333	117,535	111,280	110,590	107,846
Transit operations funding	659	616	397	523	498
Materials and supplies	17,295	14,779	16,334	14,275	12,927
Energy costs	51,203	38,975	31,262	28,587	28,784
Risk management	6,399	11,539	5,584	7,858	2,183
Miscellaneous	8,167	6,334	4,750	4,394	5,446
Depreciation and amortization	205,492	172,251	124,496	127,365	123,007
Total operating expenses	587,321	505,979	445,664	442,923	426,697
Operating (loss)	(500,278)	(428,544)	(379,327)	(342,737)	(314,037)
Public support and nonoperating revenues (expenses):					
Grants and contributions	472,790	386,270	396,581	312,705	243,544
Investment earnings	5,056	800	1,086	1,899	1,952
Interest expense	(442)	(551)	(686)	(797)	(671)
Gain (loss) on disposal of assets	(104)	(762)	(249)	2,243	(2,351)
Other expenses	-	-	-	-	-
Total public support and nonoperating revenues (expenses)	477,300	385,757	396,733	316,050	242,474
Income (loss) before contributed capital	(22,978)	(42,787)	17,404	(26,686)	(71,563)
Capital contributions, net	(1,355)	1,607,050	39,010	119,225	106,592
Changes in net position	\$ (24,333)	\$ 1,564,263	\$ 56,414	\$ 92,539	\$ 35,029

Source: Audited Financial Statements.

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

	2018	2017	2016	2015	2014
Operating revenues:					
Passenger revenue	\$ 90,236	\$ 93,279	\$ 97,914	\$ 97,615	\$ 93,995
Advertising	1,131	1,379	968	816	870
Charter	-	-	-	6	30
Miscellaneous	17,404	18,863	15,781	9,349	9,531
Total operating revenues	108,771	113,521	114,663	107,786	104,426
Operating expenses:					
Personnel costs	146,282	137,021	121,921	114,575	117,092
Outside services	101,574	97,800	94,802	84,302	73,859
Transit operations funding	488	463	491	2,692	4,243
Materials and supplies	14,918	13,065	9,715	10,307	9,276
Energy costs	26,414	25,552	24,531	28,003	26,044
Risk management	6,675	4,276	4,864	5,849	3,610
Miscellaneous	5,854	5,934	4,978	4,975	6,244
Depreciation and amortization	120,928	123,880	119,520	108,199	103,198
Total operating expenses	423,133	407,991	380,822	358,902	343,566
Operating (loss)	(314,362)	(294,470)	(266,159)	(251,116)	(239,140)
Public support and nonoperating revenues					
(expenses):					
Grants and contributions	253,298	232,775	235,763	235,755	211,517
Investment earnings	941	636	292	3,065	6,087
Interest expense	(809)	(963)	(1,071)	(6,883)	(6,982)
Gain (loss) on disposal of assets	(809)	396	2,433	67	(273)
Other expenses	-	-	-	-	(13)
Total public support and nonoperating revenues					
(expenses)	252,621	232,844	237,417	232,004	210,336
Income (loss) before contributed capital	(61,741)	(61,626)	(28,742)	(19,112)	(28,804)
Capital contributions, net	99,551	48,301	93,619	245,717	118,768
Changes in net position	\$ 37,810	\$ (13,325)	\$ 64,877	\$ 226,605	\$ 89,964

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					
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	-
2022	14,819	35,700	11,820	38,097	-
2023	19,666	33,132	20,117	39,396	-
San Diego Trolley, Inc.					
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
2022	25,519	39,825	17,086	21,190	904
2023	26,664	36,897	38,972	24,604	969
MTS - Contracted Services					
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	-
2022	15,740	33,294	42,426	10,607	-
2023	21,151	27,516	44,745	10,222	-

Source: Audited Financial Statements.

