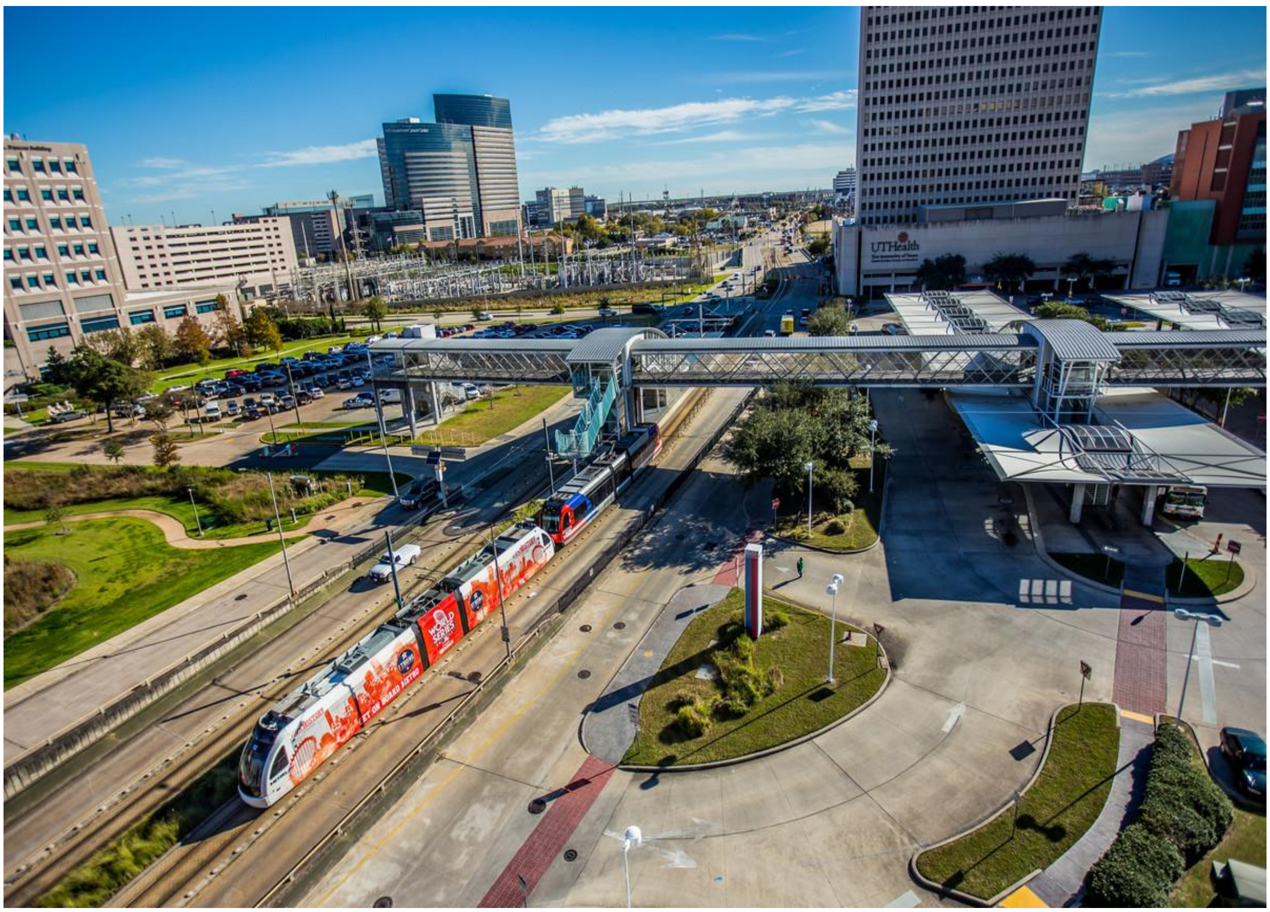
Metropolitan Transit Authority of Harris County, Texas
Annual Comprehensive Financial Report
For the Years Ended
September 30, 2023 and 2022

(Fiscal Year Begins on October 1 and Ends on September 30)



Prepared by the Metropolitan Transit Authority
Of Harris County, Texas
Office of the Controller

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Table of Contents

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Introductory Section (Unaudited)

This section provides an overview of the Metropolitan Transit Authority of Harris County, Texas (METRO) financial activities during the year and discusses management's responsibilities for quality financial reporting. This section is more useful when read in conjunction with the rest of the report.

Please visit METRO's website where you can read more about METRO and its efforts towards improving regional mobility.

March 22, 2024

Letter from the Chief Financial Officer to the Board of Directors
Metropolitan Transit Authority of Harris County, Texas (METRO)
and members of METRO's Service Area

I am pleased to present METRO's Annual Comprehensive Financial Report (ACFR) for the year ended September 30, 2023 (FY2023). This report represents the highest form of external financial reporting and has been developed by the Finance Department with support from other groups within METRO. METRO is responsible for the information presented in this report.

METRO was established under Texas law in 1977 to develop, maintain, and operate a public transportation system primarily in Harris County, Texas with actual transit operations starting in 1979. The service area primarily consists of 15 cities, including Houston which is the nation's fourth largest city, and unincorporated parts of Harris County.

To provide effective transit services, METRO has available approximately 2,000 vehicles of which 90 are light rail cars. These vehicles are used to improve mobility throughout the region and support various programs some of which include METRO STAR Vanpool, METROLift, High Occupancy Vehicle/High Occupancy Toll Lanes, Bikes-on-Bus/Train program, and Park & Ride lots. In addition to these programs, METRO provides funding to local governments under the General Mobility Program (GMP) for their road improvements and congestion mitigation activities. Payments made for GMP activity is reported as part of local infrastructure assistance on the Statement of Revenues, Expenses and Changes in Net Position.

METRO's revenue sources include a 1% local sales tax imposed across the service area, fares, and federal grants. Approximately 25% of the local sales tax collected during the year, adjusted for certain limits established in FY2014, is allocated to the GMP. This program assists local governments in congestion mitigation and maintaining their infrastructure assets many of which are used by METRO. Funding for this program will expire October 1, 2040.

METRO's daily focus is on providing safe, clean, reliable, accessible and friendly public transportation services to our region. Ridership continues to grow as more individuals are returning to working on site. METRO foresees a bright future and continues to work closely with governmental agencies, local leaders and our customers in developing integrated transportation solutions, regional fare system, and mobility programs that meet the current and future needs of the region and our customers. Some of the major programs include:

- Working on the METRONext Moving Forward Plan. This $7.5 billion complex, integrated, and multi-year program is being coordinated with stakeholders through-out the area and will cover 500 miles. This plan will help ease traffic congestion by taking more cars off the road while giving riders multiple ways to move around the region. Please visit METRO's home page for additional information on this major program.

- Placing into service 13 new Siemens LR light rail vehicles with one more to be delivered and tested in FY2024.

- Implementing the integrated, regional fare revenue collection system which is scheduled to be completed in FY2024. From the rider's perspective, they can travel anywhere in the region using cash, mobile wallet, credit or debit card to purchase their tickets and ride.

Financial Transparency - A key to good governance

METRO's Department of Finance supports long-term strategic planning, investment and cash management, grant programs, Q Card administration, financial reporting, and ensures compliance with various federal and state laws, rules, and regulations.

One of our main goals at METRO is to enhance and maintain our status as a trusted community partner by establishing and adhering to financial policies that inspire public trust. The recognition of our independent peers helps to demonstrate our commitment to achieving this goal.

METRO's commitment to financial transparency goes beyond monthly financial reporting at Board/Committee meetings and is reflected in the type, quality and location of financial information, including awards, listed on METRO's web page. Financial reporting awards include: the Certificate of Achievement for Excellence in Financial Reporting for METRO's Annual Comprehensive Financial Report for 31 consecutive years, ten consecutive years for METRO's two defined benefit pension plans, and five consecutive years for the Distinguished Budget Presentation award. In addition, METRO continues to make top grades (AAA) in creditworthiness according to major credit rating agencies. METRO also participates in the State of Texas Transparency Star program and has earned the following:

METRO is not a component unit and the accompanying financial statements include all activities for which it is financially accountable as defined by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* and Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statement No 14 and No. 34*. METRO's principal operating and capital resources are derived from a 1% sales tax levied in its service area, customers fees for transit service, investment income, and federal capital/operating grants. METRO's expenditures relate primarily to transit operations, local infrastructure improvements, transit security, and various capital projects.

The responsibility for accuracy, reliability, and fairness of presentation of the financial information and related disclosures in the ACFR rests with METRO's management. All disclosures that are necessary to enable the reader to gain an understanding of METRO's financial activities have been included in this ACFR. METRO's management is also responsible for ensuring that an adequate internal control structure is in place for preparation of financial information, safeguarding of assets, effective and efficient use of resources, and compliance with applicable laws and regulations. The internal control structure has been 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 cost and benefits requires estimates and judgment by management. In addition, METRO is required by state and federal laws to have independent certified public accountants perform audits and issue reports in accordance with generally accepted auditing standards and U.S. Office of Management and Budget Uniform Grants Guidance for Federal Awards. These reports are filed annually with the appropriate state and federal agencies.

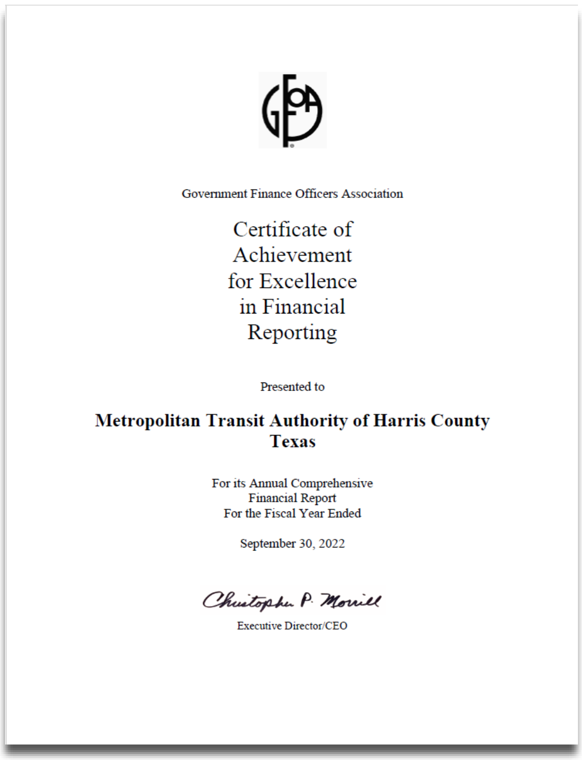
METRO uses a single fund to account for all financial activity, which includes transit operations, traffic management, infrastructure assistance (which includes General Mobility) capital programs, grant revenues, sales tax, and related activity.

METRO's cash and investment policy is designed to monitor and adjust daily its cash balance and investment portfolio while investing in only those securities that have been legally authorized by the Texas Public Funds Investment Act and approved by the Board of Directors as listed in Note 2 to the basic financial statements.

METRO is self-insured, except for certain risks, for which it pays an annual premium to a third-party insurance company discussed in Note 5 to the basic financial statements.

Other Information

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to METRO for its September 30, 2022 ACFR. To win this award you must publish an easily readable and efficiently organized ACFR which meets both generally accepted accounting principles and applicable legal requirements.


Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Transit Authority of Harris County Texas

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

September 30, 2022

Christopher P. Morrill

Executive Director/CEO

The Certificate of Achievement is valid for a period of one year. We believe that our current ACFR 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.

Contact Information

If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Department of Finance, Metropolitan Transit Authority of Harris County, Texas, 1900 Main Street, Houston, TX 77208-1429. METRO's financial statements have been audited by KPMG LLP.

Acknowledgments

METRO's management expresses its appreciation to the employees and the Board of Directors for their commitment in making this one of the best transit agencies in the nation. Additional information can be found in the Management's Discussion and Analysis section.

George Fotinos
Chief Financial Officer

Board of Directors

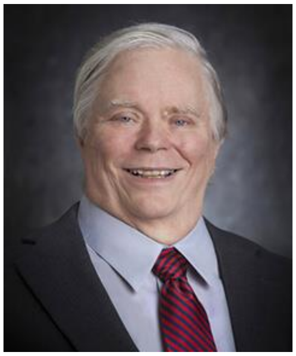
The Board of Directors has nine members. Five directors are nominated by the Mayor of Houston and confirmed by the Houston City Council. Two directors are appointed by the mayors of the 14 other member cities in METRO’s service area. Two directors are nominated by the Harris County Judge and confirmed by the County Commissioners.

Elizabeth Gonzalez Brock
Chair (C)
Appointed February, 2024

Don Elder Jr.,
First Vice-Chair (M)

Roberto Treviño, P.E.
Second Vice-Chair (H)

Troi Taylor
Secretary (C)



Lex Frieden (C)

Bob Fry (M)

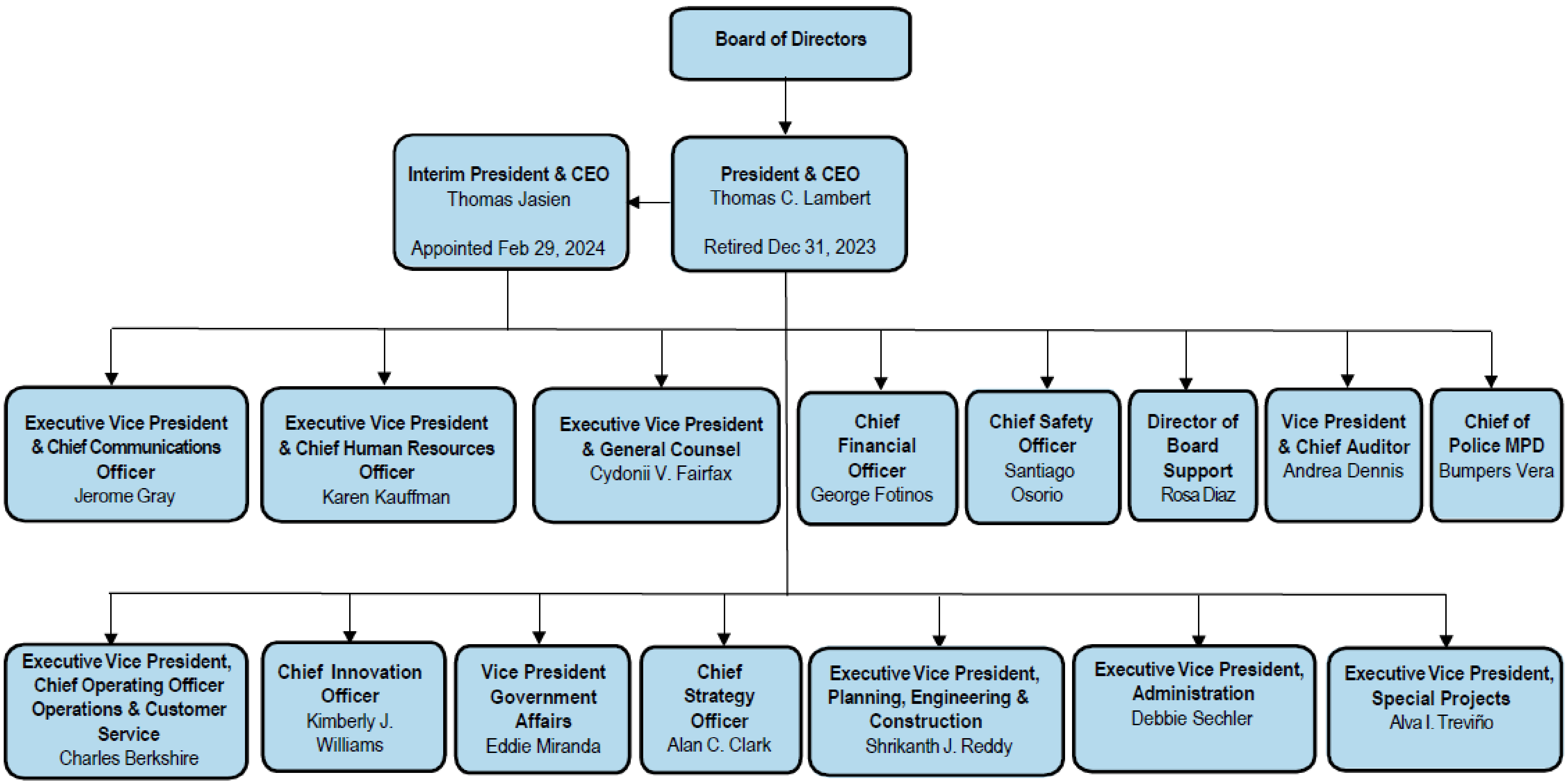
Diann L. Lewter (C)

Terry Morales (C)

Holly Maria Flynn
Vilaseca (H)
Appointed February, 2024

(C) Nominated by the Mayor of the City of Houston and Confirmed by Houston’s City Council
(H) Nominated by the Harris County Judge and Confirmed by Harris County Commissioners Court
(M) Appointed by the Mayors of the 14-member cities in METRO's service area

METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS
FY2023 Executive Leadership
Team Organization Chart



Comprehensive Financial Section

The Governmental Accounting Standards Board (GASB) believes that every governmental entity should prepare and publish, as a matter of public record, an annual comprehensive financial report (ACFR). The ACFR is designed to provide financial information that is useful in evaluating METRO's financial condition, results of operations, cash flows, and compliance with finance-related laws, rules, and regulations that have a direct and material effect on the financial statements. The ACFR is prepared using generally accepted accounting principles and is posted on METRO's website.

Some of the compliance reporting requirements includes the following:

- *State law, which requires METRO to issue each year independently audited financial statements and file those statements with state oversight agencies as well as state and local governmental leaders.*
- *Federal regulations, which require the audited financial statements to be included with the annual filing of the independently audited Single Audit Report (grant expenditures), which is used to evaluate compliance with grant agreements and evaluate future eligibility for grant funds.*
- *METRO's existing debt agreements with creditors, which require audited financial statements be prepared and posted on the Electronic Municipal Market Access website to ensure compliance with continuing disclosure requirements.*

KPMG LLP
811 Main Street
Houston, TX 77002

Independent Auditors' Report

The Board of Directors
Metropolitan Transit Authority of Harris County, Texas:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of the Metropolitan Transit Authority of Harris County, Texas (METRO), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise METRO's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of METRO as of September 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of the Non-Union Pension Plan and Trust, which represents 100% of the fiduciary activities as of and for the years ended September 30, 2023 and 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for Non-Union Pension Plan and Trust, are based solely on the report of the other auditors.

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of METRO 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. The financial statements of the Non-Union Pension Plan and Trust were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

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 METRO'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.

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 auditors' 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. 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 GAAS and *Government 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 METRO'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 METRO'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

U.S. generally accepted accounting principles require that management's discussion and analysis and required supplementary information as listed in the table of contents 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' 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.

KPMG

In connection with our audit 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 March 22, 2024 on our consideration of METRO'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 solely 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 the effectiveness of METRO's 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 METRO's internal control over financial reporting and compliance.

KPMG LLP

Houston, Texas
March 22, 2024

Management's Discussion and Analysis (MD&A) (Unaudited)

Governmental Accounting Standards requires externally issued financial reports that are prepared in accordance with generally accepted accounting principles to include a Management's Discussion and Analysis for State and Local Government section. This section is to provide an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions.

Metropolitan Transit Authority of Harris County, Texas
Management's Discussion and Analysis
(Unaudited)

This section of the ACFR presents a discussion and analysis of METRO's financial performance during FY2022 through FY2023. Please read it in conjunction with the introductory section of the report and METRO's financial statements which immediately follow this section. Numbers presented in the Management's Discussion and Analysis tables are rounded and may differ slightly from the financial statements.

FINANCIAL HIGHLIGHTS

METRO's net position increased during FY2023 by $149.9 million or 9.3 percent. This increase relates to additional funding by the FTA for operating costs, improvements in sales tax collections, transportation fares, and investment income that was partially offset by an increase in operating expenses.

- *Total Resources* reported on schedule A-1 totaled $1,371.5 million for FY2023 which is a $321.8 million or 30.7 percent increase from FY2022. This increase relates to additional funding by the FTA for operating costs, increases in sales tax, transportation fares, and investment income.

- *Total Operating Expenses* reported on schedule A-1 totaled $1,000.6 million for FY2023 for an increase of $95.8 million or 10.6 percent from FY2022. This increase relates to expanding services as riders return to the system, inflation, and costs related to planning/development for METRONext.

- *Total Nonoperating Expenses* reported on schedule A-1 totaled $221.0 million for FY2023 which is a decrease of $12.1 million or 5.2 percent from FY2022. This decrease primarily relates to lower COVID-19 cost and interest expense.

- *Total Assets and Deferred Outflows* reported on schedule A-2 totaled $4,012.0 million for FY2023 which reflects an increase of $50.8 million or 1.3 percent when compared to FY2022. This increase primarily relates to cash, investments, and inventory, offset by reduction in capital assets net of depreciation.

- *Total Liabilities and Deferred Inflows,* as reported on schedule A-2, totaled $2,242.5 million for FY2023 which represents a decrease of $99.1 million or 4.2 percent from FY2022. This decrease is primarily due to reductions in various debt instruments and net OPEB liability, offset by increases in net pension liability and deferred inflows.

OVERVIEW OF THE FINANCIAL STATEMENTS

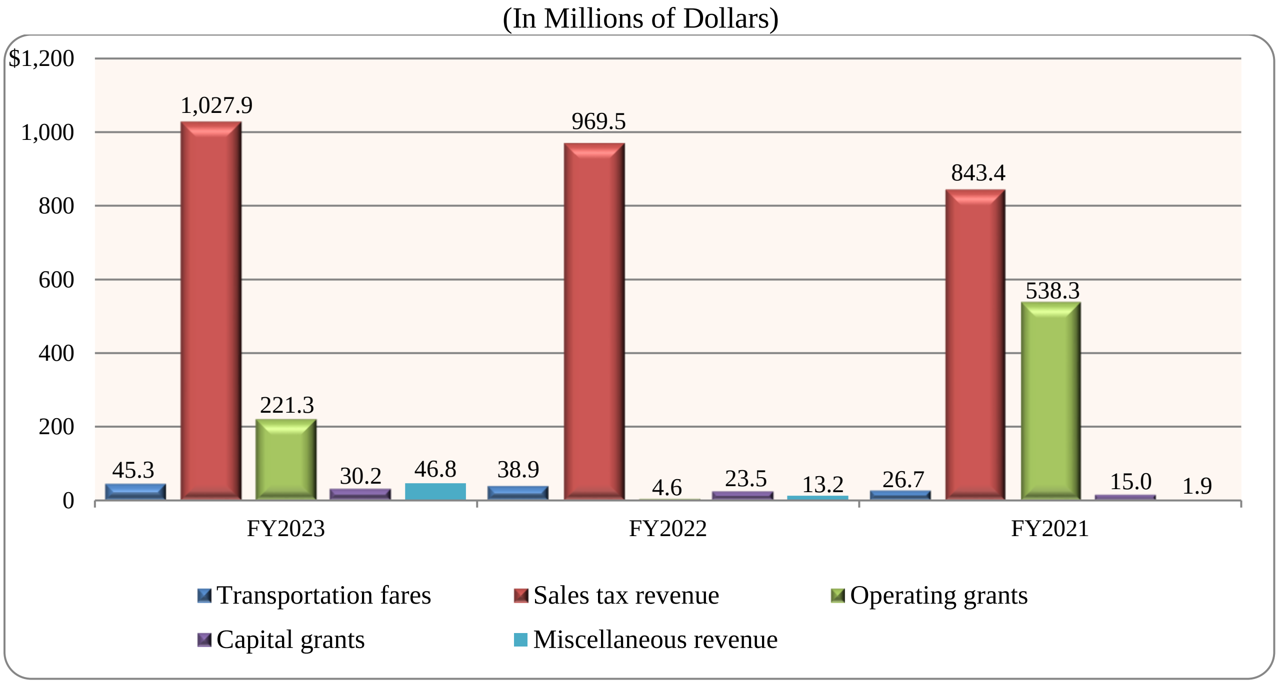
The financial section of this report consists of four parts: management's discussion and analysis, the basic financial statements, the notes to the financial statements, and the required supplementary information. METRO's financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Position.

FINANCIAL ANALYSIS OF METRO

Summarized Changes in Net Position
(in Millions of dollars) A-1

	FY2023	FY2022	Change	Percentage Change	FY2021
Resources					
Transportation fares	$ 45.3	$ 38.9	$ 6.4	16.5 %	$ 26.7
Sales tax	1,027.9	969.5	58.4	6.0 %	843.4
Investment income	43.9	10.3	33.6	326.2 %	0.2
Other income	2.9	2.9	–	– %	1.7
Grant proceeds	221.3	4.6	216.7	4,710.9 %	538.3
Grant proceeds (capital)	30.2	23.5	6.7	28.5 %	15.0
Total resources	1,371.5	1,049.7	321.8	30.7 %	1,425.3
Expenses					
Operating					
Scheduled service	473.6	431.3	42.3	9.8 %	367.9
Nonscheduled service	94.1	77.1	17.0	22.0 %	65.4
Service support	172.7	135.1	37.6	27.8 %	104.3
Organizational support	76.9	72.9	4.0	5.5 %	61.9
Depreciation and amortization	183.3	188.4	(5.1)	(2.7) %	188.9
Total operating expenses	1,000.6	904.8	95.8	10.6 %	788.4
Nonoperating					
Interest expense	26.0	29.5	(3.5)	(11.9) %	33.8
Loss/(gain) on sale of assets/impairment	(0.7)	0.1	(0.8)	(800.0) %	0.2
Funds passed to subrecipients	0.3	0.3	–	– %	0.2
Local infrastructure assistance	193.2	194.5	(1.3)	(0.7) %	187.0
Net loss from declared disasters	2.2	8.7	(6.5)	(74.7) %	7.6
Total non operating	221.0	233.1	(12.1)	(5.2) %	228.8
Total expenses	1,221.6	1,137.9	83.7	7.4 %	1,017.2
Change in net position	149.9	(88.2)	238.1	270.0 %	408.1
Net position - beginning of year	1,619.6	1,707.8	(88.2)	(5.2) %	1,299.7
Net position - end of year	$1,769.5	$1,619.6	$149.9	9.3 %	$1,707.8

Increases to Net Position (Revenues) with Related Discussions



Transportation fares include revenue from transit customers, METRO STAR Vanpool, and HOT lanes. Fare revenue increased by $6.4 million or 16.5 percent during FY2023 as more riders are working onsite.

Sales tax revenue is 1% of taxable sales within METRO's service area which is collected by the Texas Comptroller Office and distributed monthly to METRO. Sales tax increased by $58.4 million or 6.0 percent during FY2023 as entities spent money received from the federal government relating to various fiscal stimulus programs and inflation.

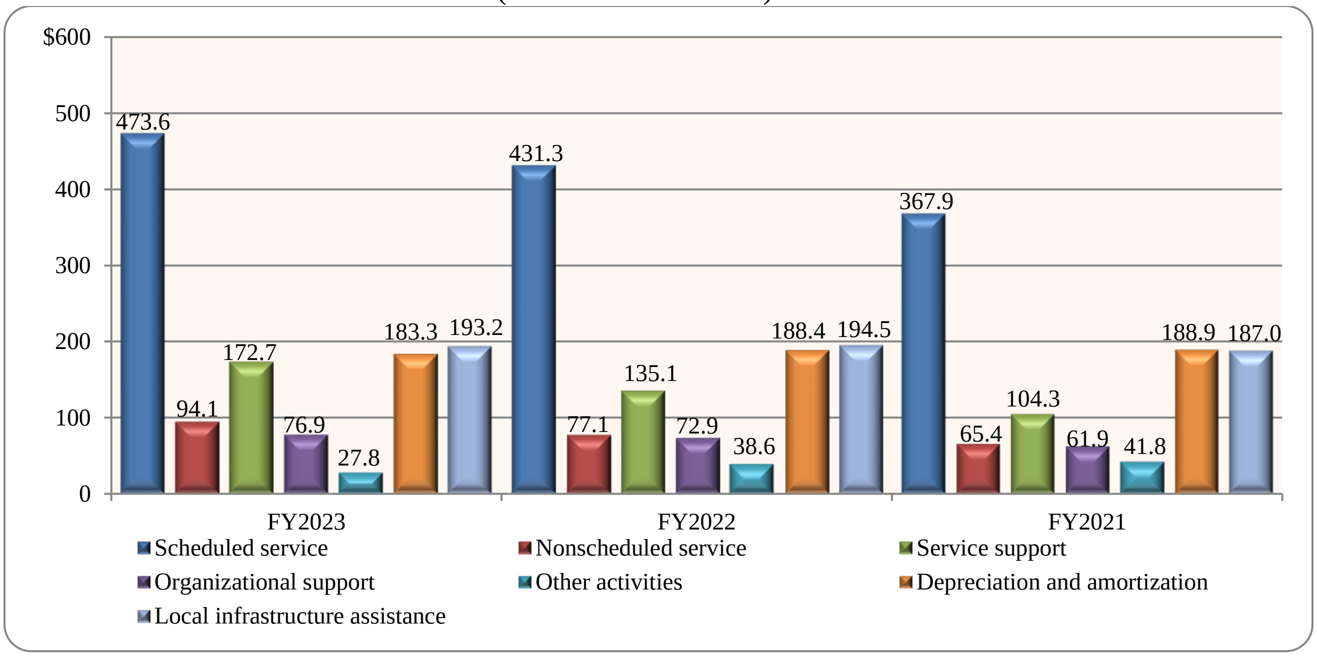
Operating grants (includes capital grants authorized by the FTA for use in maintaining capital assets) are primarily used to maintain transit vehicles and operating specific transit programs such as METROLift and METRO STAR Vanpool. Grants funds are contingent on appropriations from the federal government and subsequent award of grant dollars by the FTA, which is METRO's primary federal oversight agency. Amounts reported each year will vary and are based on the timing of allowable expenditures and when funds become available for reimbursement to METRO. The significant increase of $216.7 million in FY2023 primarily related to the funds from the ARP Additional Assistance, Urbanized Area Formula Program and preventative maintenance program.

Capital grants are provided by the FTA and used to help fund the design, construction, purchase, and enhancement of capital assets. Grants funds are contingent on appropriations from the federal government and subsequent award of grant dollars by the FTA. Amounts reported each year will vary and are based on the timing of allowable expenditures and when funds become available for reimbursement to METRO. The increase of $6.7 million in FY2023 relates to progress on various grant eligible construction projects.

Miscellaneous revenue consists of investment income, real estate, parking revenue, and other nonoperating activities. Revenues from these categories will vary slightly each year depending on the local economy and the impact of changing interest rates. The increase of $33.6 million during FY2023 primarily relates to higher earnings on investment.

Decreases to Net Position (Expenses) and Related Discussions

(In Millions of Dollars)



Scheduled service consists of bus/light-rail services and includes vehicle operations, maintenance, safety, and training expenses. The increase in FY2023 of $42.3 million primarily related to expansion of service as employees return to working onsite and inflation.

Nonscheduled service includes METROLift, METRO STAR Vanpool, and HOT lanes. The increase in FY2023 of $17.0 million primarily related to the expansion of service as employees return to working onsite and inflation.

Service support includes planning, marketing, transit security, insurance, fare collection, and facility maintenance. The increases over the last three years primarily relate to the cost required to maintain older facilities, additional effort on transit security, inflation, and planning for the implementation of METRONext.

Organizational support includes business, community/governmental development, administrative, finance, personnel, information systems, purchasing, executive oversight, audit, and legal. The increase in FY2023 primarily relates to additional effort on planning/developing METRONext, legal cost and inflation.

Other activities include interest expense, funds passed to grant subrecipients, gain/loss on sale of assets, and cost related to declared disasters. The decline in FY2023 primarily relates to lower interest cost due to the retirement of commercial paper, and certain long-term debt.

Depreciation and amortization decreased slightly over the last three years as new assets replaced those retired and certain fully depreciated assets were able to remain in service.

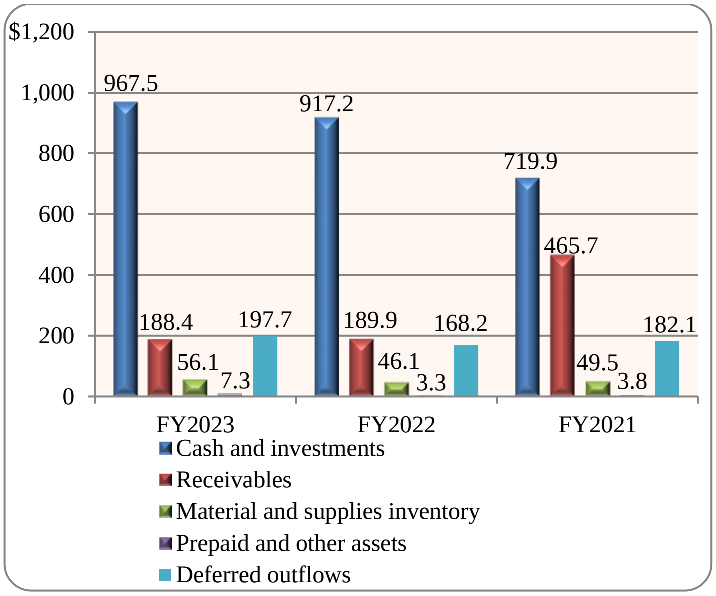
Local infrastructure assistance provides funding to local governments in METRO's service area for street, sidewalks, bridges, and congestion mitigation activities. This voter approved program established a cap of 25% of FY2014 sales tax revenues with any sales tax growth shared equally between METRO and local governments. Expenses reported for this program will vary each year depending on reimbursement requests and funds distributed to local governments. Additional information can be found in Note 6 to the basic financial statements.

Summarized Statement of Net Position
(in Millions of Dollars)
A-2

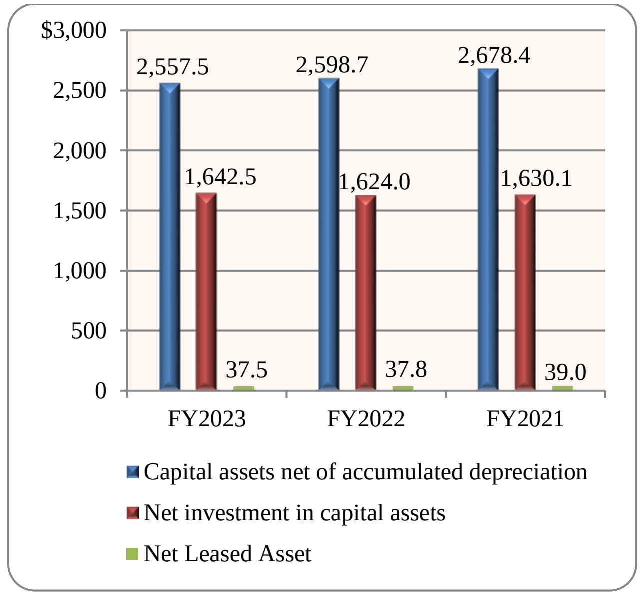
	FY2023	FY2022	Amount of Change	Percentage Change		FY2021
Assets and deferred outflows						
Cash and investments	$ 967.5	$ 917.2	$ 50.3	5.5	%	$ 719.9
Receivables	188.4	189.9	(1.5)	(0.8)	%	465.7
Material and supplies inventory	56.1	46.1	10.0	21.7	%	49.5
Capital assets net of depreciation	2,557.5	2,598.7	(41.2)	(1.6)	%	2,678.4
Capital lease assets net of depreciation	37.5	37.8	(0.3)	(0.8)	%	39.0
Prepaid and other assets	7.3	3.3	4.0	121.2	%	3.8
Total assets	3,814.3	3,793.0	21.3	0.6	%	3,956.3
Deferred outflow of resources	197.7	168.2	29.5	17.5	%	182.1
Total assets and deferred outflows	4,012.0	3,961.2	50.8	1.3	%	4,138.4
Liabilities and deferred inflows						
Payables and other liabilities	145.4	130.3	15.1	11.6	%	126.6
Commercial paper	0.0	83.6	(83.6)	(100.0)	%	109.5
Debt payables	966.1	1,036.5	(70.4)	(6.8)	%	1,113.5
Net pension liability	297.9	185.4	112.5	60.7	%	214.0
Net OPEB liability	381.4	777.6	(396.2)	(51.0)	%	752.1
Total liabilities	1,790.8	2,213.4	(422.6)	(19.1)	%	2,315.7
Deferred inflow of resources	451.7	128.2	323.5	252.3	%	114.9
Total liabilities and deferred inflows	2,242.5	2,341.6	(99.1)	(4.2)	%	2,430.6
Net position:						
Net investment in capital assets	1,642.5	1,624.0	18.5	1.1	%	1,630.1
Restricted assets, debt payments	93.2	88.5	4.7	5.3	%	96.4
Unrestricted assets	33.8	(92.9)	126.7	(136.4)	%	(18.7)
Total net position	$1,769.5	$1,619.6	$ 149.9	9.3	%	$1,707.8

Assets and Net Investments in Capital Assets

In Millions of Dollars



In Millions of Dollars



Cash and investments consist of demand deposits and investments. Increases over last several years primarily relate to grant receipts from the federal government, sales tax, offset by increases in operating cost. More information about cash and investments can be found in Note 2 to the basic financial statements

Receivables include sales tax, grants, transportation fares, and miscellaneous activities. The slight decrease during FY2023 relates to other receivables that was partially offset by increases in current year sales tax and FTA grant revenue.

Material and supplies inventory consist of fuel, parts needed to maintain transit and support vehicles, and favorable fuel hedges. Increase during last several years primarily related to long-lead time on bus/rail parts and inflation.

Prepaid and other assets consist of insurance, extended vehicle warranties, and prepaid rent. Changes during the last three years were primarily related to the timing of new purchases, and subsequent amortization of expenses.

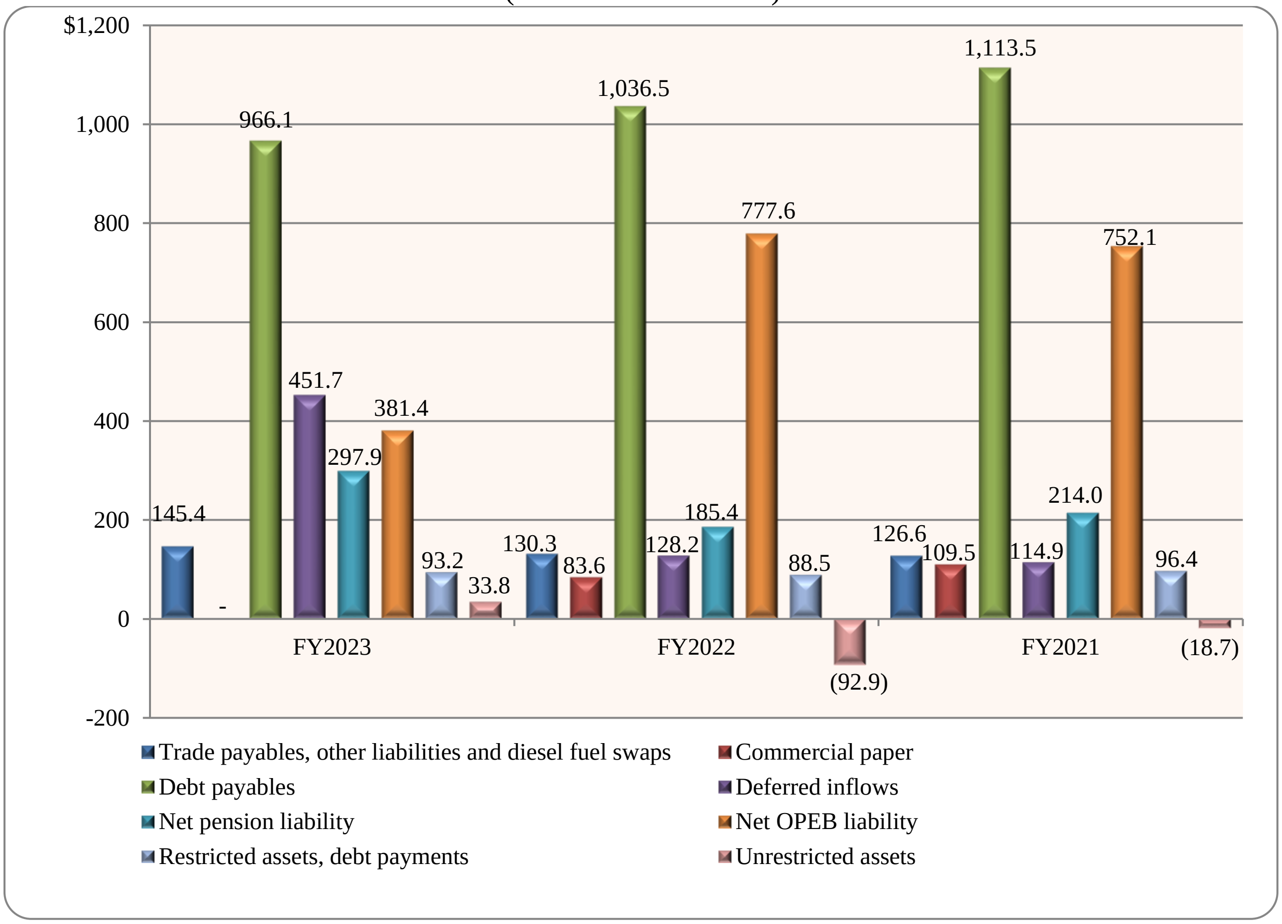
Deferred outflows consist of unfavorable experiences including actuarial assumptions used to value the defined benefit pension and OPEB plans, the refunding of previous outstanding debts, diesel fuel swaps, and contributions for the defined benefit pension plans for the period January 1 through September 30, of each year. Changes can vary significantly between years and primarily relate to benefit plans meeting their actuarial assumptions, changes in interest rates, and the volatility in diesel fuel prices. The increase in FY2023 primarily relates to unfavorable investment earnings for both defined benefit pension plans as of the measurement date of December 31, 2022.

Capital assets net of accumulated depreciation declined during the last three years and generally relate to depreciation expense and capital asset retirements exceeding current year capital additions. Additional information is available in Note 3 to the basic financial statements.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the related outstanding balance of bonds, contractual obligations, and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The increase during the last three years primarily relates to the current year capital additions and principal payments for outstanding debt offset by depreciation of major projects completed in prior years.

Liabilities and Net Position for Restricted and Unrestricted Assets

(In Millions of Dollars)



Payables and other liabilities consist of amounts owed to trade payables, accrued payroll/benefits, injuries and damages, and deferred Q Card revenue. Changes during the last three years were primarily related to trade payables.

Commercial paper was used to fund general mobility payments due to local governments and is part of METRO's long-term debt strategy as payments are rolled over at maturity. During FY2023 METRO retired the outstanding balance of $83.6 million and will continue to monitor the best approach to finance METRO's requirements. Additional information on commercial paper is reflected in Note 6 to the basic financial statements.

Debt payables consist of bonds, contractual obligations, accrued interest and related premiums/discounts. Proceeds received from the issuance of these obligations were primarily used to fund light-rail expansion and bus replacements. The debt payable balance has been declining during the last three years as principal payments were made and the amortization of premium/discount occurred. Additional information on outstanding debt and related changes are reflected in Note 6 to the basic financial statements.

Deferred inflows consist of favorable experience when comparing the actuarial assumptions used to value the two defined benefit pension plans and the two OPEB plans, the benefit associated with refunding previous outstanding debts, and the value of outstanding diesel fuel swaps that are below market price. Increases during the last several years generally relate to favorable actuarial experience and changes in assumption primarily for the benefit plans as reflected in Note 4 to the basic financial statements.

Net pension liability consists of two defined benefit plans which are closed to new participants as discussed in Note 1 and Note 4 of the basic financial statements. Changes in the net position liability primarily relates to volatility investment returns, changes in mortality tables and minor benefit enhancements.

Net OPEB liability consists of two plans which provide medical, dental, and life insurance benefits for eligible retirees as discussed in Note 1 and Note 4 to the basic financial statements. The plan covering OPEB for Non-Union employees was closed on January 1, 2010 (except for life insurance) while the plan for employees covered by the labor agreement, the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust (Trust), remains open to new participants. Changes each year in the OPEB liability primarily relate to the volatility of the 20-year tax exempt general obligation municipal bond rate along with minor changes in demographic, and the mortality table. An additional reduction was recorded in FY2023 as a result of METRO obtaining additional information from the Trust which now allows METRO to use the insurance premium charged by third party service providers to the Trust instead of the contribution amount paid by METRO.

Restricted assets - debt payments consist of individual accounts held by the Trustee, Wells Fargo Bank, N.A., as part of METRO's debt agreements. METRO coordinates the monthly deposit requirements with the Trustee to ensure funds are available to make all interest and principal payments as they become due. Balances in individual accounts will change annually and are based on the timing of deposits and subsequent payment of interest and principal by the Trustee. All funds deposited into these accounts are required to be invested in accordance with the Texas Public Funds Investment Act.

Unrestricted assets - the increase in FY2023 represents the funds not expended to support METRO's operations and expansion programs. The unrestricted balance equals total assets, plus deferred outflows; reduced by total liabilities, total deferred inflows, investments in capital assets-net of related debt, and restricted assets-debt payments. Amounts reported as unrestricted must be reviewed in conjunction with estimated future cash flows to determine funds available to expand or implement new and innovative programs.

OUTSTANDING COMMITMENTS

METRO has various contracts and purchase orders, some of which extend over several fiscal years. During the last two years the outstanding commitments totaled $273 million for FY2023 and $120.7 million for FY2022. Changes between fiscal years generally represent contracts that were expiring and will subsequently be replaced.

Current Economic Outlook for the Region

The outlook has improved as reflected in METRO's independently updated sales tax forecast listed below. This forecast anticipates job growth will continue to provide additional funds so METRO can expand and deliver new and innovative transit and mobility services to the region.

Figure 25 was taken from the *Mid-Year Outlook for METRO's Sales Tax Revenues: 2021-2028* Dated June 2023 and prepared by Dr. Robert W. (Bill) Gilmer, UNIVERSITY OF HOUSTON Institute for Regional Forecasting / C.T. Bauer College of Business.

The entire report is available upon request from METRO's Finance Department and the following schedule reflects the current forecast of sales tax revenue for the METRO service area through 2028. The following yearly analysis is based on the price per barrel of oil which ranged from $40 to $100.

Figure 25: METRO Allocations to 2028
Current $ By CY and Date of Allocation From the State

Year	Low $40	Medium $65	High $80	$ 100
2021	857,901,691	857,901,691	857,901,691	857,901,691
y/y	12.9%	12.9%	12.9%	12.9%
q4/q4	20.9%	20.9%	20.9%	20.9%
2022	983,309,984	983,309,984	983,309,984	983,309,984
y/y	14.6%	14.6%	14.6%	14.6%
q4/q4	10.3%	10.3%	10.3%	10.3%
2023	994,127,045	996,980,478	1,000,646,626	1,000,824,197
y/y	1.1%	1.4%	1.8%	2.1%
q4/q4	-6.2%	-5.3%	-4.7%	-3.9%
2024	920,056,088	935,939,946	947,506,427	961,002,471
y/y	-7.5%	-6.1%	-5.3%	-4.3%
q4/q4	-0.1%	1.9%	3.5%	5.0%
2025	953,433,257	1,009,741,618	1,049,679,230	1,092,429,259
y/y	3.6%	7.9%	10.8%	13.7%
q4/q4	4.9%	9.3%	11.9%	15.0%
2026	1,006,656,909	1,096,880,832	1,163,573,955	1,236,837,613
y/y	5.6%	8.6%	10.9%	13.2%
q4/q4	4.4%	6.9%	8.9%	11.0%
2027	1,056,440,652	1,169,378,830	1,258,584,167	1,357,709,162
y/y	4.9%	6.6%	8.2%	9.8%
q4/q4	5.5%	6.7%	8.0%	9.4%
2028	1,109,858,237	1,238,547,114	1,347,577,603	1,469,064,727
y/y	5.1%	5.9%	7.1%	8.2%
q4/q4	4.9%	5.6%	6.7%	7.8%

Fiduciary Fund Financial Highlights for The Non-Union Pension Plan

METRO's funding policy is to contribute each year 100 percent of the independent, actuarially determined contribution which totaled $12.9 million for 2022, $13.4 million for 2021 and $14.2 million for 2020.

Changes to the fiduciary net position (as of December 31 which is the measurement date) are reflected, in thousands, is in the following table.

	2022	2021	2020
Total assets	$ 177,183	$ 211,330	$ 204,727
Total liability	133	174	213
Fiduciary net position	$ 177,050	$ 211,156	$ 204,514

The decrease in the fiduciary net position during the last three years is primarily related to lower-than-expected investment returns offset by favorable and unfavorable demographic experiences.

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Basic Financial Statements
Generally Accepted Accounting Principles

Generally accepted accounting principles (GAAP) are uniform minimum standards of and guidelines to financial accounting and reporting. Adherence to GAAP assures that financial reports of all state and local governments regardless of jurisdictional legal provisions and customs contain the same types of financial statements and disclosures, for the same categories and types of funds and activities, based on the appropriate measurement and classification criteria.

Adherence to GAAP is essential to assuring a reasonable degree of comparability among the financial reports of state and local governmental units. Governmental accounting systems thus must provide data that permit reporting on the financial status and operations of a government in conformity with GAAP.

GAAP establishes standards for preparing an annual comprehensive financial report, which includes Management's Discussion and Analysis (MD&A), basic financial statements, notes to the financial statements, and required supplementary and statistical information.