San Diego Metropolitan Transit System
Fare Structure
Last Ten Fiscal Years

	2023	2022	2021	2020	2019
*Stored Value One Way Fares					
One-way fare, Regional	\$ 2.50	\$ 2.50	\$ -	\$ -	\$ -
Senior/disabled, Regional	1.25	1.25	-	-	-
One-way fare, Premium Regional	5.00	5.00	-	-	-
Senior/disabled, Premium Regional	2.50	2.50	-	-	-
Rural	8.00	8.00	-	-	-
Senior/disabled Rural	4.00	4.00	-	-	-
Bus Cash Fares					
One-way fare, regional	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.25
Senior/disabled, regional	1.25	1.25	1.25	1.25	1.10
Youth regional	1.25	1.25	1.25	1.25	2.25
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
Youth Rapid/Express	1.25	1.25	1.25	1.25	2.50
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
Youth Rapid Express/Premium	2.50	2.50	2.50	2.50	5.00
Rural bus	8.00	8.00	8.00	8.00	5.00-10.00
Senior/disabled Rural bus	4.00	4.00	4.00	4.00	2.50-5.00
Youth Rural bus	4.00	4.00	4.00	4.00	5.00-10.00
Trolley Cash Fares					
One-way fare, all stations	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Senior/disabled one-way fare	1.25	1.25	1.25	1.25	1.25
Youth one-way fare	1.25	1.25	1.25	1.25	2.50
Bus and Trolley Day Passes					
Regional day pass	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 5.00
Senior/disabled and youth	3.00	3.00	3.00	3.00	5.00
Premium regional day	12.00	12.00	12.00	12.00	12.00
Senior/disabled and youth premium regional day	6.00	6.00	6.00	6.00	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	23.00	23.00	18.00
Youth Regional	-	-	23.00	23.00	36.00
14-Day Regional	-	-	-	-	43.00
Premium Regional monthly pass	100.00	100.00	100.00	100.00	100.00
Senior/disabled Premium Regional	32.00	32.00	32.00	32.00	25.00
Youth Premium Regional	-	-	32.00	32.00	50.00
14-Day Rapid Express/Premium	-	-	-	-	60.00

*Riders using PRONTO Stored Value can transfer free to a Regional service within two (2) hours of paying a one-way fare.

*The PRONTO system will charge a customer the cost of a one-way fare per boarding up to a daily and monthly maximum equal to the cost of a Day or Monthly Pass. Once the cap is reached, additional boardings made during the day or month after reaching the cap are free. Beginning May 2022, Youth riders with a valid PRONTO card are free. Cash paying passengers will still need to pay the youth fare.

SOURCE: SANDAG Comprehensive Fare Ordinance, amendments effective April 2021.

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

	2018	2017	2016	2015	2014
*Stored Value One Way Fares					
One-way fare, Regional	\$ -	\$ -	\$ -	\$ -	\$ -
Senior/disabled, Regional	-	-	-	-	-
One-way fare, Premium Regional	-	-	-	-	-
Senior/disabled, Premium Regional	-	-	-	-	-
Rural	-	-	-	-	-
Senior/disabled Rural	-	-	-	-	-
Bus Cash Fares					
One-way fare, regional	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25
Senior/disabled, regional	1.10	1.10	1.10	1.10	1.10
Youth regional	2.25	2.25	2.25	2.25	2.25
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
Youth Rapid/Express	2.50	2.50	2.50	2.50	2.50
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
Youth Rapid Express/Premium	5.00	5.00	5.00	5.00	5.00
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
Youth Rural bus	5.00-10.00	5.00-10.00	5.00-10.00	5.00-10.00	5.00-10.00
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
Youth one-way fare	2.50	2.50	2.50	2.50	2.50
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 regional day	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 Regional	43.00	43.00	43.00	43.00	43.00
Premium Regional monthly pass	100.00	100.00	100.00	100.00	100.00
Senior/disabled Premium Regional	25.00	25.00	25.00	25.00	25.00
Youth Premium Regional	50.00	50.00	50.00	50.00	50.00
14-Day Rapid Express/Premium	60.00	60.00	60.00	60.00	60.00

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

Fiscal Year Ended	San Diego Transit	San Diego Trolley	MTS-Contracted Services
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
2022	14.33	23.86	15.41
2023	17.59	20.67	20.39

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.