Metropolitan Transit Authority of Harris County, Texas
Statements of Net Position
September 30, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash	$ 39,811,604	$ 7,986,555
Investments	834,463,453	812,603,961
Investments – restricted	74,052,233	69,637,438
Receivables		
Sales tax	171,120,156	167,306,634
Federal government - Federal Transit Administration	7,516,977	3,166,118
Bus passes and other receivables	9,763,050	19,427,520
Total receivables	188,400,183	189,900,272
Material and supplies inventory	50,939,952	46,106,776
Derivative instrument – diesel fuel swaps	5,142,234	-
Total current assets	1,192,809,659	1,126,235,002
Noncurrent assets		
Investments – restricted	19,183,345	27,013,768
Capital assets, net of depreciation	2,557,529,866	2,598,663,652
Capital lease assets, net of depreciation	37,506,300	37,766,117
Other non current assets	7,331,831	3,358,847
Total noncurrent assets	2,621,551,342	2,666,802,384
Total assets	3,814,361,001	3,793,037,386
Deferred outflow of resources		
Pension	84,897,096	28,287,770
OPEB	109,992,305	135,403,128
Debt refunding	2,795,923	3,140,878
Diesel fuel swaps	-	1,378,049
Total deferred outflow of resources	197,685,324	168,209,825
Liabilities		
Current liabilities		
Trade payables	70,729,327	66,148,287
Accrued compensation and benefits	42,449,385	34,271,577
Liabilities for injuries and damages	10,519,563	9,514,672
Other current liabilities	10,395,805	9,748,297
Lease obligations	789,362	930,324
Commercial paper	-	83,550,000
Debts payable	65,355,000	59,535,000
Debt interest payable	13,605,659	14,983,625
Derivative instrument – diesel fuel swaps	-	1,378,049
Total current liabilities	213,844,101	280,059,831
Noncurrent liabilities		
Liabilities for injuries and damages	11,286,273	9,257,440
Debts payable	848,219,472	923,278,177
Net OPEB liability	381,352,846	777,593,878
Net pension liability	297,934,523	185,442,760
Lease obligations	38,172,255	37,819,982
Total noncurrent liabilities	1,576,965,369	1,933,392,237
Total liabilities	1,790,809,470	2,213,452,068
Deferred inflow of resources		
Pension	5,681,822	47,859,243
OPEB	438,572,661	77,510,364
Debt refunding	740,378	792,346
Diesel fuel swaps	5,142,234	-
Leases	1,633,325	2,073,931
Total deferred inflow of resources	451,770,420	128,235,884
Net position		
Net investment in capital assets	1,642,500,077	1,624,047,626
Restricted assets – debt payments	93,235,578	88,454,055
Unrestricted assets	33,730,780	(92,942,422)
Total net position	$ 1,769,466,435	$ 1,619,559,259

The accompanying notes are an integral part of the financial statements.

Metropolitan Transit Authority of Harris County, Texas
Statements of Revenues, Expenses, and Changes in Net Position
for the Years Ended September 30, 2023 and 2022

	2023	2022
Operating revenues		
Transportation fares	$ 45,251,588	$ 38,906,973
Operating expenses		
Scheduled services - fixed route		
Bus and rail operations – direct	261,078,196	240,198,071
Contract service	73,042,020	56,400,483
Material distribution	8,228,190	8,383,618
Preventative maintenance	92,992,802	90,501,940
Central shop and maintenance support	30,316,446	29,418,580
Safety and training	7,897,289	6,443,085
Subtotal scheduled services - fixed route	473,554,943	431,345,777
Nonscheduled services – special		
METROLift	80,661,252	66,022,641
METRO Vanpool	5,629,183	4,789,973
HOT lanes and special events	7,756,713	6,253,410
Subtotal non-scheduled services – special	94,047,148	77,066,024
Service support		
Service planning and evaluation	55,878,312	37,938,377
Marketing	18,129,678	9,321,138
Transit security and traffic management	38,400,199	32,072,552
Insurance and claims	9,270,132	8,362,794
Ticket and fare collection	3,769,661	3,649,385
Facility maintenance	47,299,900	43,905,269
Subtotal service support	172,747,882	135,249,515
Organizational support		
Business, community, and governmental development	12,035,712	12,220,838
Administrative, financial, and personnel	24,408,880	20,678,632
Information systems	26,384,293	27,072,782
Purchasing	5,492,574	4,896,052
Oversight, audit, and legal	8,589,218	7,998,334
Subtotal organizational support	76,910,677	72,866,638
Depreciation and amortization	183,347,365	188,376,058
Total operating expenses	1,000,608,015	904,904,012
Operating loss	(955,356,427)	(865,997,039)
Nonoperating revenues (expenses)		
Sales tax	1,027,963,765	969,533,523
Investment income	43,819,810	10,227,377
Interest expense	(25,959,732)	(29,469,689)
Other income	2,877,817	2,933,979
Grant proceeds	221,319,361	4,602,766
Local infrastructure assistance	(193,162,887)	(194,541,069)
Funds passed to subrecipients	(385,836)	(312,877)
Gain/(loss) from sale or disposal of assets	651,722	(77,029)
Loss on declared disaster	(2,160,017)	(8,666,225)
Total nonoperating revenues	1,074,964,003	754,230,756
Net Increase (decrease) before capital grants	119,607,576	(111,766,283)
Capital grant proceeds	30,299,600	23,503,277
Changes in net position	149,907,176	(88,263,006)
Net position beginning of year	1,619,559,259	1,707,822,265
Net position end of year (as restated)	$ 1,769,466,435	$ 1,619,559,259

The accompanying notes are an integral part of the financial statements.

Metropolitan Transit Authority of Harris County, Texas
Statements of Cash Flows
for the Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Receipts from transportation fares	$ 42,825,956	$ 38,021,245
Payments to employees	(455,989,076)	(409,832,105)
Payments to suppliers for goods and services	(349,783,664)	(278,332,797)
Net cash used in operating activities	(762,946,784)	(650,143,657)
Cash flows from noncapital financing activities:		
Proceeds from sales tax	1,025,059,067	955,791,224
Proceeds from grants	217,727,589	308,808,380
Payments for local infrastructure assistance	(193,162,887)	(193,245,039)
Payment for declared disaster	(4,491,403)	(8,666,225)
Net cash provided by noncapital financing activities	1,045,132,366	1,062,688,340
Cash flows from capital and related financing activities:		
Proceeds from grants	29,585,108	22,040,346
Proceeds from sale of sales tax bonds	–	38,325,000
Principal payments related to commercial paper	(83,550,000)	(25,950,000)
Principal payments related to debts	(59,535,000)	(98,750,000)
Interest payments and fees related to debts	(35,481,629)	(46,187,676)
Purchase of investments for debt services	(99,465,338)	(100,418,043)
Sale of investments for debt services	102,880,966	109,383,716
Proceeds from sale and use of assets	4,418,178	4,693,682
Capital purchases	(141,927,612)	(107,468,907)
Net cash flows used by capital and related financing activities	(283,075,327)	(204,331,882)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	1,031,984,040	820,924,915
Purchase of investments	(1,049,706,167)	(1,041,576,082)
Interest income	50,436,921	11,599,940
Net cash provided by (used in) investing activities	32,714,794	(209,051,227)
Net change in cash	31,825,049	(838,426)
Cash at beginning of year	7,986,555	8,824,981
Cash at end of year	$ 39,811,604	$ 7,986,555
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (955,356,427)	$ (865,997,039)
Depreciation and amortization	183,347,365	188,376,058
Changes in assets and liabilities:		
(Increase) in accounts receivable	(2,039,361)	(3,625,201)
(Increase) in inventory and other assets	(8,806,160)	(3,270,180)
Increase/(decrease) in net pension liability	112,491,763	(28,576,629)
(Increase)/decrease in deferred outflows – defined benefit pension plans	(56,609,326)	4,219,929
(Decrease)/increase in deferred inflows – defined benefit pension plans	(42,177,421)	8,581,908
Increase/(decrease) in accrued compensation and benefits	8,177,809	(2,961,652)
(Decrease)/increase in net OPEB liability	(396,241,032)	25,472,831
Decrease in deferred outflows – OPEB	25,410,823	10,695,858
Increase in deferred inflows – OPEB	361,062,297	12,507,031
Increase in liabilities for injuries and damages	3,033,724	489,640
Increase in trade payables and other liabilities	4,759,162	3,943,789
Cash used in operating activities	$ (762,946,784)	$ (650,143,657)
Noncash investing activities:		
Net decrease in fair value of investments	$ 6,645,365	$ 6,761,374
Inflows from reissuance of commercial paper	96,250,000	420,350,000
Outflows from reissuance of commercial paper	(179,800,000)	(446,300,000)

The accompanying notes are an integral part of the financial statements.

Metropolitan Transit Authority
Non-Union Pension Plan and Trust
Statements of Fiduciary Net Position
As of December 31, 2022 and 2021 (Measurement Date)

	2022	2021
Assets		
Cash equivalent	$ 2,601,861	$ 1,574,865
Investments, at fair value:		
Domestic equities	59,851,250	80,566,016
Fixed income	45,920,806	53,355,772
International equities	38,537,223	46,939,684
Real estate	30,242,254	28,879,440
Total investments	174,551,533	209,740,912
Interest and dividends receivable	2,290	-
Receivable from sale of securities	27,098	14,476
Total assets	177,182,782	211,330,253
Liabilities		
Accounts payable	127,404	164,404
Payable for securities purchased	5,056	9,464
Total liabilities	132,460	173,868
Fiduciary net position - restricted for pensions	$ 177,050,322	$ 211,156,385

The accompanying notes are an integral part of the financial statements.

Metropolitan Transit Authority
Non-Union Pension Plan and Trust
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2022 and 2021 (Measurement Date)

	2022	2021
Additions		
Employer contributions	$ 13,308,196	$ 13,447,958
Investment income:		
Interest and dividends	1,045,281	1,455,245
Net appreciation on investments	(30,036,961)	21,752,092
Investment income	(28,991,680)	23,207,337
Less: investment expenses	(549,135)	(507,884)
Net investment income	(29,540,815)	22,699,453
Total additions	(16,232,619)	36,147,411
Deductions		
Paid to Plan members and beneficiaries	17,595,120	29,179,951
Administrative services	278,324	324,750
Total deductions	17,873,444	29,504,701
Changes in fiduciary net position	(34,106,063)	6,642,710
Fiduciary net position - restricted for pensions:		
Beginning of the year	211,156,385	204,513,675
End of the year	$ 177,050,322	$ 211,156,385

The accompanying notes are an integral part of the financial statements.

Notes to the Basic Financial Statements

1. Summary of Significant Accounting Policies

METRO prepares its financial statements in accordance with generally accepted accounting principles established or approved by the Governmental Accounting Standards Board (GASB), the more significant of which are described below:

Reporting Entity

METRO is a stand-alone governmental entity as defined by GASB Statement No. 14, *The Financial Reporting Entity,* amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statement No. 14 and No. 34,* Statement No. 90, *Majority Equity Interest-an amendment of GASB Statement No. 14 and No. 61*, and Statement No. 84, *Fiduciary Activities.* Statement 84 requires the inclusion of the Non-Union Pension Plan and Trust financial statements, as previously listed, since METRO's Board of Directors is deemed to have a fiduciary role with the plan.

METRO is a political subdivision of the state of Texas established in 1977. METRO began operations in 1979 to develop, maintain, and operate a public mass transportation system, principally within Harris County, Texas, and is governed by a nine-member Board of Directors (the Board). Five directors are nominated by the Mayor of the City of Houston and confirmed by the City Council. Two directors are nominated by the Harris County Judge and confirmed by the Harris County Commissioners Court, and two directors are elected by the Mayors of the 14 cities other than Houston within METRO's service area.

Related Organizations

The City of Houston, Texas (the City), provides governmental services as authorized or required by its charter. While the City appoints a voting majority of METRO's board members, it is not financially accountable for the actions of METRO since it is unable to impose its will, and a financial benefit or burden relationship does not exist.

Nature of Operating and Nonoperating Activities

Operating

METRO uses the flow of economic resources measurement focus and accrual basis of accounting when preparing financial statements. Under this approach, revenues are recognized when earned and expenses are recognized when incurred.

Operating revenue includes transit fares and HOT lanes usage fees while operating expenses consist of transit operations, traffic management, and organizational support.

Transit operations provide the public with a high-quality and cost-effective public transportation system. Transit operations include designing/constructing maintenance facilities, light-rail lines, transit centers, Park & Ride lots, and bus storage facilities; selecting bus/rail routes; purchasing buses/rail equipment; maintaining equipment; and hiring/training personnel who deliver transit services and provide security.

Organizational support provides METRO with oversight, direct assistance, and community/business development opportunities.

Nonoperating

Nonoperating revenue and expenses include the 1% sales tax levied in METRO's service area, investment income, non-transit related lease arrangements, operating grants, local infrastructure assistance, interest expense, storm damage, and loss on sale or disposal of assets. Interest expense includes interest, amortization of premium/discount and current year debt issuance cost.

Cash and Investments Activities Including Compliance with the Texas Public Fund Investment Act (TPFIA)

Cash consists of amounts maintained in demand deposit and petty cash accounts. METRO's deposit and investment activities comply with policies established by the Board of Directors and the TPFIA. The TPFIA requires, as part of the annual financial statement audit, that the independent auditor perform certain compliance reviews some of which include verification that: the Board of Directors adopt a written investment policy and strategies that comply with TPFIA; the Board of Directors review this policy and investment strategies at least annually; adequately trained investment officers have been designated; and that investment activity is reported, reviewed, and accepted by the Board of Directors at least quarterly. The investment policy must also include a listing of authorized investments, which can include: obligations of the United States of America, its agencies, and instrumentalities, money market mutual funds, commercial paper, fully collateralized repurchase agreements, local government investment pools, certificates of deposit, and other investments authorized by the TPFIA. The Board of Directors may also place additional limits on investment options.

All investments are reported at fair value with investments set aside for payment of borrowing reflected as restricted investments in the Statements of Net Position. Restricted assets reflected as current will be used to pay amounts reported as current liabilities.

Receivables

Receivables generally consist of amounts due from customers, sales tax, grantor agencies, cost-sharing agreements, employees, warranties, and miscellaneous activities.

Inventories of Materials and Supplies

Inventories are valued using a weighted average costing method and consist primarily of diesel fuel, repair parts, and other supplies that are used to maintain buses, light-rail cars, facilities and related equipment.

Capital Assets

METRO's overall capitalization policy requires expenditures to be capitalized when they exceed $5,000 and (a) the useful life of the asset acquired exceeds one year and/or (b) the useful life of an existing asset is increased beyond its original useful life. Depreciation of such property and equipment is calculated using the straight-line method over the following estimated useful lives:

Park & Ride lots	4 - 30 years
Buses	3 - 12 years
Other property and equipment	3 - 10 years
Transitways	4 - 30 years
Rail cars	4 - 25 years
Rail infrastructure	4 - 50 years
Buildings and improvements	4 - 40 years

Capital assets are recorded at historical cost and expenditures relating to normal repair and maintenance are expensed as incurred. The cost and accumulated depreciation of assets retired or sold are removed from the accounts with any gain or loss reported as part of nonoperating revenues (expenses) on the Statements of Revenues, Expenses, and Changes in Net Position. METRO has no donated assets.

Capital Lease Assets

METRO's long-term financial strategy includes using lease agreements which provide opportunities to expand/enhance transit services or earn additional income. Generally a lease that exceeds one year is reported in the financial statements and measured, at the inception of the lease, using the present value of future payments or cash receipts. The discount rate used to determine the present value is the lessor rate used in the lease, but if not available, then METRO's incremental borrowing rate. The minor difference in the reported value of the capital lease asset when compared to lease obligation relates to different amortization methods used over the lease term.

Leases in which METRO is the lessee are recorded as a capital lease asset, with its related lease obligation, if the term of the agreement is more than one year. Agreements that otherwise would meet the definition of a lease with term of less than a year are expensed as incurred. Capital leased assets are amortized evenly over the lease term while the related lease obligation is amortized using the effective interest method during the same period. Leases in which METRO is the lessor are recorded as a lease receivable with its related deferred inflow. Lease receivables, and the related deferred inflows are amortized using the effective interest method over the lease team. Lease receivables are reported as part of other receivables.

Compensated Absences

Benefits to be received are based on whether they are or not covered by the labor agreement and their status as a full or part-time employee. Compensated absences are calculated based on the benefits that are more likely than not to be used by the employee and includes related costs the employer is required to pay such as social security, Medicare, and defined contribution pension payments. The outstanding balance is reported as part of accrued compensation and benefits in the Statement of Net Position with additional information located in Note 6.

Pension Plans

METRO has two defined benefit pension plans and one defined contribution plan. Accounting and financial reporting standards for defined benefit pension plans require including the net pension liability, deferred outflows/inflows of resources, pension expense, and information about the Plans' fiduciary net position in METRO's financial statements. The amounts reported were determined on the same basis as reported by the individual pension plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms and investments are reported at fair value. Annual Comprehensive Financial Reports (ACFR) for the defined benefit pension plans are located on METRO's website with certain information taken from these ACFRs located in Note 4.

Commercial Paper

Obligations for the issuance of tax-exempt commercial paper are reported as a non-current liability only if they are supported by a non-cancellable, revolving credit, and term loan agreement that exceeds one year as of the date of the Statements of Net Position. In addition, the agreement must be issued by an organization with the financial capacity to support their commitment. Obligations that do not meet these requirements, or scheduled to be settled the next fiscal year, will be reported as a current liability in the Statements of Net Position.

Sales Tax

Revenue from the 1% sales tax is recognized when taxable sale transactions occur within METRO's service area. The Comptroller of the State of Texas collects and distributes these amounts to the appropriate governmental organizations with funding normally occurring within 60 days from date of the sale. The amount reported is net of a 2% collection and distribution service fee withheld by the State.

Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting and Reporting Standards

During FY2023 METRO implemented GASB Statement No. 101 *Compensated Absences.* This statement changed how the liability is measured by moving from vesting to more likely than not the compensated absence will be used by the employee along with including certain salary related expenses.

Implementation of this statement reduced the ending FY2022 fund balance, increased the accrual for compensation and benefits, and total operating expenses as reflected in the following schedule.

Ending FY2022 net position as previously reported	$ 1,620,938,746
Reduced by implementing GASB 101	1,379,487
Adjusted FY2022 ending net position	1,619,559,259
Ending FY2022 accrued compensation and benefits	32,892,090
Increase by implementing GASB 101	1,379,487
Adjusted FY2022 accrued compensation and benefits	34,271,577
Ending FY2022 total operating expenses	903,524,525
Increase by implementing GASB 101	1,379,487
Adjusted FY2022 total operating expenses	$ 904,904,012

New GASB statements adopted during FY2023	Effect on financial reporting
GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*	No effect
GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*	No effect
GASB Statement 99 *Omnibus 2022*	No effect
GASB Statement No. 100, *Accounting Changes and Error* Corrections	No effect
GASB Statement No. 101 *Compensated Absences*	Reduced FY2022 net position and increased compensated absence liability by $1,379,487. See Note 6
GASB Statement No. 102 *Certain Risk Disclosures*	No effect

2. Deposits and Investments Securities:

METRO Investments

Deposits and Investments Including Compliance with the Texas Public Fund Investment Act (TPFIA)

METRO's deposit and investment activity complies with the TPFIA or, if more restrictive, policies established by the Board of Directors. Texas Local Government Investment Pools are not registered with the Security and Exchange Commission and do not report to any regulatory agency. The pools are independently audited each year and reported using a stable net asset value of $1.00 per share which approximates fair value.

Concentration of Credit Risk

METRO's investment policy requires a diversified portfolio that minimizes the risk of loss resulting from overconcentration of assets in specific maturity, issuer, or class of securities while placing limits on the allocation of funds between investment types.

Investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools, and other pooled investments are not subject to concentration of credit risk disclosure and represented $645,902,185 or 69.6 percent of total investments for FY2023 and $677,180,581 or 74.5 percent of total investments for FY2022.

Investments in a single issuer that were not explicitly guaranteed by the U.S government and exceeded 5% of the investment portfolio as of September 30, 2023 and 2022 included:

	Fiscal 2023		Fiscal 2022	
Investments in Government Sponsored Enterprises	Amount	Percentage of Investment Portfolio	Amount	Percentage of Investment Portfolio
Federal Home Loan Banks	$ 226,633,039	24.43%	$ 112,718,908	12.40%
Total	$ 226,633,039		$ 112,718,908	

Custodial Credit Risk

METRO's investment policy requires bank deposits to be insured by Federal Deposit Insurance Corporation or collateralized by at least 102 percent of the value with the collateral held by a nonaffiliated, federally insured financial institution. Investment securities are registered in METRO's name and held by an independent custodian.

Deposits

METRO's checking accounts and book balances for cash as of September 30, 2023 and 2022 were:

Unrestricted	Fiscal 2023	Fiscal 2022
Bank balances	$39,793,410	$7,784,790
Book balances	39,811,604	7,986,555

Investments

Fair Value Measurement

METRO has consistently categorized its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets or liabilities in active markets; Level 3 inputs are significant unobservable inputs. METRO uses information provided by Wells Fargo Bank, N.A., the asset custodian, when reporting the fair value of its investments. Fair value of METRO's investments for FY2023 and FY2022 were:

FY2023 Fair Value Measurement Based on Reporting Hierarchy

Investments	Fair Value as of September 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Similar Assets (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. treasury notes	$ 301,626,974	$ 301,626,974	$ –	$ –
U.S. agencies	256,396,385	–	256,396,385	–
U.S. treasury mutual fund	15,400,461	15,400,461	–	–
Certificate of deposit	10,000,000	10,000,000	–	–
Total investment securities	$ 583,423,820	$ 327,027,435	$ 256,396,385	$ –
Local government investment pools measured at the net asset value	344,275,211			
Total investments measured at fair value	$ 927,699,031			

FY2022 Fair Value Measurement Based on Reporting Hierarchy

Investments	Fair Value as of September 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Similar Assets (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. treasury notes	$ 352,875,453	$ 352,875,453	$ –	$ –
U.S. agencies	191,010,539	–	191,010,539	–
U.S. treasury mutual fund	31,064,047	31,064,047	–	–
Certificate of deposit	10,000,000	10,000,000	–	–
Total investment securities	$ 584,950,039	$ 393,939,500	$ 191,010,539	$ –
Local government investment pools measured at the net asset value	324,305,128			
Total investments measured at fair value	$ 909,255,167			

Interest Rate and Credit Risk

METRO's investment policy is to minimize interest rate and credit risk by investing a majority of the portfolio in short-term investments such as commercial paper, money market mutual funds, instrumentalities, agencies, and obligations of the United States with maturities generally less than two years. Investments not issued by a government or sponsored agency must be rated not less than AAAm, A-1, P-1, F-1, or equivalent by a nationally recognized rating organization.

The investments held at September 30, 2023 and 2022 are indicative of the type of investments made by METRO during each fiscal year and consist of the following:

	Fiscal 2023 Fair Value	Fiscal 2022 Fair Value	Credit Ratings
Unrestricted investments			
U.S. treasuries	$ 301,626,974	$ 352,875,453	Aaa/AA+
U.S. agencies	256,396,385	191,010,539	Aaa/AA+
Local government investment pool	251,039,633	227,653,922	AAAm
U.S. treasury mutual fund	15,400,461	31,064,047	AAAm/Aaa-mf
Certificate of deposit	10,000,000	10,000,000	Collateral=Aaa
Total unrestricted investments	834,463,453	812,603,961	
Restricted investments			
Local government investment pool	93,235,578	96,651,206	AAAm
Total restricted assets	93,235,578	96,651,206	
Total Investments	$ 927,699,031	$ 909,255,167	

Investment by type and weighted average maturity as of September 30, 2023 and 2022 consisted of the following:

Investment securities:	Fiscal 2023 Fair Value	Less Than 1 Year	More Than 1 Year	Average Maturity
U.S. treasuries	$ 301,626,974	$ 301,626,974	$ -	79 days
U.S. agencies	256,396,385	256,396,385	-	103 days
Local government investment pool	344,275,211	344,275,211	-	38 days
U.S. treasury mutual fund	15,400,461	15,400,461	-	16 days
Certificate of deposit	10,000,000	10,000,000	-	130 days
Total Investments	$ 927,699,031	$ 927,699,031	$ -	

Investment securities:	Fiscal 2022 Fair Value	Less Than 1 Year	More Than 1 Year	Average Maturity
U.S. treasuries	$ 352,875,453	$ 270,552,992	$ 82,322,461	223 days
U.S. agencies	191,010,539	176,238,385	14,772,154	250 days
Local government investment pool	324,305,128	324,305,128	-	22 days
U.S. treasury mutual fund	31,064,047	31,064,047	-	16 days
Certificate of deposit	10,000,000	10,000,000	-	130 days
Total Investments	$ 909,255,167	$ 812,160,552	$ 97,094,615	

Included in METRO's investment policy is the use of Local Government Investment Pools (LGIP). Each selected LGIP is required to operate under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. METRO uses LGIP to improve investment returns, liquidity, and protection of principal. Funds can be withdrawn daily with no penalties and interest is earned daily. All LGIPs have ratings of at least AAAm by Standards & Poor's with a weighted average of maturity generally being no more than 60 days. Investments in LGIPs are measured using the net asset value.

Fiduciary Investment – Non-Union Pension Plan and Trust

GASB Statement 84 requires the inclusion of the Non-Union Pension Plan and Trust financial statements and selected notes in METRO's ACFR as METRO is deemed to have a fiduciary role with the plan.

Committee members are responsible for the administration of the Plan which includes maintaining the investment/funding policy, investing assets, managing investment risks, safeguarding assets, and hiring professional with different skills to ensure the Plan is operating effectively.

A copy of the Plan's investment/funding policy can be obtained by contacting METRO's Treasury Services while the independently audited annual financial reports are available on METRO's website
Financial Transparency | General Finances | METRO | Houston, Texas (ridemetro.org)

Financial Information

Fair value of the Plan's investments by asset class, percentage of the portfolio and the change between December 31, 2022 and 2021 are as follows:

	2022	%	2021	%	Change
Domestic equities	$ 59,851,250	34%	$ 80,566,016	38%	$ (20,714,766)
International equities	38,537,223	22%	46,939,684	22%	(8,402,461)
Fixed income	45,920,806	26%	53,355,772	26%	(7,434,966)
Real estate	30,242,254	18%	28,879,440	14%	1,362,814
Total investments	$ 174,551,533	100%	$ 209,740,912	100%	$ (35,189,379)

Investments Returns

The money-weighted rate of return as calculated by the actuary for 2022 and 2021 was a negative 14.14 percent and a positive 11.55 percent, respectively. This calculation considers the change in amounts actually invested during a period and weighs the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The money-weighted rate of return calculation was developed net of investment expenses as required by GASB.

The financial advisor uses the time-weighted rate of return (geometric method), which is the industry standard, when calculating investment rate of returns included in the investment section of this report and performance reports provided to the Committee. Based on this method, the investment rate of return, net of investment expenses, were negative 14.0 percent for 2022 and positive 11.8 percent for 2021.

The Plan's investment policy limits concentration risk and the Plan did not own any investments of a single issuer whose value exceeded 5 percent of the fiduciary net position.

Types of Investment Risks

Investing has several types of risks some of which include custodial, credit, investment concentration, foreign currency, and interest rate. The Plan manages these risks by using an independent asset custodian (State Street Bank and Trust Company), compliance monitoring by the financial advisor, reviewing independent financial audits of the mutual and commingled funds, and allocation of investment dollars among multiple money managers who operate in separate markets and whose performance is measured using different indexes.

Asset Custodian

State Street Bank and Trust Company is the Plan's asset custodian. Investments made by the domestic (non-commingled and index fund) money managers are held directly by the Plan's asset custodian in the name of the Plan. Investments made by mutual and commingled funds are held by their independent asset custodian with the net asset value reported to the Plan's asset custodian by the related money manager. In addition to the independent asset custodian, the mutual and commingled funds issue independently audited annual financial reports and must comply with oversight rules issued by governmental agencies. Additional information for each money manager is located in the Current Money Managers Section of this report.

Managing investment concentration, credit and foreign currency risk

Domestic Equities

The maximum weighting (at time of purchase) in any one company of the investment manager's portfolio holdings do not exceed 8 percent or 5 percent more than the index weight, whichever is greater.

International Equities

The maximum weighting (at time of purchase) in any one company does not exceed 7 percent. Currency hedging, foreign exchange contracts and similar strategies are permitted as part of a defensive strategy to protect the portfolio assets and enhance returns.

Global Fixed Income

The global fixed income portfolio may include both domestic and/or international fixed income securities.

Unless authorized by the Plan in advance, the minimum quality rating of an investment is BBB-. For an issue that is not rated, the security must be of "equivalent" quality to a BBB- rating or above in the opinion of the investment manager, or the security must be a government bond or a bond of a supranational authority which does not have a recognized credit rating.

The maximum holding (cost basis) in any one security does not exceed 5 percent, excluding AAA rated sovereign debt.

To manage currency risk, no investment manager shall have exposure to any one currency exceeding 70 percent for the Euro, 50 percent for the Japanese Yen, 40 percent for British Sterling and 25 percent for others excluding the U.S. Dollar.

Currency hedging, foreign exchange contracts and similar strategies are permitted as part of a defensive strategy to protect the portfolio assets and enhance returns.

Real Estate

Diversification should be made between property type, economic and geographic location. Real estate should be passive rather than direct ownership of property.

Currency hedging, foreign exchange contracts and similar strategies are permitted as part of a defensive strategy to protect the portfolio assets and enhance returns.

Investments in timber and infrastructure will be included in the real estate allocation.

Interest Rate Risk

A change in interest rate will affect the underlying value of fixed income investments. Generally, increases in interest rates will reduce the value of the investment portfolio while a decrease in interest rates will increase the value of such portfolio. To manage this risk, the Plan's financial advisor monitors the duration of each fixed income money manager's portfolio in relation to the appropriate benchmark indexes they track. Significant variances from the benchmark are discussed with Committee members and the related money manager.

Brandywine Global Opportunistic Fixed Income Fund had an average modified duration of 8.93 years while the benchmark (FTSE WGBI (USD)) was 7.39 years. Brandywine concentrates investments where they believe value is greatest; as a result, their portfolios tend to have an intermediate to long duration bias when real interest rates are high. Greater interest rate exposure is assumed in countries with more value and positions are established along the yield curve where it finds the best risk/reward profile.

Rhumbline Core Bond Pooled Trust duration was 7.00 years while the benchmark (Bloomberg Barclays US Aggregate Bond index) duration was 4.90 years as well.

Additional Credit Risk Disclosure

The two Fixed Income funds invest in domestic and international markets including developed and emerging markets sovereign debt. While the funds themselves have not been rated by any nationally recognized rating agency, most of their investments are rated as discussed above.

Fair Value Measurement

The Plan categorizes its fair value measurement within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority (Level 1) to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs.

Level 1: Unadjusted quoted prices for identical assets in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.

The Plan uses information provided by State Street Bank and Trust, the asset custodian, and Marquette Associates, financial advisor, when reporting the fair value of its investments. Common stocks classified in Level 1 are valued using prices quoted in active markets for those securities. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. When inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

Fair value of the Plan's investments for 2022 and 2021 using the reporting hierarchy are:

Investments measured at fair value	Total 2022	Level 1	Level 2	Level 3
Common stocks	$ 19,292,939	$ 19,292,938	-	-
Mutual funds	5,082,381	5,082,381		
Total investments measured at fair value	$ 24,375,320	$ 24,375,319	-	-

Investments measured at net asset value (NAV)		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income				
Global Fixed Income Fund *1	$ 13,544,598	None	Daily	10 Days
Core Fixed Income Fund *2	32,376,208	None	Daily	1 Day
Domestic Equity				
Large-Cap Core Fund *3	28,295,221	None	Daily	1 Day
Large-Cap Value Fund *4	7,788,884	None	Daily	1 Day
Small-Cap Core Fund *8	4,457,969	None	Daily	2 Days
International Equity				
Non-U.S. Large-Cap Core Fund *6	20,562,292	None	Daily	2 Days
Non-U.S. Small-Cap Core Fund *7	3,811,987	None	Thrice-Monthly	2 Days
Global Low Volatility Fund *5	9,096,800	None	Daily	1 Days
Domestic Real Estate Core Funds *9				
RREEF America REIT II Co	13,082,798	None	Quarterly	30 Days
UBS Trumbull Property Fund	17,159,456	None	Quarterly	60 Days
Total Investments measured at NAV	150,176,213			
Total investments at fair value	$174,551,533			

Investments measured at fair value	Total 2021	Level 1	Level 2	Level 3
Common stocks	$ 25,304,280	$ 25,304,280	-	-
Mutual funds	7,410,759	7,410,759		
Total investments measured at fair value	$ 32,715,039	$ 32,715,039	-	-

Investments measured at net asset value (NAV)		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income				
Global Fixed Income Fund *1	$ 16,158,056	None	Daily	10 Days
Core Fixed Income Fund *2	37,197,716	None	Daily	1 Day
Domestic Equity				
Large-Cap Core Fund *3	41,236,931	None	Daily	1 Day
Large-Cap Value Fund *4	8,419,962	None	Daily	1 Day
Small-Cap Core Fund *8	5,600,006	None	Daily	2 Days
International Equity				
Non-U.S. Large-Cap Core Fund *6	24,426,730	None	Daily	2 Days
Non-U.S. Small-Cap Core Fund *7	4,832,032	None	Thrice-Monthly	2 Days
Global Low Volatility Fund *5	10,275,000	None	Daily	1 Days
Domestic Real Estate Core Funds *9				
RREEF America REIT II Co	12,143,065	None	Quarterly	30 Days
UBS Trumbull Property Fund	16,736,375	None	Quarterly	60 Days
Total Investments measured at NAV	177,025,873			
Total investments at fair value	$209,740,912			

Current Money Managers

*1. Global Fixed Income Fund - *Brandywine Global Opportunistic Fixed Income Fund* (BGOFIF) is organized with the objective of achieving interest income and long-term capital appreciation that exceeds the FTSE WGBI TR index by investing in U.S. fixed income instruments and non-U.S. developed and emerging markets sovereign debt securities.

*2. Core Fixed Income Fund - *Rhumbline Core Bond Pooled Trust* is managed to match the return of the Barclays Aggregate U.S. Bond index through investment in substantially all of the bonds contained in that index.

*3. Large-Cap Core Fund - *Rhumbline Russell 1000 Large-Cap Core index portfolio* is managed to match the return of the Russell 1000 Index through investments in substantially all the stocks contained in that index.

*4. Large-Cap Value Fund - *Rhumbline Russell 1000 Large Capital Value index portfolio* is managed to match the return of the Russell 1000 Value Index through investments in substantially all the stocks contained in that index.

*5. Global Low Volatility Fund – *FIAM Global Low Volatility Equity Commingled Pool* seeks long-term growth of capital, primarily through investment in the global developed market equity universe, while maintaining an overall risk profile that is lower than a developed benchmark similar to the MSCI World Index.

*6. Non-U.S. Large-Cap Core Fund - *SSgA MSCI ACWI ex U.S. Index* (Fund) seeks to approximate as closely as practicable, before expenses, the performance of the MSCI ACWI ex USA Index over the long term. The Fund attempts to achieve this by investing in other collective investment funds, each an underlying fund, managed by the Trustee, which have characteristics consistent with the Fund's overall investment objective.

*7. Non-U.S. Small-Cap Core Fund - *SSgA MSCI EAFE Small Cap Index Securities Lending Fund* approximates as closely as practicable, before expenses, the performance of the MSCI EAFE Small Cap Index over the long-term. The Fund may engage in securities lending activity.

*8. Small-Cap Core Fund - *SSgA Russell 2000 Index Securities Lending Fund: Small-Cap Core* approximates as close as practicable the performance of the Russell 2000 Index over the long term. The Fund may engage in securities lending activity.

*9. Domestic Real Estate Core Funds

RREEF America REIT II is organized as an open ended, real estate investment trust (REIT). Its goal is to generate attractive, predictable investment returns from a target portfolio of low-risk equity investments in income-producing real estate while maximizing the total return to shareholders through cash dividends and appreciation int the value of REIT shares.

Trumbull Property Fund is a REIT based fund, structured as a Delaware limited partnership that offers participants an actively managed core portfolio of equity real estate investments, located in the United States. Its objective is to outperform the NFI-ODCE over a full market cycle.

3. Capital Assets

Changes in capital assets (excluding capital leases discussed below) for fiscal year 2023 were as follows:

	September 30, 2022	Additions	Reductions and Retirements	Transfers and Completed Projects	September 30, 2023
Capital assets not depreciated:					
Land	$ 266,024,674	$ –	$ –	$ 19,893,313	$ 285,917,987
Construction in progress	115,984,289	144,542,946	–	(169,759,310)	90,767,925
Total capital assets not depreciated	382,008,963	144,542,946	–	(149,865,997)	376,685,912
Capital assets depreciated:					
Administration and operating facilities	456,441,832	–	–	2,300,268	458,742,100
Park & Ride lots and transit centers	372,419,690	–	–	8,655,991	381,075,681
Buses and equipment	954,890,234	–	(12,123,270)	57,526,128	1,000,293,092
Rail cars	312,190,322	–	–	70,493,770	382,684,092
Rail infrastructure	2,060,934,205	–	(4,992,062)	3,991	2,055,946,134
Transitways/HOT lanes	602,723,718	–	–	5,451,038	608,174,756
Other property and equipment	63,263,718	–	(8,957,209)	5,434,811	59,741,320
Total capital assets depreciated	4,822,863,719	–	(26,072,541)	149,865,997	4,946,657,175
Less accumulated depreciation and amortization:					
Administration and operating facilities	(345,080,467)	(9,769,197)	–	–	(354,849,664)
Park & Ride lots and transit centers	(261,449,024)	(9,860,093)	–	–	(271,309,117)
Buses and equipment	(709,918,338)	(62,073,466)	11,994,227	–	(759,997,577)
Rail cars	(216,160,598)	(18,705,998)	–	–	(234,866,596)
Rail infrastructure	(533,822,247)	(57,546,860)	1,358,951	–	(590,010,156)
Transitways/HOT lanes	(500,924,003)	(15,994,664)	–	–	(516,918,667)
Other property and equipment	(38,854,353)	(7,964,263)	8,957,172	–	(37,861,444)
Total accumulated depreciation and amortization	(2,606,209,030)	(181,914,541)	22,310,350	–	(2,765,813,221)
Total capital assets being depreciated, net	2,216,654,689	(181,914,541)	(3,762,191)	149,865,997	2,180,843,954
Total capital assets, net	$2,598,663,652	$ (37,371,595)	$ (3,762,191)	$ –	$2,557,529,866

Changes in capital assets (excluding capital leases discussed below) for fiscal year 2022 were as follows:

	September 30, 2021	Additions	Reductions and Retirements	Transfers and Completed Projects	September 30, 2022
Capital assets not depreciated:					
Land	$ 267,554,512	$ –	$(1,529,838)	$ –	$ 266,024,674
Construction in progress	106,483,805	109,125,355	(339,962)	(99,284,909)	115,984,289
Total capital assets not depreciated	374,038,317	109,125,355	(1,869,800)	(99,284,909)	382,008,963
Capital assets depreciated:					
Administration and operating facilities	453,792,016	–	–	2,649,816	456,441,832
Park & Ride lots and transit centers	370,190,215	–	–	2,229,475	372,419,690
Buses and equipment	924,320,481	–	(19,494,914)	50,064,667	954,890,234
Rail cars	299,035,917	–	–	13,154,405	312,190,322
Rail infrastructure	2,041,606,108	–	–	19,328,097	2,060,934,205
Transitways/HOT lanes	600,348,234	–	–	2,375,484	602,723,718
Other property and equipment	53,780,753	–	–	9,482,965	63,263,718
Total capital assets depreciated	4,743,073,724	–	(19,494,914)	99,284,909	4,822,863,719
Less accumulated depreciation and amortization:					
Administration and operating facilities	(331,642,398)	(13,438,069)	–	–	(345,080,467)
Park & Ride lots and transit centers	(251,464,592)	(9,984,432)	–	–	(261,449,024)
Buses and equipment	(665,709,401)	(63,609,658)	19,400,721	–	(709,918,338)
Rail cars	(198,099,596)	(18,061,002)	–	–	(216,160,598)
Rail infrastructure	(477,386,198)	(56,436,049)	–	–	(533,822,247)
Transitways/HOT lanes	(483,502,412)	(17,421,591)	–	–	(500,924,003)
Other property and equipment	(30,887,412)	(7,966,941)	–	–	(38,854,353)
Total accumulated depreciation and amortization	(2,438,692,009)	(186,917,742)	19,400,721	–	(2,606,209,030)
Total capital assets being depreciated, net	2,304,381,715	(186,917,742)	(94,193)	99,284,909	2,216,654,689
Total capital assets, net	$2,678,420,032	$ (77,792,387)	$(1,963,993)	$ –	$2,598,663,652

Lease Assets

METRO's long-term financial strategy includes using lease agreements which provide opportunities to expand/enhance transit services or earn additional income. Generally a lease that exceeds one year is reported in the financial statements and measured, at the inception of the lease, using the present value of future payments or cash receipts. The discount rate used to determine the present value is the lessor rate used in the lease, but if not available, then METRO's incremental borrowing rate. The minor difference in the reported value of the lease asset when compared to lease obligation relates to different amortization methods used over the lease term.

Leases in which METRO is the lessee are recorded as a lease asset, with its related lease obligation, if the term of the agreement is more than one year. Agreements that otherwise would meet the definition of a lease with a term of less than a year are expensed as incurred. Leased assets are amortized evenly over the lease term while the related lease obligation is amortized using the effective interest method using the same period. Leases in which METRO is the lessor are recorded as a lease receivable with its related deferred inflow. Lease receivables, and the related deferred inflows are amortized using the effective interest method over the lease team.

METRO has eight long-term leases, of which METRO is the lessee for five leases used to acquire capital assets and the lessor for three leases used to enhance future cash inflows.

METRO is the lessee on five leases which include:

- Transit center facilities lease which is active through September 30, 2072 and consist of land and a parking garage. The monthly rental fee for the garage is $93,952 and the land is $28,941. The garage rental does not change during the lease term while the land rental fee increases approximately 5% every five years. METRO is responsible for maintenance, utilities, repairs and a percentage of property taxes. Property is returned to the lessor at the end of the lease term.

- Non-revenue vehicle leases have terms ranging between 36 and 60 months with monthly rental cost declining, from approximately $54,000 to $28,000 during FY2023, as leases either expired or the vehicles were purchased. No additional leases occurred with METRO responsible for maintenance and insurance.

- Antenna site lease which provides a centralized downtown roof location for the placement of an antenna used in supporting effective communication within METRO and other local agencies. The monthly cost is approximately $4,400 with an annual increase of 5%. The antenna lease is active through March of 2028 with property returned to the lessor at the end of the lease term.

- Land lease for additional parking at the Hillcroft Transit Center which is active through January 2029. The annual rent is approximately $99,000 with METRO responsible for paving and maintaining the parking area. Property rights return to the lessor at the end of the lease term.

- Land lease for additional parking located across the street from the Downtown Transit Center. The initial lease is active through February 1, 2028 and includes a one 5-year extension through February 1, 2033. The initial annual rent is $130,000 with the extension based on the consumer price index upon execution. METRO is responsible for payment of maintenance, utilities, and taxes with property rights returned to the lessor at the end of the lease term.

METRO is the lessor for three leases which will enhance future cash inflows which include:

- Park & Ride Land lease agreement for the development of a mixed-use residential and commercial facility on land owned by METRO. As part of the development program, METRO paid the lessee for the construction of a multilevel parking garage, transit center and other related improvements known as the Cypress Park & Ride Lot. The garage provides parking for tenants and Park & Ride patrons, and is maintained by METRO with up to 20% of certain expenses billed to the lessee. METRO reimburses the tenant up to 32.84 percent of cost to maintain the drainage and retention pond. This lease is active through fiscal year 2105 with property rights, along with all improvements, returning to METRO at the end of the lease.

  METRO receives $50,000 annually in base rent, paid monthly, and can receive cash flow participation rent payments as earnings from the residential and commercial facility grow. Participation payments are calculated as 25% of the net cash flows of the leases less certain expenses, reasonable reserves, and the base rent. Participation rents received in FY2023 totaled $101,350. Participation rents received in FY2022 totaled $531,841 and related to calendar years 2019, 2020, and 2021. Participation rents are not included when calculating the present value of the lease receivable and deferred inflows.

- Office space rental at 1900 main to MET Tran Federal Credit Union which provides employees with easier access to financial services. The monthly rent is $2,489 with the lease active through February 2024. Utilities, cleaning and similar cost is paid for by METRO. Property rights return to METRO at the end of the lease term.

- Office space rental at Buffalo Bayou to Harris County Sheriff Department. The monthly rent is $45,562, which includes operating and maintenance cost with the lease active through June 2023. Property rights return to METRO at the end of the lease term.

Changes in lease assets and lease obligations for FY2023 and FY2022 consisted of:

	FY2023 Changes in Leased Assets						
	Transit Center Facilities Lease						
	Land	Garage	Support Vehicles	Antenna Site	Hillcroft Transit Center Parking	DTC Parking	Total
Balance as of October 1, 2022	$ 10,188,180	$ 27,057,672	$ 2,035,250	$ 382,414	$ 882,173	$ -	$ 40,545,689
Additions	-	-	-	-	-	1,255,228	1,255,228
Retirements	-	-	(816,054)	-	-	-	(816,054)
Leased assets before amortization	10,188,180	27,057,672	1,219,196	382,414	882,173	1,255,228	40,984,863
Beginning amortization	(391,854)	(1,040,680)	(1,049,024)	(101,978)	(196,038)	-	(2,779,574)
Additions	(195,926)	(520,339)	(492,038)	(50,989)	(98,019)	(78,451)	(1,435,762)
Retirements	-	-	736,773	-	-	-	736,773
Ending amortization	(587,780)	(1,561,019)	(804,289)	(152,967)	(294,057)	(78,451)	(3,478,563)
Net leased assets as of September 30, 2023	$ 9,600,400	$ 25,496,653	$ 414,907	$ 229,447	$ 588,116	$ 1,176,777	$ 37,506,300

FY2023 Changes in Lease Obligations

	Transit Center Facilities Lease						
	Land	Garage	Support Vehicles	Antenna Site	Hillcroft Transit Center Parking	DTC Parking	Total
Balance as of October 1, 2022	$ 10,076,708	$ 26,677,703	$ 1,007,481	$ 300,705	$ 687,709	$ -	$ 38,750,306
Additions	-	-	-	-	-	1,255,228	1,255,228
Retirements	(61,663)	(200,180)	(579,226)	(45,779)	(97,568)	(59,501)	(1,043,917)
Lease obligation as of September 30, 2023	$ 10,015,045	$ 26,477,523	$ 428,255	$ 254,926	$ 590,141	$ 1,195,727	$ 38,961,617

FY2022 Changes in Leased Assets

	Transit Center Facilities Lease					
	Land	Garage	Support Vehicles	Antenna Site	Hillcroft Transit Center Parking	Total
Balance as of October 1, 2021	$ 10,188,180	$ 27,057,672	$ 1,802,288	$ 382,414	$ 882,173	$ 40,312,727
Additions	-	-	232,962	-	- -	232,962
Retirements	-	-	-	-	- -	-
Leased assets before amortization	10,188,180	27,057,672	2,035,250	382,414	882,173	40,545,689
Beginning amortization	(195,927)	(520,340)	(455,983)	(50,988)	(98,019)	(1,321,257)
Additions	(195,927)	(520,340)	(593,041)	(50,988)	(98,019)	(1,458,315)
Retirements	-	-	- -	-	- -	-
Ending amortization	(391,854)	(1,040,680)	(1,049,024)	(101,976)	(196,038)	(2,779,572)
Net leased assets as of September 30, 2022	$ 9,796,326	$ 26,016,992	$ 986,226	$ 280,438	$ 686,135	$ 37,766,117

FY2022 Changes in Lease Obligations

	Transit Center Facilities Lease					
	Land	Garage	Support Vehicles	Antenna Site	Hillcroft Transit Center Parking	Total
Balance as of October 1, 2021	$ 10,133,418	$ 26,871,007	$ 1,360,426	$ 343,120	$ 785,053	$ 39,493,024
Additions	-	-	232,962	-	- -	232,962
Retirements	(56,710)	(193,304)	(585,907)	(42,415)	(97,344)	(975,680)
Lease obligation as of September 30, 2022	$ 10,076,708	$ 26,677,703	$ 1,007,481	$ 300,705	$ 687,709	$ 38,750,306

Future principal and interest payments for lease assets are reflected in the following table.