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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	MTS Tower	1995 LRV Lease/ Leaseback	Pension Obligation Bonds	Leases	Subscription- Based Technology Arrangements (SBITAs)	Total	Percentage of Personal Income	Debt per Capita
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	11,667,917	-	22,022,917	0.01%	7
2021	-	-	7,665,000	11,416,609	1,459,402	20,541,011	0.01%	6
2022	-	-	4,830,000	11,155,700	1,179,045	17,164,745	0.01%	5
2023	-	-	1,845,000	10,884,801	2,357,993	15,087,794	0.01%	5

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 MTS Tower obligation in FY2020
- Ten year historical information is not yet available for leases or SBITAs.

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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

	County of San Diego Population (1)	County of San Diego Personal Income (thousands) (1)	Per Capita Personal Income (1)	San Diego County Average Unemployment Rate (2)
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%
2022	3,338,338	236,000,000	67,434	3.20%
2023	3,273,729	262,000,000	72,083	4.00%

Source:

- (1) California Department of Transportation - Actuals 2014-2021, Forecast 2022-2023
(2) California Employment Development Department, June 2023

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

	MTS	San Diego Transit	San Diego Trolley	Total
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
2022	160	753	657	1,570
2023	168	763	663	1,594

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 1,528,200 County Total (2)
Naval Base San Diego	41,321	2.70%
University of California, San Diego	37,064	2.43%
Sharp HealthCare	18,839	1.23%
County of San Diego	16,744	1.10%
Scripps Health	13,787	0.90%
San Diego Unified School District	13,559	0.89%
Qualcomm Inc.	11,546	0.76%
City of San Diego	11,466	0.75%
Kaiser Permanente	9,632	0.63%
Northrop Grumman Corporation	6,075	0.40%

Source:

1. Data for fiscal year 2023 not available as of publication date. Data shown for the most recent available information: City of San Diego Annual Comprehensive Financial Report - June 30, 2022.
2. Employment Development Department, State of California, June 2023.

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.

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OPERATING INFORMATION

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

	2023	2022	2021	2020	2019
Operating Cost (in 000's)					
San Diego Transit	\$ 111,789	\$ 103,386	\$ 112,591	\$ 99,027	\$ 94,160
San Diego Trolley	129,013	106,936	95,148	93,117	84,507
MTS-Contract Services	103,708	102,143	89,907	91,403	90,942
Farebox Revenue (in 000's)					
San Diego Transit	\$ 19,666	\$ 14,819	\$ 14,430	\$ 19,749	\$ 22,041
San Diego Trolley	26,664	25,519	19,338	36,464	42,006
MTS-Contract Services	21,151	15,740	14,146	23,319	28,178
Total Passengers (in 000's)					
San Diego Transit	16,519	13,098	8,604	18,383	22,397
San Diego Trolley	36,047	29,739	19,516	32,003	37,294
MTS-Contract Services	15,945	14,780	11,095	20,838	25,667
Revenue Miles (in 000's)					
San Diego Transit	8,826	9,426	9,632	9,236	9,739
San Diego Trolley	12,701	11,627	10,077	9,210	8,821
MTS-Contract Services	12,569	13,675	12,966	14,485	15,666
Subsidy / Total Passenger					
San Diego Transit	\$ 5.58	\$ 6.76	\$ 11.41	\$ 4.32	\$ 3.22
San Diego Trolley	2.84	2.74	3.88	1.76	1.14
MTS-Contract Services	5.18	5.85	6.83	3.27	2.45

Source: NTD Report, and audited financial statements.