	Land		Garage		Support Vehicles	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 63,856	$ 283,432	$ 207,300	$ 920,121	$ 278,989	$ 7,222
2025	66,127	281,160	214,673	912,748	142,953	1,768
2026	68,479	278,808	222,308	905,112	6,313	4
2027	70,915	276,373	230,215	897,205	-	-
2028	77,109	287,543	238,403	889,017	-	-
2029-2033	433,277	1,408,215	1,325,397	4,311,704	-	-
2034-2038	541,808	1,391,758	1,578,472	4,058,629	-	-
2039-2043	670,346	1,339,797	1,879,869	3,757,231	-	-
2044-2048	806,895	1,223,350	2,238,817	3,398,283	-	-
2049-2053	998,321	1,112,330	2,666,303	2,970,797	-	-
2054-2058	1,201,678	930,080	3,175,415	2,461,686	-	-
2059-2063	1,486,761	729,422	3,781,737	1,855,363	-	-
2064-2068	1,789,613	448,732	4,503,833	1,133,267	-	-
2069-2072	1,739,860	121,733	4,214,781	294,897	-	-
	$ 10,015,045	$ 10,112,733	$ 26,477,523	$ 28,766,060	$ 428,255	$ 8,994

	Antenna Site		Parking at Hillcroft Transit		DTC Parking	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 49,411	$ 5,693	$ 97,792	$1,131	$ 92,014	$ 37,986
2025	53,333	4,525	98,017	906	95,439	34,561
2026	57,565	3,185	98,243	680	98,991	31,009
2027	62,133	1,653	98,469	454	102,676	27,324
2028	32,484	187	98,696	227	116,505	25,619
2029-2033	-	-	98,924	-	690,102	63,819
2034-2038	-	-	-	-	-	-
2039-2043	-	-	-	-	-	-
2044-2048	-	-	-	-	-	-
2049-2053	-	-	-	-	-	-
2054-2058	-	-	-	-	-	-
2059-2063	-	-	-	-	-	-
2064-2068	-	-	-	-	-	-
2069-2072	-	-	-	-	-	-
	$254,926	$15,243	$590,141	$3,398	$1,195,727	$220,318

Fiscal Year	Total Principal	Total Interest
2024	$ 789,362	$1,255,585
2025	670,542	1,235,668
2026	551,899	1,218,798
2027	564,408	1,203,009
2028	563,197	1,202,593
2029-2033	2,547,700	5,783,738
2034-2038	2,120,280	5,450,387
2039-2043	2,550,215	5,097,028
2044-2048	3,045,712	4,621,633
2049-2053	3,664,624	4,083,127
2054-2058	4,377,093	3,391,766
2059-2063	5,268,498	2,584,785
2064-2068	6,293,446	1,581,999
2069-2072	5,954,643	416,630
	$38,961,617	$39,126,746

Changes in lease receivable and deferred inflows for FY2023 and FY2022 are reflected in the following tables with amortization of deferred inflows reported as rental income.

	FY2023 Changes in Lease Receivable and Deferred Inflows			
Lease Receivables	Park and Ride Ground Lease Agreement	Buffalo Bayou Office Space	1900 Main Office Space	Total
Balance as of October 1, 2022	$ 1,626,071	$ 406,313	$ 41,547	$ 2,073,931
Less current year amortization	(5,135)	(406,313)	(29,158)	(440,606)
Ending Balance September 30, 2023	$ 1,620,936	$ -	$ 12,389	$ 1,633,325
Deferred Inflows				
Balance as of October 1, 2022	$ 1,626,071	$ 406,313	$ 41,547	$ 2,073,931
Less current year amortization	(5,135)	(406,313)	(29,158)	(440,606)
Ending Balance September 30, 2023	$ 1,620,936	$ -	$ 12,389	$ 1,633,325
FY2023 interest income related to leases receivables	$ 44,863	$ 3,748	$ 712	$ 49,323

	FY2022 Changes in Lease Receivable and Deferred Inflows			
Lease Receivables	Park and Ride Ground Lease Agreement	Buffalo Bayou Office Space	1900 Main Office Space	Total
Balance as of October 1, 2021	$ 1,631,068	$ 935,144	$ 69,912	$ 2,636,124
Less current year amortization	(4,997)	(528,831)	(28,365)	(562,193)
Ending Balance September 30, 2022	$ 1,626,071	$ 406,313	$ 41,547	$ 2,073,931
Deferred Inflows				
Balance as of October 1, 2021	$ 1,631,068	$ 935,144	$ 69,912	$ 2,636,124
Less current year amortization	(4,997)	(528,831)	(28,365)	(562,193)
Ending Balance September 30, 2022	$ 1,626,071	$ 406,313	$ 41,547	$ 2,073,931
FY2022 interest income related to leases receivables	$ 45,003	$ 17,916	$ 1,505	$ 64,424

METRO entered a Transit Center Facilities Lease Agreement with A-S 155 FB PKWY-HWY 6 PG, L.P. on July 20, 2023. This lease contains a land lease which starts at $325,000 a year, with increases every five years, and a one-time payment of $59,800,000 for the design and construction of a parking garage. Payments are projected to begin in FY2025 upon the lease commencement date. The lease term is 40 years with three 15-year options. METRO is responsible for paying maintenance, utilities, taxes, electrical system, landscaping and other cost necessary to properly maintain the facility. The land and garage will convert back to the lessor at the end of the lease term. METRO is working with the Federal Transit Administration to obtain grant funds to support this agreement. No amounts have been recorded as of September 30, 2023 given the lease term has not commenced, nor has METRO made any payments related to this lease.

4. Retirement Plans

METRO has three pension plans and two postemployment healthcare plans. Two of the pension plans are noncontributory, single-employer, defined-benefit plans and one is a defined contribution plan. The postemployment healthcare plans are single-employer, defined benefit plans that are available to eligible retirees.

Pension and postemployment healthcare contributions are authorized by METRO’s Board of Directors during the annual budgeting process. METRO’s funding policy, for both pension plans, is to contribute each year the annual, actuarially determined contribution in equal payments over a 12-month period while OPEB is funded on a pay-as-you-go basis. Please review Note 7 Subsequent Events for additional information.

Pension plans

The monthly pension contributions are placed into separate trust accounts and will be used to fund pension payments as they become due. Independently audited financial statements are available for both defined-benefit pension plans on METRO’s website. METRO has no access to pension plan assets as they are kept in separate trust accounts and managed by two separate administrative committees. The Defined Benefit Pension Plans (Plans) asset custodian and disbursing agent is State Street Bank, which is responsible for executing/recording all investment transactions authorized by the plans, paying operating expenses, and issuing monthly payments to retirees.

Calculating amounts used in financial reporting and management of the Transport Workers Union Pension Plan, Local 260, AFL-CIO (TWUPP) and the Non-Union Pension Plan (NUPP), the two defined benefit retirement plans, requires the use of actuarial assumptions. These assumptions reflect a long-term perspective in determining liabilities and expenses. Each year these assumptions are reviewed with the plans' actuary and adjusted based on actual performance. The amount ultimately paid may vary significantly from the amounts currently reported since retirement liabilities are based on long-term estimates and actuarial projections.

Changes in actuarial assumptions made during FY2023 and FY2022 for the TWUPP and the NUPP consisted of:

FY2023

TWUPP	NUPP
The salary scale assumption was updated from 3.00% per year to 3.53% for 2022, 4.85% for 2023, 4.25% for 2024, 4.28% for 2025, and 3.00% per year thereafter. The retirement rates for active (non-suspended) members were increased by a factor of 1.5 (50.00% increase) for ages 60 to 69 to anticipate increased retirements in connection with a plan amendment to allow for in-service retirements effective October 1, 2022 for non-suspended active Union members who have attained aged 60.	The salary scale assumption was updated from 3.00% per year to 3.53% for 2022, 8.62% for 2023, and 3.00% per year thereafter.

The change in the salary scale assumption, listed above, along with other economic and demographic gains/losses decreased the TWUPP net pension liability by $7,986,701 and increased the NUPP net pension liability by $8,910,041 during FY2023. The related changes in deferred inflows/outflows will be amortized, using the straight-line method, and reported as part of pension expense in the current and over the next two years.

FY2022

TWUPP	NUPP
The mortality table assumption for the prior valuation was the PubG-2010 projected forward (fully generational) with MP-2020. The mortality table was updated to PubG-2010 projected forward (fully generational) with MP-2021. Pub-2010 tables for disabled lives and Contingent Survivors were used.	The mortality table assumption for the prior valuation was the PubG-2010 projected forward (fully generational) with MP-2020. The mortality table was updated to PubG-2010 projected forward (fully generational) with MP-2021. Pub-2010 tables for disabled lives and Contingent Survivors were used.

The change in mortality table, listed above, along with other economic and demographic gains/losses decreased the TWUPP net pension liability by $606,941 and increased the NUPP net pension liability by $2,596,850 during FY2022. The related changes in deferred inflows/outflows will be amortized, using the straight-line method, and reported as part of pension expense in the current and over the next three years.

The net pension liability, as of September 30, 2023, for both defined benefit pension plans was measured as of December 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated January 1, 2022. The actuarial valuation was based on the discount rate and actuarial assumptions listed below and projected forward to the measurement date, December 31, 2022, in accordance with GASB Statement No. 68.

The discount rate used to determine the total pension liability for both defined benefit pension plans was 6.25% which is the same as the long-term expected investment rate of return. The use of the same rate is only appropriate when the depletion analysis, which covers the life of the individual plan, has projected cash inflows from contributions and investment earnings which will equal or exceed the projected outflows for expenses and benefit payments.

The projected long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of returns (expected returns, net of pension plan investment expense and inflation) were developed for each major asset class. These ranges are combined to produce the projected long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of the projected geometric, real rates of return for each major asset class included in the Plan's actual asset allocation as of January 1, 2023 are reflected later in this report.

Changes in the combined net pension liability for both defined benefit pension plans as of September 30, 2023 and September 30, 2022 were:

Net Pension Liability	TWUPP	NUPP	Total
Ending September 30, 2022	$ 95,922,815	$ 89,519,945	$ 185,442,760
Current year changes	65,653,637	46,838,126	112,491,763
Ending September 30, 2023	$ 161,576,452	$136,358,071	$ 297,934,523

Net Pension Liability	TWUPP	NUPP	Total
Ending September 30, 2021	$ 112,846,798	$101,172,591	$ 214,019,389
Current year changes	(16,923,983)	(11,652,646)	(28,576,629)
Ending September 30, 2022	$ 95,922,815	$ 89,519,945	$ 185,442,760

Pension Expenses Fiscal Year	TWUPP	NUPP	Total
2023	$ 21,560,563	$ 21,213,678	$ 42,774,241
2022	5,726,540	7,782,653	13,509,193

The ending net pension liabilities is measured each December 31 and reported nine months later in METRO's Statement of Net Position dated September 30 of each fiscal year. METRO's contributions for the period January 1 through September 30 of each year are reported as part of the deferred outflows as listed on the following schedule.

The deferred outflows and inflows for both defined benefit pension plans as of September 30, 2023 and September 30, 2022 were:

Deferred outflows for FY2023	TWUPP	NUPP	Total
Contributions between January 1, 2023 through September 30, 2023	$10,918,156	$ 11,123,489	$ 22,041,645
Difference between expected and actual economic/demographic experience	–	2,468,433	2,468,433
Change of assumption	268,744	4,807,786	5,076,530
Net difference between projected and actual earnings on pension investments	34,518,596	20,791,892	55,310,488
Total deferred outflows September 30, 2023	$45,705,496	$ 39,191,600	$ 84,897,096

Deferred inflows for FY2023	TWUPP	NUPP	Total
Difference between expected and actual economic/demographic experience	$ 4,704,888	$ 218,280	$ 4,923,168
Change of assumption	595,247	163,407	758,654
Net difference between projected and actual earnings on pension investments	–	–	–
Total deferred inflows September 30, 2023	$ 5,300,135	$ 381,687	$ 5,681,822

Deferred outflows for FY2022	TWUPP	NUPP	Total
Contributions between January 1, 2022 through September 30, 2022	$11,877,020	$ 10,071,995	$ 21,949,015
Difference between expected and actual economic/demographic experience	–	2,426,172	2,426,172
Change of assumption	567,349	3,345,234	3,912,583
Net difference between projected and actual earnings on pension investments	–	–	–
Total deferred outflows September 30, 2022	$12,444,369	$ 15,843,401	$ 28,287,770

Deferred inflows for FY2022	TWUPP	NUPP	Total
Difference between expected and actual economic/demographic experience	$ 1,678,361	$ 654,840	$ 2,333,201
Change of assumption	2,065,343	490,222	2,555,565
Net difference between projected and actual earnings on pension investments	27,097,913	15,872,564	42,970,477
Total deferred inflows September 30, 2022	$ 30,841,617	$ 17,017,626	$ 47,859,243

Significant actuarial assumptions used in calculating the net pension liability and related pension expense for the defined benefit pension plans are listed below:

	TWUPP	NUPP
Valuation timing	January 1 of each year	January 1 of each year
Cost method	Entry age normal	Entry age normal
Inflation rate	2.33% per year IRS salary limit	2.33% per year IRS salary limit
Investment rate of return	6.25% per annum	6.25% per annum
Funding policy	Contributing annually the actuarially determined contribution requirement	Contributing annually the actuarially determined contribution requirement
Cost-of-living adjustments	None	None
Projected salary increases	3.53% for 2022, 4.85% for 2023, 4.25% for 2024, 4.28% for 2025, and 3.00% per year thereafter, adopted for December 31, 2022 measurement and beyond	3.53% for 2022, 8.62% for 2023, and 3.00% per year thereafter, adopted for December 31, 2022 measurement and beyond
Assumed annual retirement rate	Varying percentage ranging from 0.00% to 100.00% for ages 55 and under through 70	Varying percentage ranging from 7.50% to 100.00% for ages 55 through 70 and over
Mortality and disabled mortality	Pub-2010 Mortality, projected forward (fully generational) with MP-2021 used for December 31, 2022 measurement	Pub-2010 Mortality, projected forward (fully generational) with MP-2021 used for December 31, 2022 measurement
Open to new members	No (as of October 1, 2012)	No (as of October 1, 2007)

<u>TWUPP Defined Benefit Pension Plan</u>

The TWUPP was established by METRO for the purpose of accumulating funds to pay retirement benefits and certain related administrative costs. The Plan, closed to new members on October 1, 2012, is a single employer, noncontributory defined benefit pension plan which is for employees covered by the labor agreement. Retirement benefits are established during periodic negotiations with the Transport Workers Union of America, AFL-CIO and Local 260 of the Transport Workers Union of America, AFL-CIO (Union). Postemployment health care costs are not included in the TWUPP.

The TWUPP was amended as part of the FY2021 labor negotiations. This amendment increased the benefit to $68 per year of service and requires participants to begin contributing $3 each week through payroll deductions. Employee contributions and the new employee retirement rate became effective on October 1, 2018. These changes do not apply to employees who retired prior to October 1, 2018.

The TWUPP provides for monthly normal retirement benefits based on the participant's years of service, but not less than $500 each month. The calculation for the monthly normal retirement benefit is based on the designated dollar amount times the number of credited years of service. The designated dollar amount used to determine the monthly normal retirement benefit is based on date of retirement and as allowed by the Union labor agreement. The most current monthly amounts paid for recent retirees are as follows:

August 1, 2002 through July 31, 2003	$ 50
August 1, 2003 through July 31, 2004	51
August 1, 2004 through July 31, 2005	52
August 1, 2005 through July 31, 2006	52
August 1, 2006 through July 31, 2007	53
August 1, 2007 through January 31, 2009	54
February 1, 2009 through September 30, 2018	60
October 1, 2018 through September 30, 2023	65
October 1, 2023 to present	68

Participants can only receive monthly distributions unless total pension benefit is $5,000 or less, then the participant can elect to receive a lump-sum payment. TWUPP participants are 100% vested after five years of credited service. Participants become eligible to receive benefits at the earlier of 28 years of credited services or at age 60 with five years of credited service. The requirements for early retirement with reduced benefits are that an employee reaches age 55 with 25 years of credited service. In addition, TWUPP provides disability retirement benefits with the requirement of having five years of credited service. Additional requirements include five years of vesting service for vested deferred retirement benefits and for preretirement spousal benefits.

Changes in plan participants between January 1, 2023 and January 1, 2022 were:

Participants	2023	2022	Change
Active	948	1,238	(290)
Terminated and vested	550	560	(10)
Retired	1,726	1,506	220
Disabled	168	175	(7)
Beneficiaries	400	385	15
Total for all participants	3,792	3,864	(72)

Changes in the Net Pension Liability for the TWUPP is based on a measurement date of December 31, 2022 with the amounts reported on METRO's September 30, 2023 financial statements. Activities for the last two years consisted of:

	For the Years Ending September 30, (Reporting Dates)	
	2023	2022
Total pension liability		
Changes for the year:		
Service cost	$ 4,415,715	$ 4,675,028
Interest on total pension liability	27,387,593	26,720,481
Changes of benefit terms	7,798,168	5,234,477
Difference between expected and actual experience	(7,167,707)	(1,472,895)
Changes of assumption	(818,994)	865,954
Benefit payments	(26,127,147)	(24,083,715)
Net change in total pension liability	5,487,628	11,939,330
Total pension liability beginning	446,651,368	434,712,038
Total pension liability ending	452,138,996	446,651,368
Plan fiduciary net position:		
Contributions from the employer	$ 15,668,399	$ 15,836,027
Members contributions	142,951	164,295
Net investment (loss) income	(49,439,021)	37,364,231
Benefit payments	(26,127,147)	(24,083,715)
Administrative expenses	(411,191)	(417,525)
Net change in plan fiduciary net position	(60,166,009)	28,863,313
Plan fiduciary net position - beginning	350,728,553	321,865,240
Plan fiduciary net position - ending	290,562,544	350,728,553
METRO's net pension liability	$ 161,576,452	$ 95,922,815

Sensitivity Analysis Schedule, provided below, is used to evaluate the effect on the net pension liability for a 1% change in the discount rate as of September 30, 2023.

	1% Decrease to 5.25%	Current Discount Rate 6.25%	1% Increase to 7.25%
Net pension liability	$209,064,975	$ 161,576,452	$ 121,143,701

The best estimates of the projected geometric, real rates of return for each major asset class included in TWUPP actual asset allocation as of January 1, 2023 are listed below:

Asset Class	Index	Actual Allocation	Long-Term Expected Real Geometric Rate of Return
US Cash	BAML 3-Mon T-Bills	0.50%	0.59%
US Core Fixed Income (Aggregate)	Barclays Aggregate	17.50%	2.13%
Global Bonds	FTSE WGBI	7.81%	0.42%
US Large & Mid Cap Equity	Russell 1000 TR	15.29%	4.03%
US Small Cap Equity	Russell 2000 TR	6.00%	4.67%
US Large & Mid Cap Value Equity	Russell 1000 Value TR	5.40%	3.88%
US MidCap Growth Equity	Russell MidCap Growth TR	4.97%	3.56%
US MidCap Value	Russell MidCap Value	4.02%	3.51%
Global Equity	MSCI ACWI NR	6.57%	4.82%
Non-US Equity	MSCI ACWI Ex USA NR	10.25%	5.81%
Non-US Small Cap Equity	MSCI EAFE Small Cap NR	5.18%	5.31%
US REITs	FTSE Nareit All Equity REITs TR	16.51%	4.50%
Assumed Inflation – Mean			2.33%
Assumed Inflation – Standard Deviation			1.41%
Portfolio Real Mean Return			4.36%
Portfolio Nominal Mean Return			6.83%
Portfolio Standard Deviation			13.39%
Long-Term Expected Rate of Return			6.25%

Pension Plan Expense and Deferred Outflows and Inflows

Pension expense for FY2023 and FY2022 totaled $21,560,563 and $5,726,540, respectively, and was reported on the Statement of Changes in Net Position for each fiscal year. The increase in pension expense for FY2023 primarily relates to the amortization of deferred outflows.

A deferred outflow of $45,705,496 and a deferred inflow of $5,300,135 was reported on the statement of net position as of September 30, 2023. Included in the deferred outflow are contributions by METRO, totaling $10,918,156 for the period January 1, 2023 through September 30, 2023. These contributions will be reflected in next year's actuarial report when determining financial information including pension expense. The remaining net flows will be amortized using the straight-line method over the next four years and reported as a part of pension expense as follows:

Fiscal Year	Amount
2024	$ (1,705,525)
2025	6,282,819
2026	10,704,026
2027	14,205,885
Total	$ 29,487,205

NUPP Defined Benefit Pension Plan

METRO established the NUPP during December 1975 for the purpose of accumulating funds to pay retirement benefits and certain related administrative costs. The Plan, closed to new participants on October 1, 2007, is a single employer, noncontributory (since March 1, 1984) defined benefit pension plan which covers full-time police officers and administrative staff. Retirement benefits are established and can be amended by METRO's Board of Directors. Postemployment healthcare costs are not included in the Plan.

The Plan participants are 100% vested after five years and can retire at age 65 (normal retirement age) or with reduced benefits after age 55 with 15 years of credited service. Monthly benefits are calculated using three factors, which include employee's average earnings for the last three years, number of service years, and the retirement factor. The minimum monthly normal retirement benefit is $300 for those who retire at or after age 65 and with five years of credited service.

The NUPP offers several annuity options and a discounted lump-sum payment. To receive a lump sum payment, vested employees must withdraw their funds by the end of the year following their termination. After this time, they must select one of the annuity options upon their eligible retirement date. Employees who are totally disabled will continue to earn service years until their normal retirement age with their compensation, as of their disability date, used to calculate their benefits

Changes in plan participants between January 1, 2023 and January 1, 2022 were:

Participants	2023	2022	Change
Active	319	344	(25)
Terminated and vested	74	79	(5)
Retired	333	326	7
Disabled	–	–	–
Beneficiaries	65	67	(2)
Total participants	791	816	(25)

Changes in the Net Pension Liability for the NUPP is based on a measurement date of December 31, 2022 with amounts reported on METRO's September 30, 2023 financial statements. Activities for the last two years consisted of:

	For the Years Ended September 30, (Reporting Dates)	
	2023	2022
Total pension liability		
Changes for the year		
Service cost	$ 2,980,128	$ 3,167,837
Interest on total pension liability	18,437,014	18,405,328
Difference between expected and actual experience	2,366,449	2,144,763
Changes of assumption	6,543,592	452,087
Benefit payments	(17,595,120)	(29,179,951)
Net change in total pension liability	12,732,063	(5,009,936)
Total pension liability beginning	300,676,330	305,686,266
Total pension liability ending	313,408,393	300,676,330
Plan fiduciary net position		
Contributions from the employer	13,308,196	13,447,958
Net investment (loss) income	(29,540,815)	22,699,453
Benefit payments	(17,595,120)	(29,179,951)
Administrative expenses	(278,324)	(324,750)
Net change in plan fiduciary net position	(34,106,063)	6,642,710
Plan fiduciary net position – beginning	211,156,385	204,513,675
Plan fiduciary net position – ending	177,050,322	211,156,385
METRO's net pension liability ending	$ 136,358,071	$ 89,519,945

<u>Sensitivity Analysis Schedule</u>, provided below, is used to evaluate the effect on the net pension liability for a 1% change in the discount rate as of September 30, 2023.

	1% Decrease to 5.25%	Current Discount Rate of 6.25%	1% Increase to 7.25%
Net pension liability	$ 168,388,076	$ 136,358,071	$ 109,037,198

The best estimates of the projected geometric, real rates of return for each major asset class included in the Plan's actual asset allocation as of January 1, 2023, are listed below.

Asset Class	Index	Actual Allocation	Long-Term Expected Real Geometric Rate of Return
US Cash	BAML 3-Month T-Bills	1.29%	0.59%
US Core Fixed Income (Aggregate)	Barclays Aggregate	18.27%	2.13%
Global Bonds	FTSE WGBI	7.64%	0.42%
US Large & Mid Cap Equity	Russell 1000 TR	15.97%	4.03%
US Small Cap Equity	Russell 2000 TR	2.52%	4.67%
US Small & Mid Cap Equity	Russell 2500 TR	3.88%	4.10%
US Large & Mid Cap Value Equity	Russell 1000 Value TR	4.40%	3.88%
US MidCap Growth Equity	Russell MidCap Growth TR	7.15%	3.56%
Global Equity	MSCI ACWI NR	5.13%	4.82%
Non-US Equity	MSCI ACWI Ex USA NR	11.61%	5.81%
Non-US Small Cap Equity	MSCI EAFE Small Cap NR	5.02%	5.31%
US REITs	FTSE Nareit All Equity REITs TR	17.12%	4.50%
Assumed Inflation – Mean			2.33%
Assumed Inflation – Standard Deviation			1.41%
Portfolio Real Mean Return			4.35%
Portfolio Nominal Mean Return			6.82%
Portfolio Standard Deviation			13.21%
Long-Term Expected Rate of Return			6.25%

Pension Plan Expense and Deferred Outflows and Inflows

Pension expense for FY2023 and FY2022 totaled $21,213,678 and $7,782,653 and was reported on the statement of changes in net position for each fiscal year. The increase in pension expense for FY2023 primarily relates to the amortization of deferred outflows.