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

	2018	2017	2016	2015	2014
Operating Cost (in 000's)					
San Diego Transit	\$ 99,619	\$ 94,878	\$ 95,526	\$ 92,059	\$ 91,568
San Diego Trolley	87,666	81,501	75,086	72,637	71,098
MTS-Contract Services	83,468	81,744	80,511	76,190	65,959
Farebox Revenue (in 000's)					
San Diego Transit	\$ 23,034	\$ 24,864	\$ 26,169	\$ 27,156	\$ 27,781
San Diego Trolley	39,354	38,968	41,113	41,140	40,188
MTS-Contract Services	27,848	29,447	30,631	29,318	26,025
Total Passengers (in 000's)					
San Diego Transit	22,867	24,315	25,628	27,264	28,541
San Diego Trolley	36,995	37,639	39,614	40,082	39,695
MTS-Contract Services	25,567	26,241	27,194	27,574	23,761
Revenue Miles (in 000's)					
San Diego Transit	9,684	9,626	9,702	9,561	8,695
San Diego Trolley	8,656	8,728	8,424	8,596	8,516
MTS-Contract Services	14,983	15,144	14,969	13,328	12,139
Subsidy / Total Passenger					
San Diego Transit	\$ 3.35	\$ 2.88	\$ 2.71	\$ 2.38	\$ 2.24
San Diego Trolley	1.31	1.13	0.86	0.78	0.78
MTS-Contract Services	2.18	2.00	1.83	1.70	1.68

Source: NTD Report, and audited financial statements.

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

	2023	2022	2021	2020	2019
Service Provided					
San Diego Transit					
Vehicle Revenue Miles (in 000's)	8,826	9,426	9,632	9,236	9,739
Vehicle Revenue Hours (in 000's)	762	806	814	782	823
Passengers (in 000's)	16,519	13,098	8,604	18,383	22,397
Passenger Miles (in 000's)	72,309	57,895	45,774	80,855	98,896
Number of Vehicles	258	270	278	277	271
San Diego Trolley					
Vehicle Revenue Miles (in 000's)	12,701	11,627	10,077	9,210	8,821
Vehicle Revenue Hours (in 000's)	693	639	555	508	487
Passenger Car Hours (in 000's)	715	658	571	527	500
Passengers (in 000's)	36,047	29,739	19,516	32,003	37,294
Passenger Miles (in 000's)	248,512	210,465	123,389	194,285	219,453
Number of Vehicles	173	157	163	168	142
MTS-Contracted Services					
Vehicle Revenue Miles (in 000's)	12,569	13,675	12,966	14,485	15,666
Vehicle Revenue Hours (in 000's)	1,119	1,207	1,168	1,237	1,305
Passengers (in 000's)	15,945	14,780	11,095	20,838	25,667
Passenger Miles (in 000's)	65,301	58,910	44,276	82,173	97,045
Number of Vehicles	462	456	468	508	529
Total					
Passengers (in 000's)	68,511	57,617	39,215	71,224	85,358
Passenger Miles (in 000's)	386,122	327,270	213,439	357,313	415,394

Source: NTD Report and MTS internal capital asset system

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

	2018	2017	2016	2015	2014
Service Provided					
San Diego Transit					
Vehicle Revenue Miles (in 000's)	9,684	9,626	9,702	9,561	8,695
Vehicle Revenue Hours (in 000's)	821	822	825	806	795
Passengers (in 000's)	22,867	24,315	25,628	27,264	28,541
Passenger Miles (in 000's)	104,545	109,727	111,639	117,585	110,009
Number of Vehicles	271	278	279	272	310
San Diego Trolley					
Vehicle Revenue Miles (in 000's)	8,656	8,728	8,424	8,596	8,516
Vehicle Revenue Hours (in 000's)	478	490	493	496	504
Passenger Car Hours (in 000's)	486	504	507	509	512
Passengers (in 000's)	36,995	37,639	39,614	40,082	39,695
Passenger Miles (in 000's)	214,376	210,971	223,185	224,422	228,531
Number of Vehicles	131	179	179	179	179
MTS-Contracted Services					
Vehicle Revenue Miles (in 000's)	14,983	15,144	14,969	13,328	12,139
Vehicle Revenue Hours (in 000's)	1,256	1,269	1,252	1,112	998
Passengers (in 000's)	25,567	26,241	27,194	27,573	23,761
Passenger Miles (in 000's)	94,665	95,940	97,479	94,504	85,269
Number of Vehicles	536	526	520	520	449
Total					
Passengers (in 000's)	85,429	88,195	92,436	94,919	91,997
Passenger Miles (in 000's)	413,586	416,638	432,303	436,511	423,809