A deferred outflow of $39,191,600 and a deferred inflow of $381,687 were reported on the statement of net position as of September 30, 2023. Included in the deferred outflow are contributions by METRO totaling $11,123,489 for the period January 1, 2023 through September 30, 2023. These contributions will be reflected in next year's actuarial report when determining financial information including pension expense. The remaining net flows will be amortized using the straight-line method over the next four years and reported as a part of pension expense as follows:

Fiscal Year	Amount
2024	$ 5,022,101
2025	7,707,592
2026	6,437,212
2027	8,519,519
Total	$ 27,686,424

Defined Contribution Pension Plan (DCPP)

The NUPP was closed October 1, 2007 and the TWUPP was closed October 1, 2012 to new employees. Individuals hired after those dates are placed into a DCPP. As part of DCPP, METRO will contribute 2% of the employee's annual salary and will match up to an additional 4% of their contributions. All contributions are placed into a third-party trust account. Employee's vesting rates are 40% after the second year and 20% increase annually thereafter. Contributions by METRO for the current and previous two fiscal years were $12,245,466, $9,255,573, and $7,602,176, with employees contributing $11,092,054, $8,697,142, and $7,214,400.

Other Postemployment Benefits Plans Other Than Pension (OPEB)

METRO sponsors two single-employer, defined benefit Other Postemployment Healthcare Plans. These plans cover medical, dental and life insurance. The OPEB plan for employees covered under the labor agreement are paid by the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust (Union OPEB Plan) based on contributions from METRO and retirees. The Non-Union OPEB Plan is managed by METRO with retiree's contribution being based on years of service. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of cost sharing between the employer and plan members. METRO is on a pay-as-you-go funding basis for these benefits.

The Union OPEB Plan is managed by the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust (Trust) which is a separate legal entity. The Trust is responsible for managing resources and establishing benefits for both active employees and retirees covered under the labor agreement. METRO is required to provide monthly contributions to the Trust as established during labor negotiations. Total monthly payments are based on the number of eligible participants (active and retirees) times a standard amount of $1,225 for FY2023. This amount will change annually and is based on the terms of the labor agreement. To qualify for this retirement benefit, an employee must be (1) 60 years old with 5 years of credited service, (2) any age with 28 years of credited services, or (3) 55 years old with 25 years of credited service or meet disability qualifications. The Union OPEB Plan is not considered to be a plan administered through a trust as there is no method of accumulating plan assets that are dedicated for providing OPEB benefits.

During FY2023, METRO obtained additional information from the Trust related to premiums paid for retirees in the Union OPEB Plan. The premiums paid information provides METRO a better means to estimate the OPEB liability, and as a result, METRO updated the Union OPEB liability estimate to use the premiums paid to the insurance providers in lieu of the required contribution amount to the Trust. This change reduced the OPEB liability by approximately $243 million.

The Non-Union OPEB Plan is administered by METRO and covers full-time employees with payments made as services are provided. To qualify for this benefit, an employee must be (1) Age 65, or (2) 55 years or older with 5 years of credited services. Employees hired after December 31, 2009 are not eligible for postretirement medical and dental benefits but remain eligible for life insurance with a maximum benefit of $20,000, increasing to $25,000 effective October 1, 2023. Effective October 1, 2012, METRO moved post-65 retirees and spouses to Extend Health. This plan is capped at $2,801 per person annually and includes medical, dental, vision, and pharmacy. Inactive employees are not covered. The Non-Union OPEB Plan is not considered to be a plan administered through a trust as there is not a trust for accumulating plan assets that are dedicated in providing OPEB.

Employees covered by the OPEB Plans as of January 1, 2023 consisted of:

	Union OPEB Plan	Non-Union OPEB Plan
Active	2,592	1,459
Retirees	1,231	675
Beneficiaries	134	61
Total of all participants	3,957	2,195

Significant actuarial assumptions used in METRO's Other Postemployment Plans valuations are listed below. These valuations are performed annually on January 1st and rolled forward from the December 31st measurement date to the September 30th reporting date for each year.

	Union OPEB Plan	Non-Union OPEB Plan
Measurement date	December 31, 2022	December 31, 2022
Valuation date	January 1, 2023	January 1, 2023
Reporting date	September 30, 2023	September 30, 2023
Cost method	Entry age normal – Level percent of pay	Entry age normal – Level percent of pay
Investment rate of return without prefunding	December 31, 2021: 2.06% December 31, 2022: 3.72%	December 31, 2021: 2.06% December 31, 2022: 3.72%
Medical benefits inflation	3.00% per year to apply for 2025 and after following scheduled increases	Varying percentage ranging from 6.70% to 3.70% from 2023 to 2074 and after
Funding policy	Pay-as-you-go (see Note 7)	Pay-as-you-go
Assumed annual retirement rate	Varying percentage ranging from 0.00% to 100.00% for age 55 and under through 70	Varying percentage ranging from 7.50% to 100.00% for ages 55 through 70 and over
Coverage assumption	80.00% of active employees eligible for retiree medical benefits are assumed to elect continued medical coverage in retirement. No current retirees with only life insurance benefits are assumed to elect retiree medical coverage immediately	75.00% of employees eligible for retiree medical benefits are assumed to elect continued medical and dental coverage in retirement. They are assumed to elect coverage based on the medical plan elections of current under 65 retirees, and at age 65 active employees are assumed to move into the extended health plan
Spousal coverage	Upon retirement, 65.00% of future retirees are assumed to have spouse electing coverage. Males are assumed to be three years older than their spouse. Current retirees with a spouse date of birth are assumed to have a spouse electing coverage upon the retiree's death. Actual age of spouse is used if provided. Current retirees without a spouse date of birth are assumed to not have a spouse electing coverage upon the retiree's death.	Upon retirement, 45.00% of future retirees are assumed to have a spouse electing coverage. Males are assumed to be 3 years older than their spouse. Actual age of spouse is used if provided for current retirees, otherwise, the assumption is used

	Union OPEB Plan	Non-Union OPEB Plan
Demographic Assumption	Except where noted, all demographic assumptions are based on Milliman's Demographic Assumptions Study for the METRO Pension Plan for Union Employees dated April 8, 2020 and on the actuary's judgment and continual review of experience	Except where noted, all demographic assumptions are based on Milliman's Demographic Assumptions Study for the METRO Pension Plan for Non-Union Employees dated April 8, 2020 and on the actuary's judgment and continual review of experience
Inflation assumption	December 31, 2021: 2.30% per annum December 31, 2022: 2.33% per annum	December 31, 2021: 2.30% per annum December 31, 2022: 2.33% per annum
Salary increase	December 31, 2021: 3.00% per annum December 31, 2022: 4.85% for 2023, 4.25% for 2024, 4.28% for 2025, and 3.00% per annum thereafter	December 31, 2021: 3.00% per annum December 31, 2022: 8.62% for 2023, and 3.00% per annum thereafter
Disability	Varying percentage ranging from 0.00% to 0.57% for age 25 through 64	None assumed
Withdrawal rates	Varying percentage ranging from 1.50% to 7.00% for service year 4 through 24 and beyond	Varying percentage ranging from 10.00% to 2.00% for service year from 7 through 28 and beyond
Mortality basis after normal retirement	December 31, 2021: PubG. H-2010 projected forward (fully generational) with MP-2021. Pub-2010 tables for disabled lives and contingent survivors were also used. December 31, 2022: PubG. H-2010 projected forward (fully generational) with MP-2021. Pub-2010 tables for disabled lives and contingent survivors were also used.	December 31, 2021: PubG. H-2010 projected forward (fully generational) with MP-2021. Pub-2010 tables for disabled lives and contingent survivors were also used. December 31, 2022: PubG. H-2010 projected forward (fully generational) with MP-2021. Pub-2010 tables for disabled lives and contingent survivors were also used.
Open to new members	Yes	No (as of January 1, 2010)

Changes to actuarial assumptions used in preparing the FY2023 OPEB valuation consisted of:

	Union OPEB Plan	Non-Union OPEB Plan
Interest rate	Moved from 2.06% to 3.72%	Moved from 2.06% to 3.72%
Inflation	Moved from 2.30% to 2.33%	Moved from 2.30% to 2.33%
Salary increase	Updated from 3.00% to 4.85% in 2023, 4.25% in 2024, 4.28% in 2025, and 3.00% thereafter	Updated from 3.00% per year to 8.62% for 2023 and 3.00% per year thereafter
Spousal coverage	The percentage of active employees eligible for retiree medical benefits assumed to have a spouse electing coverage upon retirement was increased from 60.00% to 65.00%	The percentage of active employees eligible for retiree medical benefits assumed to have a spouse electing coverage upon retirement was decreased from 50.00% to 45.00%

	Union OPEB Plan	Non-Union OPEB Plan
Medical benefit costs and medical inflation	No changes	The assumed annual claims costs for all future retirees and spouses and medical inflation have been updated for the current year.
Retirement rate	Increased by a factor of 1.5 (50.00% increase) for ages 60 to 69	No changes

Change in the Net OPEB Liability for FY2023 consist of:

	Union OPEB Plan	Non-Union OPEB Plan	Total
Balance as of September 30, 2022	$686,376,977	$ 91,216,901	$777,593,878
Current year changes			
Service cost	41,373,622	2,023,474	43,397,096
Interest on total OPEB liability	14,324,541	1,918,007	16,242,548
Economic/demographic gains	(25,155,168)	1,533,125	(23,622,043)
Assumption changes or inputs	(396,871,153)	(17,504,701)	(414,375,854)
Benefit payments	(14,532,840)	(3,349,939)	(17,882,779)
Balance as of September 30, 2023	$305,515,979	$ 75,836,867	$381,352,846
Covered-employee payroll	$136,965,709	$110,048,986	
Net OPEB liability as a percentage of covered-employee payroll	223.06%	68.91%	

Change in the Discount Rate and its effect on the Total OPEB Liability Balance are:

Union OPEB Plan		
1% Decrease 2.72%	Current Rate 3.72%	1% Increase 4.72%
$ 349,526,391	$ 305,515,979	$ 269,549,134

Non-Union OPEB Plan		
1% Decrease 2.72%	Current Rate 3.72%	1% Increase 4.72%
$ 84,555,033	$ 75,836,867	$ 68,483,004

Change in the Healthcare Cost Trend Rate and its effect on the Total OPEB Liability Balance are:

Union OPEB Plan		
1% Decrease	Current Trend Rates	1% Increase
$ 267,637,729	$ 305,515,979	$ 353,073,148

Non-Union OPEB Plan		
1% Decrease	Current Trend Rates	1% Increase
$ 73,260,675	$ 75,836,867	$ 78,828,704

During FY2023 METRO recognized OPEB cost totaling $2,044,383 of which $1,743,414 related to the Union and $300,969 related to the Non-Union plan. During FY2022 METRO recognized OPEB cost totaling $66,579,074 of which $60,673,612 related to the Union and $5,905,462 related to the Non-Union plan.

Deferred outflows and inflows consisted of:

Deferred outflows for FY2023	Union OPEB Plan	Non-Union OPEB Plan	Total
Contributions between January 1, 2023 through September 30, 2023	$ 5,004,052	$ 2,292,430	$ 7,296,482
Difference between expected and actual economic/demographic experience	7,300,815	2,877,271	10,178,086
Change of assumption	85,051,287	7,466,450	92,517,737
Total deferred outflows September 30, 2023	$97,356,154	$ 12,636,151	$109,992,305

Deferred inflows for FY2023	Union OPEB Plan	Non-Union OPEB Plan	Total
Difference between expected and actual economic/demographic experience	$ 51,466,187	$ 6,510,029	$ 57,976,216
Change of assumption	365,745,290	14,851,155	380,596,445
Total deferred inflows September 30, 2023	$417,211,477	$ 21,361,184	$438,572,661

Deferred outflows for FY2022	Union OPEB Plan	Non-Union OPEB Plan	Total
Contributions between January 1, 2022 through September 30, 2022	$ 10,795,242	$ 2,571,724	$ 13,366,966
Difference between expected and actual economic/demographic experience	8,678,328	1,994,550	10,672,878
Change of assumption	101,906,739	9,456,545	111,363,284
Total deferred outflows September 30, 2022	$121,380,309	$ 14,022,819	$135,403,128

Deferred inflows for FY2022	Union OPEB Plan	Non-Union OPEB Plan	Total
Difference between expected and actual economic/demographic experience	$ 35,609,810	$ 8,762,734	$ 44,372,544
Change of assumption	31,763,060	1,374,760	33,137,820
Total deferred inflows September 30, 2022	$ 67,372,870	$ 10,137,494	$ 77,510,364

Annual amortization of net deferred outflows and inflows (excluding contributions) will be reported as part of OPEB cost in the following year:

Fiscal Year	Union OPEB Plan	Non-Union OPEB Plan	Total
2024	$ (53,954,749)	$ (2,137,957)	$ (56,092,706)
2025	(53,854,882)	(1,971,005)	(55,825,887)
2026	(45,528,250)	(1,971,005)	(47,499,255)
2027	(43,484,047)	(1,525,167)	(45,009,214)
2028	(45,227,176)	(2,651,779)	(47,878,955)
Thereafter	(82,810,271)	(760,550)	(83,570,821)
Total	$(324,859,375)	$ (11,017,463)	$(335,876,838)

No actuarially determined contribution amount is developed as METRO funds OPEB cost on a pay-as-you-go basis. Please review Note 7 Subsequent Events relating to the Union OPEB Plan for additional information.

5. Self-Insurance

The Risk Management Department is responsible for developing and implementing safety/training programs, establishing a self-insured liability for workers' compensation and third-party property/bodily injury claims, and purchasing insurance policies. Some of the insurance policies purchased annually include windstorm, national flood insurance, pollution, commercial, fiduciary, railroad, public officials, law enforcement, cyber, drone, auto and physical damage.

The self-insured liability for workers’ compensation, property and personal injury is adjusted annually and is based on an independent actuarial study.

METRO’s liability is generally limited by the Texas Tort Claims Act to $100,000 for any one person in any one occurrence, and a total of $300,000 for each occurrence in personal injury or death; and a limit of $100,000 for each occurrence in property damage.

Balance and related changes for the self-insured liability for FY2023 and FY2022 were:

	Balance at the Beginning of the Fiscal Year	Claims and Changes in Estimates	Claim Payments	Balance at the End of the Fiscal Year
October 1, 2022 - September 30, 2023	$ 18,772,112	$ 13,553,288	$ (10,519,564)	$ 21,805,836
October 1, 2021 - September 30, 2022	$ 18,282,473	$ 10,004,311	$ (9,514,672)	$ 18,772,112

METRO's ultimate liability for claims could be higher or lower than the amount accrued; however, management believes the differences will not materially affect its financial position.

6. Commitments and Contingencies

In addition to the retirement plans discussed in Note 4, METRO has various commitments and contingencies as listed below:

Outstanding Value of Contracts

METRO has various contracts for materials, services, and construction activities, some of which cover multiple fiscal years. The outstanding value of contracts as of September 30, 2023 was approximately $273 million. Payments to vendors will be made from sales tax collections, transit fares, debt proceeds, and grants.

Agreements to Fund Local Infrastructure Improvements and Mobility Programs

METRO makes payments to or on behalf of Harris County, the City of Houston, and the 14 cities (Multi-cities) within METRO's service area for infrastructure improvement and mobility programs. These payments were reauthorized on November 5, 2019 as part of the METRONext Moving Forward Plan and will continue through September 30, 2040. Funding for the program is provided by 25% of sales tax receipts with any growth after September 30, 2014 shared equally between METRO and the program. Final distribution of funds to the local governments within METRO's service area will be based on interlocal agreements as approved by the Board of Directors. Funds held and not yet disbursed at the end of FY2023 totaled $135,782,959. Expenses related to these agreements are reported as local infrastructure assistance in the Statements of Revenues, Expenses, and Changes in Net Position as funding requests are received and accepted by METRO.

Baybrook Municipal Utility District No. 1 (MUD) Congestion Mitigation/Traffic Management Agreement

METRO entered into an agreement on January 1, 2001 where one half of all METRO's sales and use tax collected within the MUD's service area would be remitted monthly and used by the MUD for the construction, acquisition, improvements and financing of transportation projects. This agreement is for a term of 30 years or until the MUD is annexed by the City of Houston for full purpose as provided in the Strategic Partnership Agreement. Amounts remitted during FY2023 and FY2022 totaled $2,146,815 and $2,243,291, respectively.

Houston Sports Authority Sales and Use Tax Revenue Contribution Agreement

METRO entered into an agreement on November 30, 2000 where METRO's sales and use tax revenue collected at Reliant Park would be remitted quarterly to the Harris County – Houston Sports Authority for use in supporting infrastructure improvements and payment of certain outstanding debt. This agreement remains in place until the related debt is paid but for no more than 40 years. Amounts remitted during FY2023 and FY2022 totaled $2,647,155 and $1,989,238.

Debt

Debt consists of commercial paper, bonds, and contractual obligations, which are supported by sales and use tax revenues. Commercial paper is reported as current or long-term depending on credit support arrangements, which allows for financing on a long-term basis if needed. During FY2023 METRO retired its outstanding commercial paper balance of $83,550,000. METRO may elect to use commercial paper in the future and will continue to identify the best approach to finance METRO's requirements.

Commercial Paper

METRO is authorized to issue up to $400 million in Sales and Use Tax Revenue Commercial Paper Notes (CP). These notes are supported by pledging 75% of METRO's Sales and Use Tax Revenue and interest earned on related investments.

To support the CP program in case of a remarketing failure, METRO established two revolving credit and term loan agreements totaling $165 million. A-1 is for $90 million with JPMorgan Chase Bank, National Association and expired on March 10, 2023. A-3 is for $75 million with State Street Bank and Trust Company and expires on March 11, 2024. For these two revolving credit and term loan agreements, METRO is required to pay an annual commitment fee for unused funds which ranges from 0.40% to 3.05% depending on the lowest credit rating issued by Moody or Standards and Poor's.

Period	Bank Rate
Day 1 through Day 14	Initial Base Rate
Day 15 through Day 90	Base Rate
Day 91 through Day 180	Base Rate plus 2.00% per annum
Day 181 through the day the amount is due and payable	Term Out Rate

The *"Initial Base Rate"* means for any day the higher of (a) the Banks' (as discussed above) U.S. prime commercial lending rate in effect for such day (as such U.S. prime commercial lending rate is announced from time to time by the Bank at its principal New York office) and (b) the sum of 1.00% per annum plus the Federal Funds Rate for such day (it being understood that each change in such Initial Base Rate is to be effective for purposes of this agreement on the day on which such change is effective for the Bank's purposes). Each determination of the Initial Base Rate by the Bank will be conclusive and binding on METRO and the Bank, absent manifest error. The "*Base Rate"* means for any day the higher of (a) the Bank's U.S. prime commercial lending rate in effect for such day (as such U.S. prime commercial lending rate is announced from time to time by the Bank at its principal New York office) plus 2.00% per annum, (b) the sum of 3.00% per annum plus the Federal Funds Rate for such day (it being understood that each change in such Base Rate is to be effective for purposes of this Agreement on the day on which such change is effective for the Bank's purposes), and (c) 9.00% per annum. Each determination of the Base Rate by the Bank will be conclusive and binding on METRO and the Bank, absent manifest error. The "*Term Out Rate*" shall never exceed the *"Maximum Interest Rate"* meaning the lesser of (a) maximum non-usurious interest rate that may, under applicable federal law and applicable state law (including specifically Chapter 1204, *Texas Government Code*), be contracted for, charged, or received under such laws and (b) 25% per annum.

Proceeds from CP were used to make payments for eliminating outstanding notes of the same series. Changes and outstanding CP by series for FY2023 and FY2022 were as follows:

Series	October 1, 2022	Proceeds	Repayments	September 30, 2023
A-1	$ 61,850,000	$ 61,850,000	$ (123,700,000)	$ -
A-3	21,700,000	34,400,000	(56,100,000)	-
Total	$ 83,550,000	$ 96,250,000	$ (179,800,000)	$ -

Series	October 1, 2021	Proceeds	Repayments	September 30, 2022
A-1	$ 87,800,000	$ 315,550,000	$ (341,500,000)	$ 61,850,000
A-3	21,700,000	104,800,000	(104,800,000)	21,700,000
Total	$ 109,500,000	$ 420,350,000	$ (446,300,000)	$ 83,550,000

Bonds and Contractual Obligations

During FY2023 METRO entered into two loan agreements with Texas State Energy Conservation Office (TSECO) totaling $14.6 million. These loan agreements provide funds that can be used on certain energy and water conservation projects. TSECO can cancel the unfunded portion of the loan agreements due to changes in the related law or inadequate appropriations by the State. No funds were drawn down by METRO related to these agreements during FY2023.

Interest and principal payments for bonds and contractual obligations are guaranteed from sales tax receipts that are deposited directly by the bank each month into a third-party trust account. Funds deposited in the third-party trust account or debt proceeds not yet disbursed are reported as Investments – restricted in the Statements of Net Position.

Scheduled payments over the remaining life of the bonds and contractual obligations are:

	Sales and Use Tax Bonds and Contractual Obligations					
	Contractual Obligations Series 2014 (Rail Vehicles)		Contractual Obligations Series 2015B (Buses)		Sales and Use Tax Refunding Bonds Series 2016A	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 8,945,000	$ 693,625	$ 5,530,000	$ 1,393,000	$ –	$ 5,619,250
2025	9,400,000	235,000	5,810,000	1,109,500	16,470,000	5,207,500
2026	–	–	6,110,000	811,500	17,315,000	4,362,875
2027	–	–	6,425,000	498,125	18,210,000	3,474,750
2028	–	–	6,750,000	168,750	60,390,000	4,629,753
	$18,345,000	$ 928,625	$30,625,000	$ 3,980,875	$112,385,000	$23,294,128

	Sales and Use Tax Bonds and Contractual Obligations					
	Sales and Use Tax Refunding Contractual Obligations Series 2016B		Sales and Use Tax Bonds Series 2016D (Buses)		Sales and Use Tax Refunding Bonds Series 2017A	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 1,600,000	$ 1,065,425	$ 4,445,000	$ 1,222,125	$13,860,000	$ 660,750
2025	1,685,000	983,300	4,445,000	999,875	3,065,000	237,625
2026	1,770,000	896,925	4,445,000	777,625	3,220,000	80,500
2027	1,860,000	806,175	4,445,000	555,375	–	–
2028	1,960,000	710,675	4,445,000	333,125	–	–
2029-2033	11,310,000	2,030,188	4,440,000	111,000	–	–
2034-2038	2,600,000	65,000	–	–	–	–
	$22,785,000	$ 6,557,688	$26,665,000	$ 3,999,125	$20,145,000	$ 978,875

	Sales and Use Tax Bonds and Contractual Obligations					
	Sales and Use Tax Refunding Contractual Obligations Series 2017B		Direct Placement Refunding Bonds Series 2017C		Sales and Use Tax Contractual Obligations Series 2018	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 18,150,000	$ 2,836,250	$ 515,000	$ 520,847	$ 9,485,000	$ 5,263,625
2025	14,550,000	2,018,750	525,000	508,835	11,230,000	4,745,750
2026	6,605,000	1,489,875	540,000	496,535	11,740,000	4,171,500
2027	6,135,000	1,171,375	10,490,000	369,138	12,380,000	3,568,500
2028	6,450,000	856,750	10,735,000	123,989	12,950,000	2,935,250
2029-2033	13,910,000	704,250	–	–	46,545,000	5,418,625
2034-2038	–	–	–	–	3,175,000	873,625
2039-2043	–	–	–	–	2,040,000	382,750
2044-2048	–	–	–	–	470,000	11,750
	$ 65,800,000	$ 9,077,250	$ 22,805,000	$ 2,019,344	$110,015,000	$ 27,371,375

	Sales and Use Tax Bonds and Contractual Obligations					
	Sales and Use Tax Refunding Bonds Series 2019A		Sales and Use Tax Refunding Bonds Taxable Series 2019B		Sales and Use Tax Refunding Bonds Taxable Series 2020A	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ –	$ 3,206,000	$ –	$ 470,493	$ 1,930,000	$ 7,811,562
2025	–	3,206,000	–	470,493	1,965,000	7,779,247
2026	–	3,206,000	1,510,000	456,707	2,000,000	7,744,723
2027	–	3,206,000	1,510,000	428,606	2,035,000	7,707,288
2028	–	3,206,000	1,610,000	398,103	2,075,000	7,666,815
2029-2033	18,365,000	14,681,875	17,105,000	853,629	47,180,000	36,698,485
2034-2038	37,185,000	6,969,375	–	–	104,960,000	26,296,098
2039-2043	8,570,000	214,250	–	–	130,015,000	8,413,279
	$ 64,120,000	$37,895,500	$ 21,735,000	$ 3,078,031	$292,160,000	$110,117,497

	Sales and Use Tax Bonds	
	Sales and Use Tax Refunding Bonds Taxable Series 2021A	
Fiscal Year	Principal	Interest
2024	$ 895,000	$ 602,094
2025	900,000	595,001
2026	10,605,000	527,328
2027	540,000	459,948
2028	550,000	451,508
2029-2033	23,945,000	454,890
	$ 37,435,000	$ 3,090,769