Source: NTD Report and MTS internal capital asset system

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

	2023	2022	2021	2020	2019
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	11
Buses	258	270	278	277	271
Nonrevenue vehicles	11	11	12	14	15
San Diego Trolley					
Trolley stations	63	63	54	55	54
Track miles	65	65	54	54	54
Buildings and structures	2	2	-	-	-
Light rail vehicles (total inventory)	173	157	163	168	142
Nonrevenue vehicles	9	9	10	11	11
MTS - Contracted Services					
Land (parcel)	2	2	2	2	2
Buildings and structures	11	11	11	11	11
Buses	462	456	468	508	529
Nonrevenue vehicles	2	2	2	2	7
For Hire Vehicle Administration					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	-	-	-	1	1

Source: MTS ERP System

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

	2018	2017	2016	2015	2014
General Operations					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	-	-	1	3	3
San Diego Transit					
Land (parcels)	2	2	2	2	2
Buildings and structures	11	9	8	7	7
Buses	271	278	279	272	310
Nonrevenue vehicles	15	12	12	12	12
San Diego Trolley					
Trolley stations	54	54	54	54	54
Track miles	54	54	54	54	54
Buildings and structures	-	-	-	-	-
Light rail vehicles (total inventory)	131	179	179	179	179
Nonrevenue vehicles	11	12	12	16	16
MTS - Contracted Services					
Land (parcel)	2	2	2	2	2
Buildings and structures	5	4	4	4	4
Buses	536	526	520	520	449
Nonrevenue vehicles	7	9	9	10	8
For Hire Vehicle Administration					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	1	1	1	2	2

Source: MTS ERP System

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

	2023	2022	2021	2020	2019
Ridership (in 000's)					
San Diego Transit	16,519	13,098	8,604	18,383	22,397
% Change	26.12%	52.23%	-53.20%	-17.92%	-2.06%
San Diego Trolley	36,047	29,739	19,516	32,003	37,294
% Change	21.21%	52.38%	-39.02%	-14.19%	0.81%
MTS - Contracted Services	15,945	14,780	11,095	20,838	25,667
% Change	7.88%	33.21%	-46.76%	-18.81%	0.39%

Source: NTD Report

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

	2018	2017	2016	2015	2014
Ridership (in 000's)					
San Diego Transit	22,867	24,315	25,628	27,264	28,541
% Change	-5.96%	-5.12%	-6.00%	-4.47%	-1.33%
San Diego Trolley	36,995	37,639	39,614	40,082	39,695
% Change	-1.71%	-4.99%	-1.17%	0.97%	33.66%
MTS - Contracted Services	25,567	26,241	27,194	27,574	23,761
% Change	-2.57%	-3.51%	-1.38%	16.05%	1.20%