Total Sales and Use Tax Bonds and Contractual Obligations

Fiscal Year	Public Placement		Direct Placement		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2024	$ 64,840,000	$ 30,844,199	$ 515,000	$ 520,847	$ 65,355,000	$ 31,365,046	$ 96,720,046
2025	69,520,000	27,588,041	525,000	508,835	70,045,000	28,096,876	98,141,876
2026	65,320,000	24,525,558	540,000	496,535	65,860,000	25,022,093	90,882,093
2027	53,540,000	21,876,142	10,490,000	369,138	64,030,000	22,245,280	86,275,280
2028	97,180,000	21,356,729	10,735,000	123,989	107,915,000	21,480,718	129,395,718
2029-2033	182,800,000	60,952,942	–	–	182,800,000	60,952,942	243,752,942
2034-2038	147,920,000	34,204,098	–	–	147,920,000	34,204,098	182,124,098
2039-2043	140,625,000	9,010,279	–	–	140,625,000	9,010,279	149,635,279
2044-2048	470,000	11,750	–	–	470,000	11,750	481,750
	$822,215,000	$230,369,738	$22,805,000	$2,019,344	$845,020,000	$232,389,082	$1,077,409,082

Principal payments for Sales and Use Tax Bonds and Contractual Obligations that were reported as a current liability on the Statement of Net Position for FY2023 and FY2022 included:

	Scheduled Principal Payments	
	FY2023	FY2022
Contractual Obligations Series 2014	$ 8,945,000	$ 8,505,000
Contractual Obligations Series 2015B	5,530,000	5,260,000
Sales and Use Tax Bonds Series 2016A (Refunding)	–	4,615,000
Contractual Obligations Series 2016B	1,600,000	–
Sales and Use Tax Bonds Series 2016D	4,445,000	4,445,000
Refunding Bonds Series 2017A	13,860,000	2,775,000
Contractual Obligations Series 2017B	18,150,000	15,660,000
Direct Place Refunding Bonds Series 2017C	515,000	500,000
Contractual Obligations Series 2018	9,485,000	9,015,000
Refunding Bonds Taxable Series 2020A	1,930,000	7,870,000
Refunding Bonds Taxable Series 2021A	895,000	890,000
Total	$ 65,355,000	$ 59,535,000

Changes for FY2023 (including refunding) consisted of:

	Changes in Bonds and Contractual Obligations			Changes in Premium or Discount		
Series	October 1, 2022 Principal	Additions	Principal Payments	October 1, 2022 Unamortized Premium or (Discount)	Current Year Addition and Amortization of (Premium) and Discount	Combined Balance September 30, 2023
Public Placement						
2014	$ 26,850,000	$ –	$ (8,505,000)	$ 3,201,507	$ (1,067,169)	$ 20,479,338
2015B	35,885,000	–	(5,260,000)	4,426,422	(885,284)	34,166,138
2016A	117,000,000	–	(4,615,000)	17,464,923	(2,183,116)	127,666,807
2016B	22,785,000	–	–	3,799,978	(345,453)	26,239,525
2016D	31,110,000	–	(4,445,000)	4,050,111	(578,588)	30,136,523
2017A	22,920,000	–	(2,775,000)	2,388,790	(597,197)	21,936,593
2017B	81,460,000	–	(15,660,000)	12,222,154	(1,527,769)	76,494,385
2018	119,030,000	–	(9,015,000)	13,938,533	(1,532,908)	122,420,625
2019A	64,120,000	–	–	16,765,759	(986,221)	79,899,538
2019B	21,735,000	–	–	–	–	21,735,000
2020A	300,030,000	–	(7,870,000)	–	–	292,160,000
2021A	38,325,000	–	(890,000)	–	–	37,435,000
Subtotal	$ 881,250,000	$ –	$ (59,035,000)	$ 78,258,177	$ (9,703,705)	$ 890,769,472
Direct Placement						
2017C	23,305,000	–	(500,000)	–	–	22,805,000
Subtotal	$ 23,305,000	$ –	$ (500,000)	$ –	$ –	$ 22,805,000
Total	$ 904,555,000	$ –	$ (59,535,000)	$ 78,258,177	$ (9,703,705)	$ 913,574,472

Changes for FY2022 (including refunding) consisted of:

Series	Changes in Bonds and Contractual Obligations: October 1, 2021 Principal	Additions	Principal Payments	Changes in Premium or Discount: October 1, 2021 Unamortized Premium or (Discount)	Current Year Addition and Amortization of (Premium) and Discount	Combined Balance September 30, 2022
Public Placement						
2010A	$ 4,040,000	$ –	$ (4,040,000)	$ 103,123	$ (103,123)	$ –
2011A	10,340,000	–	(10,340,000)	–	–	–
2011B	9,575,000	–	(9,575,000)	381,820	(381,820)	–
2014	68,385,000	–	(41,535,000)	8,354,707	(5,153,200)	30,051,507
2015B	40,885,000	–	(5,000,000)	5,311,706	(885,284)	40,311,422
2016A	121,390,000	–	(4,390,000)	19,648,038	(2,183,115)	134,464,923
2016B	24,245,000	–	(1,460,000)	4,145,430	(345,452)	26,584,978
2016D	35,555,000	–	(4,445,000)	4,628,698	(578,587)	35,160,111
2017A	25,555,000	–	(2,635,000)	2,985,987	(597,197)	25,308,790
2017B	93,155,000	–	(11,695,000)	13,749,923	(1,527,769)	93,682,154
2018	119,030,000	–	–	15,471,440	(1,532,907)	132,968,533
2019A	64,120,000	–	–	17,751,980	(986,221)	80,885,759
2019B	22,815,000	–	(1,080,000)	–	–	21,735,000
2020A	302,095,000	–	(2,065,000)	–	–	300,030,000
2021A	–	38,325,000	–	–	–	38,325,000
Subtotal	$ 941,185,000	$ 38,325,000	$ (98,260,000)	$ 92,532,852	$ (14,274,675)	$ 959,508,177
Direct Placement						
2017C	23,795,000	–	(490,000)	–	–	23,305,000
Subtotal	$ 23,795,000	$ –	$ (490,000)	$ –	$ –	$ 23,305,000
Total	$ 964,980,000	$ 38,325,000	$ (98,750,000)	$ 92,532,852	$ (14,274,675)	$ 982,813,177

During FY2022 METRO issued a new debt obligation "Sales and Use Tax Refunding Bonds, Taxable Series 2021A" of $38,325,000.

A portion of the proceeds from the Taxable Bonds will be used to establish a cash deposit and to acquire certain US Treasury Notes (the "T-Notes" or the "Escrowed Securities") to refund the Issuer's Sales and Use Tax Contractual Obligations, Series 2014 as reflected in the following schedule:

In-substance Defeased Debt	Sales and Use Tax Refunding Bonds Series 2021A
Sales and Use Tax Contractual Obligations, Series 2014	$33,445,000
Premium	4,086,031
Total amount of defeased debt	37,531,031
Other related activity	
Issuance cost	437,554
Underwriter's discount	184,597
Proceeds of debt service funds	-
Total other related activity	622,151
Total amount of defeased debt and other related activity	38,153,182
Replacement debt	
Par value	38,325,000
Total replacement debt and premium	38,325,000
Deferred outflows from in-substance debt refunding	171,818
Current year amortization	(13,269)
Ending balance of deferred outflows as of September 30, 2022	158,549
Net present value savings	$ 1,845,101
Interest rate used in the net present value calculation	1.71%

Changes in deferred outflows and inflows for FY2023 and FY2022 relating to in-substance debt refunding activity include:

	Changes in FY2023 Deferred Outflows from In-substance Debt Refunding			
	Ending Balance as of September 30, 2022	Addition	Amortization	Ending Balance as of September 30, 2023
Sales and Use Tax Refunding Bonds Series 2017C	$ 183,499	$ –	$ (91,749)	$ 91,750
Sales and Use Tax Refunding Bonds Series 2019A	2,735,706	–	(213,774)	2,521,932
Sales and Use Tax Refunding Bonds Series 2019B	63,124	–	(12,894)	50,230
Sales and Use Tax Refunding Bonds Series 2021A	158,549	–	(26,538)	132,011
	$ 3,140,878	$ –	$ (344,955)	$ 2,795,923

	Changes in FY2023 Deferred Inflows from In-substance Debt Refunding			
	Ending Balance as of September 30, 2022	Addition	Amortization	Ending Balance as of September 30, 2023
Sales and Use Tax Refunding Contractual Obligations Series 2020A	$ (792,346)	$ –	$ 51,968	$ (740,378)
	$ (792,346)	$ –	$ 51,968	$ (740,378)

	Changes in FY2022 Deferred Outflows from In-substance Debt Refunding			
	Ending Balance as of September 30, 2021	Addition	Amortizatio n	Ending Balance as of September 30, 2022
Sales and Use Tax Refunding Bonds Series 2016A	$ 163,796	$ –	$ (163,796)	$ –
Sales and Use Tax Bonds Series 2017C	275,248	–	(91,749)	183,499
Sales and Use Tax Refunding Bonds Series 2019A	2,949,480	–	(213,774)	2,735,706
Sales and Use Tax Refunding Bonds Series 2019B	77,341	–	(14,217)	63,124
Sales and Use Tax Refunding Bonds Series 2021A	–	171,818	(13,269)	158,549
	$ 3,465,865	$ 171,818	$ (496,805)	$ 3,140,878

	Changes in FY2022 Deferred Inflows from In-substance Debt Refunding			
	Ending Balance as of September 30, 2021	Addition	Amortization	Ending Balance as of September 30, 2022
Sales and Use Tax Refunding Contractual Obligations Series 2020A	$ (844,849)	$ –	$ 52,503	$ (792,346)
	$ (844,849)	$ –	$ 52,503	$ (792,346)

In years prior to FY2023 METRO refunded certain debt obligations by issuing new debt and placing those proceeds into an irrevocable trust. The Trust used the proceeds to purchase governmental securities that will be used in making all future interest and principal payments over the remaining life of the debt as they become due. Debt related to these in-substance defeasances are no longer included in METRO's financial statements and their remaining outstanding par value as of September 30, 2023 totaled $59,615,000.

Fuel Hedge Policy

The Board adopted a fuel hedge policy. As part of this policy, METRO can develop and implement a plan through physical forward contracts and/or financial contracts, which will provide fuel price certainty for up to 24 months of expected consumption. The tactics to achieve this goal may include: Fixed Price Future Delivery Contracts, Guaranteed Price Contracts (Swaps), Maximum/Minimum Price Contracts (Collars), and Maximum Price Contracts (Caps). Credit risk is minimized because all counterparties of contracts shall either have a minimum long-term rating of A3 or A- by at least two of the three nationally recognized rating agencies or have collateral posting requirements for entities with ratings below this level. Fuel purchases and related swap agreements cover the same time period and use the same index, which is the Platts U.S. Gulf Coast Ultra Low Sulfur Diesel. No up-front cash is received or paid by METRO when entering into any of these transactions. Diesel fuel swaps are considered effective with the positive or negative fair value being reflected in the Statements of Net Position as either a deferred inflow or outflow with a related current asset or current liability. No derivatives were reclassified during the previous two years from a hedging derivative to an investment derivative. METRO has adequate on-site diesel fuel storage facilities and expects to purchase all related hedged diesel fuel.

Outstanding Diesel Fuel Swaps

METRO had two diesel fuel swaps totaling 10,164,000 gallons outstanding as of September 30, 2023 of which one swap totaling 630,000 gallons will settle in FY2024 and one swap totaling 9,534,000 gallons will settle in FY2025.

Market values of the outstanding swaps are calculated by the counterparties, Goldman, Sachs & Co. and Bank of America Merrill Lynch which are nationally recognized commodity traders. Outstanding hedges for the last two years had a positive value of $5,142,234 for FY 2023 and a negative value of $1,378,049 for FY 2022. Both amounts are reported on the Statements of Net Position as a deferred outflow of resources and a deferred inflow of resources. Swaps which settled during the last two fiscal years increased diesel fuel cost by $2,214,853 for FY2023 and decreased diesel fuel cost by $15,011,582 for FY2022. These amounts were included as part of current operating cost in the Statements of Revenues, Expenses, and Changes in Net Position.

Compensated Absences

Compensated absences are recorded as earned with measurement based on the value of the expected benefits to be paid or used by the employee. This amount includes salary and related benefits such as social security, Medicare, and defined contribution pension payments. Benefits are based on the employee's status as a full or part-time, and if covered by the Labor Agreement (LA) as discussed below.

Employees covered by the Labor Agreement

Full and part-time employees earn vacation and sick hours with part-time employees receiving prorated benefits based on hours worked. Full-time employees can earn, based on years of service, up to 200 hours of vacation time each December 31, and sick hours at a rate of 8 hours each month. Vacation hours must be used the following year with sick time allowed to accumulate between 160 to 240 hours depending on your hire date. Unused vacation and sick hours are paid to the employee upon termination and is based on their current pay rate. Twice each year employees may sell unused sick time in excess of 64 hours at a pay rate based on their attendance.

Employees not covered by the Labor Agreement

Benefits for employees include vacation, sick, employee, well, and health care incentive. Employees earn vacation hours based on years of service and hire date. The maximum monthly earning rate is 16.67 hours, and can accumulate up to 600 hours as of their anniversary date. Unused vacation hours are paid to the employee at their full hourly rate upon termination. Employees receive 80 hours of sick and 24 hours of employee time each January 1. These hours must be used during the current year with no payment made upon termination. Employees can also earn 8 hours of well time each quarter when no sick hours are used and can accumulate up to 32 hours which can be carried forward to the next calendar year. No payment for unused well or incentive hours are made to the employee upon termination.

Changes during the last two years were:

	Beginning Balance	Net Change	Ending Balance
October 1, 2022 -September 30, 2023	$ 20,236,882	$ 2,175,682	$ 22,412,564
October 1, 2021 -September 30, 2022	$ 17,574,049	$ 2,662,833	$ 20,236,882

Contingencies

METRO is a defendant in various legal actions occurring in the normal course of its operations and has recognized, to the extent it believes necessary, liabilities for any reasonably expected losses that might arise from the final resolution of such litigation. In certain cases, however, management is not presently able to determine the ultimate liability, if any, that might arise upon final resolution of the various legal actions. In these instances, management believes the ultimate liability in excess of amounts recorded, if any, will not materially affect METRO's financial position.

Federal and State Grants

Expenditures financed by federal and state grants are subject to audit by the granting agencies. Management believes no significant liability will arise from any such audits.

Other Interlocal Agreements

These agreements are designed to reduce operating and capital cost while improving mobility throughout the service area. Some of these agreements include coordinating procurement and major construction activities, paying for maintenance/coordination of traffic lights along the light-rail lines and possible future construction modifications to the Westpark Toll Road. These agreements are in addition to the local infrastructure improvements and mobility programs agreements discussed previously in the report.

7. Subsequent Events

METRO established an irrevocable, Other Post Employment Benefit Trust for retirees covered by the labor agreement with monthly deposits of $416,667 starting in October 2023. Funding requirements will be updated annually based on calculations prepared by an independent actuary. To enhance control, METRO created an internal oversight committee with independent organizations providing asset custodial and trustee services. Part of the trustee's responsibility is to ensure funds are only used to pay for retirees' medical cost for those covered by the labor agreement. This OPEB trust meets the requirements of the Governmental Accounting Standard Board, Statement No. 75. Accounting and Financial Reporting for Post Employment Benefits Other than Pension is expected to be reported as a fiduciary fund in FY2024.

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Required Supplementary Information (Unaudited)

Schedule of Changes in the Net Pension Liability
For the Transport Workers Union Pension Plan, Local 260, AFL-CIO (TWUPP)
(Unaudited)

	2023	2022	2021	2020
Total pension liability				
Service cost	$ 4,415,715	$ 4,675,028	$ 5,230,632	$ 4,955,904
Interest on total pension liability	27,387,593	26,720,481	26,440,458	27,493,889
Changes of benefit terms	7,798,168	5,234,477	–	–
Difference between expected and actual experience	(7,167,707)	(1,472,895)	(1,065,945)	(1,881,792)
Changes of assumption	(818,994)	865,954	(1,880,019)	(8,162,008)
Benefit payments	(26,127,147)	(24,083,715)	(23,306,331)	(21,934,190)
Net change in total pension liability	5,487,628	11,939,330	5,418,795	471,803
Total pension liability - beginning	446,651,368	434,712,038	429,293,243	428,821,440
Total pension liability - ending	452,138,996	446,651,368	434,712,038	429,293,243
Plan fiduciary net position				
Contributions from the employer	15,668,399	15,836,027	17,078,683	17,805,961
Member contributions	142,951	164,295	184,148	199,644
Recognized Gain/(Loss)	–	–	–	–
Net investment (loss) income	(49,439,021)	37,364,231	33,666,900	44,495,454
Benefit payments	(26,127,147)	(24,083,715)	(23,306,331)	(21,934,190)
Administrative expenses	(411,191)	(417,525)	(388,022)	(337,196)
Net change in plan fiduciary net position	(60,166,009)	28,863,313	27,235,378	40,229,673
Plan fiduciary net position – beginning	350,728,553	321,865,240	294,629,862	254,400,189
Plan fiduciary net position – ending	290,562,544	350,728,553	321,865,240	294,629,862
METRO’s ending net pension liability	$161,576,452	$95,922,815	$112,846,798	$134,663,381
Plan fiduciary net position as a percentage of the total pension liability	64%	79%	74%	69%
Covered-employee payroll	$82,656,722	$81,886,809	$90,601,821	$94,602,405
METRO’s net pension liability as a percentage of covered-employee payroll	195.48%	117.14%	124.55%	142.35%

Required Supplementary Information (Unaudited)

Schedule of Changes in the Net Pension Liability
For the Transport Workers Union Pension Plan, Local 260, AFL-CIO (TWUPP)
(Unaudited)

	2019	2018	2017	2016
Total pension liability				
Service cost	$ 4,647,472	$ 4,930,225	$ 5,328,754	$ 5,549,985
Interest on total pension liability	25,779,685	25,075,414	24,589,485	24,786,145
Changes of benefit terms	13,850,732	–	–	–
Difference between expected and actual experience	(4,970,092)	(2,012,736)	(10,556,008)	(2,780,567)
Changes of assumption	22,299,060	(2,089,318)	(5,369,295)	25,679,785
Benefit payments	(19,795,197)	(18,799,540)	(17,656,524)	(16,567,409)
Net change in total pension liability	41,811,660	7,104,045	(3,663,588)	36,667,939
Total pension liability - beginning	387,009,780	379,905,735	383,569,323	346,901,384
Total pension liability - ending	428,821,440	387,009,780	379,905,735	383,569,323
Plan fiduciary net position				
Contributions from the employer	15,680,817	15,413,823	16,565,280	19,062,423
Member contributions	–	–	–	–
Recognized Gain/(Loss)	(20,344,177)	39,154,613	–	–
Net investment (loss) income	(18,516,579)	40,369,630	17,696,392	(7,809,891)
Benefit payments	(19,795,197)	(18,799,540)	(17,656,524)	(16,567,409)
Administrative expenses	(326,240)	(314,986)	(277,833)	(314,046)
Net change in plan fiduciary net position	(22,957,199)	36,668,927	16,327,315	(5,628,923)
Plan fiduciary net position – beginning	277,357,388	240,688,461	224,361,146	229,990,069
Plan fiduciary net position – ending	254,400,189	277,357,388	240,688,461	224,361,146
METRO's ending net pension liability	$174,421,251	$109,652,392	$139,217,274	$159,208,177
Plan fiduciary net position as a percentage of the total pension liability	59%	72%	63.35%	58.49%
Covered-employee payroll	$97,251,000	$103,246,000	$106,575,000	$93,228,000
METRO's net pension liability as a percentage of covered-employee payroll	179.33%	106.21%	130.63%	170.77%

Notes to the Schedule

The following schedule summarized the effect on the net pension liability for changes in significant actuarial assumptions, investment income, participant benefits, and funding method by fiscal year. GASB Statement No.67 allows governments to report the required ten years of historical information prospectively. This standard was implemented during FY2016.

	2023	2022	2021	2020	2019	2018	2017	2016
The net effect of updating actuarial/demographic assumptions	Decrease	Decrease	Decrease	Decrease	Increase	Decrease	Decrease	Increase
Investment income	Increase	Decrease	Decrease	Decrease	Increase	Decrease	Decrease	Increase
Open to new participants	No	No	No	No	No	No	No	No
Pension benefits	Increase	Increase	No Change	No change	Increase	No change	No change	No change
100% funding of the actuarially determined contribution	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions For the Last 10 Fiscal Years
For the Transport Workers Union Pension Plan, Local 260, AFL-CIO (TWUPP)
(Unaudited)

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered-employee Payroll (000)	Contribution as a % of Covered-employee Payroll
2023	$ 15,165,514	$ 15,668,399	$ (502,885)	$ 85,645,491	18.29%
2022	15,836,027	15,836,027	–	83,722,438	18.91%
2021	17,078,683	17,078,683	–	90,601,821	18.85%
2020	17,805,961	17,805,961	–	94,602,405	18.82%
2019	15,631,361	15,680,817	(49,456)	97,251,000	16.12%
2018	15,413,823	15,413,823	–	103,246,000	14.93%
2017	16,565,280	16,565,280	–	106,575,000	15.54%
2016	15,410,109	19,062,423	(3,652,314)	93,228,000	20.45%
2015	13,477,182	13,477,182	–	92,277,000	14.61%
2014	14,335,058	14,335,058	–	91,830,000	15.61%

Notes to the Schedule

The independent actuary used the cost method and assumptions, listed below, when calculating the most recent actuarially determined contribution reflected in the previous table. The cost method and actuarial assumptions used in early calculation may be different due to updating based on actual experience.

Valuation timing	Actuarially determined contribution amounts are calculated based on valuations performed as of January 1st, 20 months prior to the end of the fiscal year in which the contributions are reported
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	21 years
Inflation	2.33%, adopted for December 31, 2022 measurement and beyond
Salary increase	3.53% for 2022, 4.85% for 2023, 4.25% for 2024, 4.28% for 2025, and 3.00% thereafter, adopted for December 31, 2022 measurement and beyond
Investment rate of return	6.25%, adopted for December 31, 2019 measurement and beyond
Cost of living adjustments	None
Assumed annual retirement rate	Varying percentage ranging from 0.00% to 100.00% for ages 55 and under through 70
Turnover	Varying percentage ranging from 7.00% to 1.50% for service years 4 through 24 and over
Mortality and disabled mortality	Pub-2010 Mortality, projected forward (fully generational) with MP-2021 used for December 31, 2022 measurement

Required Supplementary Information (Unaudited)

Schedule of Changes in the Net Pension Liability
For the Non-Union Pension Plan
For the Years Ending September 30
(Unaudited)

	2023	2022	2021	2020
Total pension liability				
Service cost	$ 2,980,128	$ 3,167,837	$ 3,829,781	$ 3,105,642
Interest on total pension liability	18,437,014	18,405,328	18,554,860	17,962,017
Changes of benefit terms	–	–	1,503,176	–
Difference between expected and actual experience	2,366,449	2,144,763	(1,527,960)	3,547,049
Changes of assumption	6,543,592	452,087	(1,143,852)	11,310,122
Benefit payments	(17,595,120)	(29,179,951)	(16,899,341)	(15,335,194)
Net change in total pension liability	12,732,063	(5,009,936)	4,316,664	20,589,636
Total pension liability - beginning	300,676,330	305,686,266	301,369,602	280,779,967
Total pension liability - ending	313,408,393	300,676,330	305,686,266	301,369,603
Plan fiduciary net position				
Contributions from the employer	13,308,196	13,447,958	14,236,592	12,647,252
Net investment (loss) income	(29,540,815)	22,699,453	20,882,287	27,048,695
Benefit payments	(17,595,120)	(29,179,951)	(16,899,341)	(15,335,194)
Administrative expenses	(278,324)	(324,750)	(351,276)	(280,380)
Net change in plan fiduciary net position	(34,106,063)	6,642,710	17,868,262	24,080,373
Plan fiduciary net position – beginning	211,156,385	204,513,675	186,645,413	162,565,040
Plan fiduciary net position – ending	177,050,322	211,156,385	204,513,675	186,645,413
METRO’s ending net pension liability	$136,358,071	$89,519,945	$101,172,591	$114,724,190
Plan fiduciary net position as a percentage of the total pension liability	56.49%	70.23%	66.90%	61.93%
Covered-employee payroll	$35,304,789	$39,184,431	$39,026,869	$40,747,394
METRO’s net pension liability as a percentage of covered-employee payroll	409.42%	228.46%	259.24%	281.55%

Required Supplementary Information (Unaudited)

Schedule of Changes in the Net Pension Liability
For the Non-Union Pension Plan
For the Years Ending September 30
(Unaudited)

	2019	2018	2017	2016
Total pension liability				
Service cost	$ 3,034,984	$ 3,210,922	$ 3,465,270	$ 2,782,533
Interest on total pension liability	17,395,632	16,923,319	16,607,887	15,165,652
Changes of benefit terms	–	–	–	–
Difference between expected and actual experience	872,882	(2,443,045)	9,768,147	6,720,589
Changes of assumption	11,269,963	(948,458)	2,530,507	12,232,736
Benefit payments	(12,735,227)	(13,179,671)	(10,374,582)	(8,777,750)
Net change in total pension liability	19,838,234	3,563,067	21,997,229	28,123,760
Total pension liability - beginning	260,941,732	257,378,665	235,381,436	207,257,676
Total pension liability - ending	280,779,966	260,941,732	257,378,665	235,381,436
Plan fiduciary net position				
Contributions from the employer	11,073,254	11,307,275	11,181,136	11,248,671
Net investment (loss) income	(11,548,267)	25,029,850	9,971,104	(5,890,916)
Benefit payments	(12,735,227)	(13,179,671)	(10,374,582)	(8,777,750)
Administrative expenses	(241,979)	(243,606)	(226,067)	(235,357)
Net change in plan fiduciary net position	(13,452,219)	22,913,848	10,551,591	(3,655,352)
Plan fiduciary net position – beginning	176,017,259	153,103,411	142,551,820	146,207,172
Plan fiduciary net position – ending	162,565,040	176,017,259	153,103,411	142,551,820
METRO's ending net pension liability	$118,214,926	$84,924,473	$104,275,254	$92,829,616
Plan fiduciary net position as a percentage of the total pension liability	57.90%	67.45%	59.49%	60.56%
Covered-employee payroll	$41,769,919	$43,479,995	$46,853,004	$44,837,816
METRO's net pension liability as a percentage of covered-employee payroll	283.01%	195.32%	222.56%	207.03%

Notes to the Schedule

The following schedule summarized the effect on the net pension liability for changes in significant actuarial assumptions, investment income, participant benefits, and funding method by fiscal year. GASB Statement No.67 allows governments to report the required 10 years of historical information prospectively. This standard was implemented during FY2016.