Source: NTD Report

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San Diego Metropolitan Transit System
Operating Subsidy
Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Average Fare per Rider					
San Diego Transit	\$ 1.19	\$ 1.13	\$ 1.68	\$ 1.07	\$ 0.98
San Diego Trolley	0.74	0.86	0.99	1.14	1.13
MTS - Contract Services	1.33	1.06	1.28	1.12	1.10
Operating Expense per Rider					
San Diego Transit	\$ 6.77	\$ 7.89	\$ 13.09	\$ 5.39	\$ 4.19
San Diego Trolley	3.58	3.60	4.88	2.91	2.18
MTS - Contract Services	6.50	6.91	8.10	4.39	3.54
Subsidy per Rider					
San Diego Transit	\$ 5.58	\$ 6.76	\$ 11.41	\$ 4.32	\$ 3.21
San Diego Trolley	2.84	2.74	3.88	1.76	1.05
MTS - Contract Services	5.18	5.85	6.83	3.27	2.44

Source: NTD report and audited financial statements

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

	2018	2017	2016	2015	2014
Average Fare per Rider					
San Diego Transit	\$ 1.01	\$ 1.02	\$ 1.02	\$ 1.00	\$ 0.97
San Diego Trolley	1.06	1.04	1.04	1.03	1.01
MTS - Contract Services	1.09	1.12	1.13	1.06	1.10
Operating Expense per Rider					
San Diego Transit	\$ 4.36	\$ 3.90	\$ 3.73	\$ 3.38	\$ 3.21
San Diego Trolley	2.37	2.17	1.90	1.81	1.79
MTS - Contract Services	3.27	3.12	2.96	2.76	2.78
Subsidy per Rider					
San Diego Transit	\$ 3.35	\$ 2.88	\$ 2.71	\$ 2.38	\$ 2.24
San Diego Trolley	1.31	1.13	0.86	0.78	0.78
MTS - Contract Services	2.18	2.00	1.83	1.70	1.68

Source: NTD report and audited financial statements

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**INDEPENDENT AUDITORS' 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 years ended June 30, 2023 and June 30, 2022, and the related notes to the basic financial statements, which collectively comprise MTS's basic financial statements, and have issued our report thereon dated _____, 2023.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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
_____, 2023

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San Diego Metropolitan Transit System

Presentation to the Audit Oversight Committee
For the Fiscal Year Ended June 30, 2023

November 2, 2023



CONTENTS

- Management's and Auditors' Responsibilities
- Overview of the Financial Statements
- Key Pension and OPEB Information
- Audit Results

MANAGEMENT AND AUDITORS' RESPONSIBILITIES

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Management's Responsibilities

- Preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America,
- 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.
- In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MTS's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Auditors' Responsibilities

- Form and express an opinion about whether the financial statements that have been prepared by management with Board oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America
- Plan and perform the audit to obtain “reasonable” assurance (not “absolute” assurance) about whether the financial statements are free of material misstatements.
- Consider internal control over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

Auditors' Responsibilities (Continued)

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MTS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the MTS's ability to continue as a going concern for a reasonable period of time.

OVERVIEW OF THE FINANCIAL STATEMENTS

San Diego Metropolitan Transit System Restatements to 2022 Statement of Net Position

Statement of Net Position Accounts	Originally Reported	GASB 96 SBITA Adjustments	Capital Contribution Adjustments	As Restated
Prepaid items and other current assets	\$ 4,185,608	\$ (550,991)	\$ -	\$ 3,634,617
Capital assets, net	3,495,960,410	1,756,621	(11,375,455)	3,486,341,576
Subscription payable, current	-	(556,465)	-	(556,465)
Subscription payable, non-current	-	(622,580)	-	(622,580)
Total adjustments		26,585	(11,375,455)	
Net position	\$ 3,494,539,076	\$ 26,585	\$ (11,375,455)	\$ 3,483,190,206

San Diego Metropolitan Transit System Restatements to 2022 Statement of Revenues, Expenses, and Changes in Net Position

Statement of Revenues, Expenses, and Changes in Net Position Accounts	Originally Reported	GASB 96 SBITA Adjustments	Capital Contribution Adjustments	As Restated
Outside services	\$ 118,280,875	\$ (745,670)	\$ -	\$ 117,535,205
Depreciation and amortization	171,822,930	706,176	(277,741)	172,251,365
Interest expense	538,322	12,909	-	551,231
Capital contributions	1,618,702,719	-	(11,653,196)	1,607,049,523
Total adjustments		(26,585)	(11,375,455)	
Net position	<u>\$ 3,494,539,076</u>	<u>\$ 26,585</u>	<u>\$ (11,375,455)</u>	<u>\$ 3,483,190,206</u>

San Diego Metropolitan Transit System Summary Statements of Net Position – Primary Government June 30, 2023 and 2022

	2023	2022	\$ Diff	% Diff
Current assets	\$ 434,835,372	\$ 325,924,622	\$ 108,910,750	33.42%
Noncurrent assets	3,407,815,415	3,530,162,846	(122,347,431)	-3.47%
Deferred Outflows of Resources	74,965,242	40,858,756	34,106,486	83.47%
Current Liabilities	93,553,086	89,154,122	4,398,964	4.93%
Noncurrent liabilities	300,668,942	236,690,977	63,977,965	27.03%
Deferred Inflows of Resources	64,537,896	87,910,919	(23,373,023)	-26.59%
Net Position				
Net investment in capital assets	3,351,318,258	3,473,997,788	(122,679,530)	-3.53%
Unrestricted	107,537,847	9,192,418	98,345,429	1069.85%
Total Net Position	<u>\$ 3,458,856,105</u>	<u>\$ 3,483,190,206</u>	<u>\$ (24,334,101)</u>	<u>-0.70%</u>

San Diego Metropolitan Transit System
Summary Statements of Revenues, Expenses and Changes in Net Position
Primary Government
For the Years Ended June 30, 2023 and 2022

	2023	2022	\$ Diff	% Diff
Revenues				
Operating revenues	\$ 87,043,097	\$ 77,434,677	\$ 9,608,420	12.41%
Nonoperating revenues	477,845,410	387,069,893	90,775,517	23.45%
Total revenues	<u>564,888,507</u>	<u>464,504,570</u>	<u>100,383,937</u>	<u>21.61%</u>
Expenses				
Operating expenses	587,320,838	505,979,472	81,341,366	16.08%
Nonoperating expenses	546,526	1,312,890	(766,364)	-58.37%
Total expenses	<u>587,867,364</u>	<u>507,292,362</u>	<u>80,575,002</u>	<u>15.88%</u>
Income (loss) before capital contributions	<u>(22,978,857)</u>	<u>(42,787,792)</u>	<u>19,808,935</u>	<u>-46.30%</u>
Capital contributions, net	<u>(1,355,244)</u>	<u>1,607,049,523</u>	<u>(1,608,404,767)</u>	<u>-100.08%</u>
Changes in net position	<u>\$ (24,334,101)</u>	<u>\$ 1,564,261,731</u>	<u>\$ (1,588,595,832)</u>	<u>-101.56%</u>

**San Diego Metropolitan Transit System
Summary Statements of Cash Flows – Primary Government
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities	\$ (272,972,158)	\$ (251,003,867)
Cash Flows from Noncapital Financing Activities	466,095,261	379,267,505
Cash Flows from Capital and Related Financing Activities	(72,896,708)	(82,704,352)
Cash Flows from Investing Activities	<u>3,145,167</u>	<u>224,439</u>
Changes in cash, cash equivalents, and investments	<u><u>\$ 123,371,562</u></u>	<u><u>\$ 45,783,725</u></u>

San Diego Metropolitan Transit System Summary Statements of Fiduciary Net Position June 30, 2023 and 2022

	2023	2022	\$ Diff	% Diff
Assets	\$ 184,032,663	\$ 177,508,690	\$ 6,523,973	3.68%
Liabilities	859,971	631,264	228,707	36.23%
Net Position	\$ 183,172,692	\$ 176,877,426	\$ 6,295,266	3.56%

San Diego Metropolitan Transit System Summary Statements of Changes in Fiduciary Net Position For the Years Ended June 30, 2023 and 2022

	2023	2022	\$ Diff	% Diff
Additions				
Contributions	\$ 17,877,214	\$ 17,459,736	\$ 417,478	2.39%
Net investment income (loss)	11,403,121	(22,759,878)	34,162,999	-150.10%
Total additions	<u>29,280,335</u>	<u>(5,300,142)</u>	<u>34,580,477</u>	<u>-652.44%</u>
Deductions				
Distributions	22,630,610	22,029,157	601,453	2.73%
Administrative expenses	354,459	265,106	89,353	33.70%
Total deductions	<u>22,985,069</u>	<u>22,294,263</u>	<u>690,806</u>	<u>3.10%</u>
Changes in fiduciary net position	<u>\$ 6,295,266</u>	<u>\$ (27,594,405)</u>	<u>\$ 33,889,671</u>	<u>-122.81%</u>

KEY PENSION AND OPEB INFORMATION

San Diego Metropolitan Transit System Net Pension Liability Sensitivity June 30, 2023

Discount Rate	<u>MTS</u>	<u>SDTC</u>	<u>SDTI PERS</u>	<u>SDTI PARS</u>	<u>Aggregate</u>
1% decrease	5.90%	5.00%	5.90%	5.00%	
Net pension liability	\$ 27,710,310	\$ 196,007,935	\$ 75,854,037	\$ 3,703,766	\$ 303,276,048
Current discount rate	6.90%	6.00%	6.90%	6.00%	
Net pension liability	\$ 17,754,063	\$ 160,271,145	\$ 46,298,914	\$ 2,423,205	\$ 226,747,327
1% increase	7.90%	7.00%	7.90%	7.00%	
Net pension liability	\$ 9,562,543	\$ 129,904,478	\$ 22,039,030	\$ 1,351,096	\$ 162,857,147

**San Diego Metropolitan Transit System
Pension Expense
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>\$ Diff</u>	<u>% Diff</u>
MTS CalPERS	\$ 1,734,279	\$ 2,970,733	\$ (1,236,454)	-41.62%
SDTC Retirement Plan	24,550,685	14,494,898	10,055,787	69.37%
SDTI CalPERS	7,592,651	1,593,579	5,999,072	376.45%
SDTI PARS	561,012	(158,702)	719,714	-453.50%
Total Pension Expense	<u>\$ 34,438,627</u>	<u>\$ 18,900,508</u>	<u>\$ 15,538,119</u>	<u>82.21%</u>

**San Diego Metropolitan Transit System
Other Postemployment Benefits Plan
OPEB Liability Sensitivity
June 30, 2023**

Discount Rate	<u>MTS</u>	<u>SDTC</u>	<u>SDTI</u>	<u>Aggregate</u>
1% decrease	3.09%	3.09%	3.09%	
Total OPEB liability	\$ 7,954,909	\$ 12,700,698	\$ 29,053,087	\$ 49,708,694
Current discount rate	4.09%	4.09%	4.09%	
Total OPEB liability	\$ 6,743,351	\$ 10,896,484	\$ 24,968,955	\$ 42,608,790
1% increase	5.09%	5.09%	5.09%	
Total OPEB liability	\$ 5,766,833	\$ 9,427,183	\$ 21,668,039	\$ 36,862,055

**San Diego Metropolitan Transit System
OPEB Expense
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>\$ Diff</u>	<u>% Diff</u>
MTS	\$ 700,304	\$ 757,826	\$ (57,522)	-7.59%
SDTC	1,200,089	1,510,463	(310,374)	-20.55%
SDTI	639,806	862,153	(222,347)	-25.79%
Total OPEB Expense	<u><u>\$ 2,540,199</u></u>	<u><u>\$ 3,130,442</u></u>	<u><u>\$ (590,243)</u></u>	<u><u>-18.85%</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

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