	2023	2022	2021	2020	2019	2018	2017	2016
The net effect of updating actuarial/demographic assumptions	Increase	Increase	Decrease	Increase	Increase	Decrease	Increase	Increase
Investment income	Increase	Decrease	Decrease	Decrease	Increase	Decrease	Decrease	Increase
Open to new participants	No	No	No	No	No	No	No	No
Pension benefits	No change	No change	Increase	No change	No change	No change	No change	No change
100% funding of the actuarially determined contribution	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions
For the Last 10 Fiscal Years for the Non-Union Pension Plan
(Unaudited)

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered-employee Payroll	Contribution as a % of Covered-employee Payroll
2023	$12,852,876	$13,308,196	$ (455,320)	$35,434,804	37.56%
2022	13,429,326	13,447,958	(18,632)	40,062,815	33.57%
2021	14,217,959	14,236,592	(18,633)	39,026,869	36.48%
2020	12,628,619	12,647,252	(18,633)	40,747,394	31.04%
2019	11,060,833	11,073,254	(12,421)	41,769,919	26.51%
2018	11,307,275	11,307,275	–	43,479,995	26.01%
2017	11,181,136	11,181,136	–	46,853,004	23.86%
2016	8,911,253	11,248,671	(2,337,418)	44,837,816	25.09%
2015	9,006,301	9,006,301	–	45,601,509	19.75%
2014	8,847,436	8,847,436	–	44,388,906	19.93%

Notes to the Schedule

The independent actuary used the cost method and assumptions, listed below, when calculating the most recent actuarially determined contribution amount reflected in the previous table. The cost method and actuarial assumptions used in early calculation may be different due to updating based on actual experience.

Valuation timing	Actuarially determined contribution amounts are calculated based on valuations performed as of January 1st, 20 months prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost method	Entry age normal (Level Percent of Salary)
Amortization method	Level dollar
Remaining amortization period	21 years
Inflation	2.33%, adopted for December 31, 2022 measurement and beyond
Salary increase	3.53% for 2022, 8.62% for 2023 and 3.00% thereafter, adopted for December 31, 2022 measurement and beyond
Investment rate of return	6.25%, adopted for December 31, 2019 measurement and beyond
Cost of living adjustments	None
Assumed annual retirement rate	Varying percentage ranging from 7.50% to 100.00% for ages 55 through 70 and over
Turnover	Varying percentage ranging from 10.00% to 2.00% for service years 7 and under through 28 and over
Mortality and disabled mortality	Pub-2010 Mortality, projected forward (fully generational) with MP-2021 used for December 31, 2022 measurement
Lump Sum Election	50.00% of participants are assumed to take a lump sum distribution at termination. Updated per 2019 METRO Experience Study.

Required Supplementary Information (Unaudited)

Schedule of Changes in the Net OPEB Liability
For the Union and Non-Union Plans
(Unaudited)

	Union					
	2023	2022	2021	2020	2019	2018
Beginning Balance	$686,376,977	$660,902,203	$563,006,303	$482,016,117	$523,077,639	$496,360,601
Current year changes						
Service cost	41,373,622	37,561,017	28,699,491	23,157,395	21,125,691	21,070,017
Interest on total OPEB liability	14,324,541	14,067,306	16,014,096	19,848,654	18,390,206	19,338,046
Plan changes	-	6,729,862	-	-	5,155,155	-
Economic/demographic (gains)/losses	(25,155,168)	(27,838,697)	11,433,354	(15,094,587)	(3,585,114)	-
Assumption changes or inputs	(396,871,153)	9,174,556	67,119,837	65,645,427	(70,006,376)	(1,897,421)
Aggregate effect of recording FYE2018 and FYE2019 uncorrected audit misstatements in current year in current year	-	-	(11,937,218)	-	-	-
Benefit payments	(14,532,840)	(14,219,270)	(13,433,660)	(12,566,703)	(12,141,084)	(11,793,604)
Ending Balance	$305,515,979	$686,376,977	$660,902,203	$563,006,303	$482,016,117	$523,077,639
Covered-employee payroll	$136,965,709	$123,182,360	$139,838,479	$121,276,540	$131,311,637	$ 84,138,690
Net OPEB liability as a percentage of covered-employee payroll	223.06%	557.20%	472.62%	464.23%	367.08%	621.69%

	Non-Union					
	2023	2022	2021	2020	2019	2018
Beginning Balance	$ 91,216,901	$ 91,218,844	$ 77,480,901	$ 78,188,858	$ 86,374,719	$ 88,364,782
Current year changes						
Service cost	2,023,474	1,753,709	1,844,880	1,259,886	1,473,992	1,774,146
Interest on total OPEB liability	1,918,007	1,837,698	2,208,631	2,874,234	2,879,713	3,345,948
Plan changes	-	3,760,199		3,002,579	-	-
Economic/demographic (gains)/losses	1,533,125	(4,429,161)	2,808,652	(7,942,052)	(2,140,599)	(507,329)
Assumption changes or inputs	(17,504,701)	814,289	9,941,899	2,967,113	(6,373,888)	(3,328,881)
Benefit payments	(3,349,939)	(3,738,677)	(3,066,119)	(2,869,717)	(4,025,079)	(3,273,947)
Ending Balance	$ 75,836,867	$ 91,216,901	$91,218,844	$77,480,901	$78,188,858	$86,374,719
Covered-employee payroll	$110,048,986	$104,588,309	$107,647,622	$92,383,938	$94,847,245	$68,838,771
Net OPEB liability as a percentage of covered-employee payroll	68.91%	87.22%	84.74%	83.87%	82.44%	125.47%

Notes to the Schedule

Annual valuation reports that calculate contribution requirements are not prepared for the OPEB plans since they are funded on a pay-as you-go-basis. No Assets are accumulated in a trust for METRO OPEB plans as of September 30, 2023. The following schedule summarized the effect on the net OPEB liability for changes in significant actuarial assumptions, and participant benefits. GASB Statement No.75 allows governments to report the required 10 years of historical information prospectively. This standard was implemented during FY2018.

	Union					
	2023	2022	2021	2020	2019	2018
The net effect of updating actuarial/ demographic assumptions	Decrease	Decrease	Increase	Decrease	Decrease	Decrease
Open to new participants	Yes	Yes	Yes	Yes	Yes	Yes
OPEB Benefits	No change	Increase	No change	No change	Increase	No change
Pay-as-you-go	No change	No change	No change	No change	No change	No change

	Non-Union					
	2023	2022	2021	2020	2019	2018
The net effect of updating actuarial/ demographic assumptions	Decrease	Decrease	Increase	Decrease	Decrease	Decrease
Open to new participants	No	No	No	No	No	No
OPEB Benefits	No change	Increase	No change	Increase	No change	No change
Pay-as-you-go	No change	No change	No change	No change	No change	No change

Statistical Section (Unaudited)
Provides Multiyear Financial and Operating Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

Statistical section information should be presented in five categories; financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

- *a. Financial trends information is intended to assist users in understanding and assessing how a government's financial position has changed over time.*
- *b. Revenue capacity information is intended to assist users in understanding and assessing the factors affecting a government's ability to generate its own-source revenues.*
- *c. Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which a government operates and (2) to provide information that facilitated comparisons of financial statement information over time and among governments.*
- *d. Operating information is intended to provide contextual information about a government's operations and resources to assist readers in using financial statement information to understand and assess a government's economic condition.*
- *e. Debt capacity information is intended to assist users in understanding and assessing a government's debt burden and its ability to issue additional debt.*

Analysis for the last three years is provided in the Management's Discussion and Analysis section of this report.

Metropolitan Transit Authority of Harris County, Texas
Statements of Net Position September 30, 2023 and the Last Nine Fiscal Years (Reporting Date)
(Unaudited)

	2023	2022	2021	2020
Assets				
Cash	$ 39,811,604	$ 7,986,555	$ 8,824,981	$ 10,433,095
Investments	834,463,453	812,603,961	605,405,807	497,023,144
Investments - restricted	74,052,233	69,637,438	77,599,586	62,320,071
Receivables				
Sales tax	171,120,156	167,306,634	153,116,359	126,006,222
Federal government - Federal Transit Administration	7,516,977	3,166,118	306,221,678	5,280,107
Bus passes and other receivables	9,763,050	19,427,520	6,363,579	3,278,447
Total receivables	188,400,183	189,900,272	465,701,616	134,564,776
Material and supplies inventory	50,939,952	46,106,776	42,378,938	41,339,021
Derivative instrument – diesel fuel swaps	5,142,234	–	7,127,948	–
Total current assets	1,192,809,659	1,126,235,002	1,207,038,876	745,680,107
Noncurrent assets				
Investments – restricted	19,183,345	27,013,768	28,017,293	59,624,894
Capital assets, net of depreciation	2,557,529,866	2,598,663,652	2,678,420,032	2,772,201,186
Capital lease assets, net of depreciation	37,506,300	37,766,117	38,991,470	–
Prepaid pension	–	–	–	–
Other noncurrent assets	7,331,831	3,358,847	3,816,504	6,048,165
Prepaid rental payments	–	–	–	–
Total noncurrent assets	2,621,551,342	2,666,802,384	2,749,245,299	2,837,874,245
Total assets	3,814,361,001	3,793,037,386	3,956,284,175	3,583,554,352
Deferred outflow of resources				
Diesel fuel swaps	–	1,378,049	–	8,255,586
Pension	84,897,096	28,287,770	32,507,699	48,166,504
OPEB	109,992,305	135,403,128	146,098,986	72,751,190
Debt refunding	2,795,923	3,140,878	3,465,865	5,934,840
Total deferred outflow of resources	197,685,324	168,209,825	182,072,550	135,108,120
Liabilities				
Current liabilities				
Trade payables	70,729,327	66,148,287	61,529,323	85,187,006
Accrued compensation and benefits	42,449,385	34,271,577	37,233,227	37,568,224
Liabilities for injuries and damages	10,519,563	9,514,672	8,996,998	9,199,548
Other current liabilities	10,395,805	9,748,297	9,517,319	9,954,323
Lease obligations	789,362	930,324	975,680	–
Commercial paper	–	83,550,000	–	–
Debt payable	65,355,000	59,535,000	65,305,000	58,180,000
Debt interest payable	13,605,659	14,983,625	16,436,215	17,449,094
Derivative instrument – diesel fuel swaps	–	1,378,049	–	8,255,586
Total current liabilities	213,844,101	280,059,831	199,993,762	225,793,781
Noncurrent liabilities				
Liabilities for injuries and damages	11,286,273	9,257,440	9,285,475	10,241,652
Commercial paper	–	–	109,500,000	115,800,000
Deferred rental payments	–	–	–	–
Lease obligations	–	–	–	–
Debt payable	848,219,472	923,278,177	992,207,854	1,068,419,981
Net OPEB liability	381,352,846	777,593,878	752,121,047	640,487,204
Net pension liability	297,934,523	185,442,760	214,019,389	249,387,571
Capital lease obligations	38,172,255	37,819,982	38,517,344	–
Total noncurrent liabilities	1,576,965,369	1,933,392,237	2,115,651,109	2,084,336,408
Total liabilities	1,790,809,470	2,213,452,068	2,315,644,871	2,310,130,189
Deferred inflow of resources pension	5,681,822	47,859,243	39,277,335	26,872,109
Deferred inflow of resources OPEB	438,572,661	77,510,364	65,003,333	80,871,003
Deferred inflow of resources bonds	740,378	792,346	844,849	1,131,663
Deferred inflow of resources diesel fuel swaps	5,142,234	–	7,127,948	–
Deferred inflow of resources lease	1,633,325	2,073,931	2,636,124	–
Total deferred inflow of resources	451,770,420	128,235,884	114,889,589	108,874,775
Net position				
Net Investment in capital assets	1,642,500,077	1,624,047,626	1,630,157,148	1,681,643,197
Restricted assets – debt payments	93,235,578	88,454,055	96,366,910	85,902,973
Unrestricted assets	33,730,780	(92,942,422)	(18,701,793)	(467,888,662)
Total net position	$ 1,769,466,435	$ 1,619,559,259	$ 1,707,822,265	$ 1,299,657,508

Metropolitan Transit Authority of Harris County, Texas
Statements of Net Position September 30, 2023 and the Last Nine Fiscal Years (Reporting Date)
(Unaudited)

2019	2018	2017	2016	2015	2014
$ 19,380,709	$ 6,103,062	$ 5,741,909	$ 6,290,165	$ 5,426,047	$ 3,671,108
351,422,195	369,969,496	313,417,478	321,815,619	410,462,331	316,174,054
40,765,567	51,655,159	57,582,105	57,233,949	45,240,619	31,839,343
129,554,693	124,326,094	113,506,648	114,167,276	117,212,671	119,462,662
5,825,675	5,781,255	7,916,108	11,844,152	12,041,883	25,218,342
8,689,553	11,142,730	13,886,887	10,408,552	12,855,952	10.798,847
144,069,921	141,250,079	135,309,643	136,419,980	142,110,506	155,479,851
35,928,117	34,861,544	34,802,548	32,775,189	28,996,881	24,749,710
–	7,344,809	3,805,801	–	–	–
591,566,509	611,184,149	550,659,484	554,534,902	632,236,384	531,914,066
107,760,712	26,128,756	38,563,709	42,358,586	50,949,645	67,007,168
2,818,552,642	2,861,518,553	2,932,274,940	3,039,197,023	3,139,596,631	3,081,386,561
–	–	–	–	–	–
–	–	–	–	–	26,091,075
5,641,114	3,509,785	3,481,911	3,450,057	3,645,852	3,518,211
–	–	2,213,152	4,426,306	7,246,855	10,067,401
2,931,954,468	2,891,157,094	2,976,533,712	3,089,431,972	3,201,438,983	3,188,070,416
3,523,520,977	3,502,341,243	3,527,193,196	3,643,966,874	3,833,675,367	3,719,984,482
908,127	–	–	1,394,262	15,041,432	1,899,588
83,468,033	38,190,329	77,554,921	92,324,541	32,384,271	–
11,550,659	12,231,472	–	–	–	–
8,637,643	10,284,073	12,279,043	16,991,634	–	–
104,564,462	60,705,874	89,833,964	110,710,437	47,425,703	1,899,588
111,669,469	98,385,337	71,830,312	114,035,870	114,457,190	83,276,299
31,981,480	35,455,552	34,964,584	29,491,550	30,140,189	26,922,386
7,413,175	5,849,687	6,060,315	4,800,475	4,866,124	4,657,529
11,773,356	11,623,183	11,766,741	10,574,928	13,385,191	8,687,095
–	–	–	77,311	8,951,781	8,543,263
–	–	–	–	–	–
52,250,000	50,870,000	54,570,000	44,155,000	28,155,000	13,920,000
19,356,209	20,095,911	19,883,931	19,579,295	20,429,616	20,515,002
908,127	–	–	1,394,262	15,041,432	1,899,588
235,351,816	222,279,670	199,075,883	224,108,691	235,426,523	168,421,162
11,709,406	9,772,064	9,194,897	8,466,099	9,390,567	6,196,311
116,100,000	116,100,000	116,400,000	117,400,000	121,300,000	183,400,000
–	–	2,213,152	4,426,306	7,246,855	10,067,401
–	–	–	–	57,614,124	66,723,307
1,145,291,217	1,069,362,657	1,064,656,499	1,077,655,925	1,058,832,615	958,059,450
560,204,975	609,452,358	291,375,150	260,783,392	230,234,947	202,045,812
292,636,177	194,576,865	243,492,528	252,037,793	177,961,819	–
–	–	–	–	–	–
2,125,941,775	1,999,263,944	1,727,332,226	1,720,769,515	1,662,580,927	1,426,492,281
2,361,293,591	2,221,543,614	1,926,408,109	1,944,878,206	1,898,007,450	1,594,913,443
11,652,976	29,880,277	13,681,779	2,168,916	–	–
73,702,034	4,610,118	–	–	–	–
871,033	2,489,751	–	–	–	–
–	7,344,809	3,805,801	–	–	–
–	–	–	–	–	–
86,226,043	44,324,955	17,487,580	2,168,916	–	–
1,703,033,487	1,741,285,896	1,822,890,974	1,920,547,528	2,016,537,016	2,027,406,944
65,994,756	77,783,915	86,303,282	85,736,440	79,101,851	65,681,932
(588,462,438)	(521,891,263)	(236,062,785)	(198,653,779)	(112,545,247)	33,881,751
$ 1,180,565,805	$1,297,178,548	$1,673,131,471	$1,807,630,189	$1,983,093,620	$2,126,970,627

Metropolitan Transit Authority of Harris County, Texas
Statements of Revenues, Expenses, and Changes in Net Position September 30, 2023 and the Last Nine Fiscal Years
(Unaudited)

	2023	2022	2021	2020
Operating revenues:				
Transportation fares	$ 45,251,588	$ 38,906,973	$ 26,694,634	$ 42,790,171
Operating expenses:				
Scheduled services - fixed route				
Bus and rail operations – direct	261,078,196	240,198,071	205,396,128	238,004,728
Contract service	73,042,020	56,400,483	49,763,382	52,644,668
Material distribution	8,228,190	8,383,618	7,306,794	7,622,300
Preventative maintenance	92,992,802	90,501,940	74,727,065	80,898,262
Central shop and maintenance support	30,316,446	29,418,580	25,440,616	29,729,438
Safety and training	7,897,289	6,443,085	5,290,127	5,883,540
Subtotal scheduled services - fixed route	473,554,943	431,345,777	367,924,112	414,782,936
Non-scheduled services-special				
METROLift	80,661,252	66,022,641	55,606,053	63,552,152
METRO Star Vanpool	5,629,183	4,789,973	4,291,596	7,767,882
HOT lanes and special events	7,756,713	6,253,410	5,495,866	6,175,768
Subtotal non-scheduled services – special	94,047,148	77,066,024	65,393,515	77,495,802
Service support				
Service planning and evaluation	55,878,312	37,938,377	17,096,886	5,365,509
Marketing	18,129,678	9,321,138	7,706,175	13,170,174
Transit security and traffic management	38,400,199	32,072,552	29,188,052	32,888,745
Insurance and claims	9,270,132	8,362,794	7,600,775	6,797,001
Ticket and fare collection	3,769,661	3,649,385	3,354,835	3,707,300
Facility maintenance	47,299,900	43,905,269	39,332,120	38,778,902
Subtotal service support	172,747,882	135,249,515	104,278,843	100,707,631
Organizational support				
Business, community, and governmental development	12,035,712	12,220,838	7,530,400	7,861,620
Administrative, financial, and personnel	24,408,880	20,678,632	18,845,857	20,424,704
Information systems	26,384,293	27,072,782	24,279,234	24,885,137
Purchasing	5,492,574	4,896,052	4,258,416	4,655,107
Oversight, audit, and legal	8,589,218	7,998,334	7,005,588	6,897,824
Subtotal organizational support	76,910,677	72,866,638	61,919,495	64,724,392
Depreciation and amortization	183,347,365	188,376,058	188,891,867	189,722,704
Total operating expenses	1,000,608,015	904,904,012	788,407,832	847,433,465
Operating loss	(955,356,427)	(865,997,039)	(761,713,198)	(804,643,294)
Nonoperating revenues (expenses):				
Sales tax	1,027,963,765	969,533,523	843,425,291	764,679,590
Investment income	43,819,810	10,227,377	218,826	6,750,760
Inter-government revenue	–	–	50,042	–
Noncapitalized interest expense	(25,959,732)	(29,469,689)	(33,799,148)	(35,087,736)
Other income	2,877,817	2,933,979	1,609,717	2,333,071
Grant proceeds	221,319,361	4,602,766	538,377,367	305,648,022
Local infrastructure assistance	(193,162,887)	(194,541,069)	(186,949,035)	(150,622,623)
Loss for asset impairments	–	–	–	–
Funds passed to subrecipients	(385,836)	(312,877)	(157,989)	(449,489)
Gain (loss) on sale or disposal of assets	651,722	(77,029)	(238,396)	(70,165)
(Loss)/recovery from declared disaster	(2,160,017)	(8,666,225)	(7,631,926)	(8,501,572)
Total nonoperating revenues (expenses)	1,074,964,003	754,230,756	1,154,904,749	884,679,858
Net increase (decrease) before capital grants	119,607,576	(111,766,283)	393,191,551	80,036,564
Capital grant proceeds	30,299,600	23,503,277	14,973,206	39,055,139
Changes in net position	149,907,176	(86,263,006)	408,164,757	119,091,703
Net position - beginning of the year 15 and 18 restated	1,619,559,259	1,707,822,265	1,299,657,508	1,180,565,805
Net position-end of the year	$ 1,769,466,435	$ 1,619,559,259	$ 1,707,822,265	$ 1,299,657,508

Metropolitan Transit Authority of Harris County, Texas
Statements of Revenues, Expenses, and Changes in Net Position
September 30, 2023 and the Last Nine Fiscal Years
(Unaudited)

2019	2018	2017	2016	2015	2014
$ 75,294,678	$ 74,837,624	$ 72,817,352	$ 72,052,304	$ 74,651,045	$76,282,549
248,520,136	223,139,611	224,741,506	222,625,961	194,117,455	177,124,243
48,963,055	46,217,396	45,623,522	47,355,960	49,839,742	49,298,303
7,601,492	7,241,607	7,389,679	7,042,407	6,244,556	6,086,883
80,756,840	76,101,739	75,330,114	69,716,267	63,007,513	58,752,039
29,662,492	27,614,092	26,416,417	24,284,783	21,073,250	20,208,555
5,251,606	4,699,939	4,627,538	4,433,619	3,612,522	1,135,164
420,755,621	385,014,384	384,128,776	375,458,997	337,895,038	312,605,187
63,234,017	60,542,541	56,512,060	55,892,156	52,171,593	49,503,466
10,253,334	10,095,148	9,274,464	5,947,081	5,475,396	5,193,777
6,081,620	7,762,167	9,130,525	8,200,762	8,610,185	7,669,836
79,568,971	78,399,856	74,917,049	70,039,999	66,257,174	62,367,079
7,072,677	7,309,286	8,153,583	4,376,730	4,947,792	3,545,587
18,254,038	11,274,543	11,444,811	10,383,266	9,728,386	7,001,452
27,619,687	25,404,549	25,737,412	22,149,262	21,118,036	19,326,396
6,187,926	5,733,368	5,796,480	5,614,731	5,754,471	7,036,234
4,184,001	4,079,350	4,218,988	4,208,388	3,562,149	3,955,040
33,819,659	31,834,924	29,826,031	30,168,111	26,414,559	23,928,168
97,137,988	85,636,020	85,177,305	76,900,488	71,525,393	64,792,877
7,168,351	4,330,137	4,384,576	3,343,274	2,894,550	3,551,653
19,648,796	18,572,642	17,902,790	16,352,030	14,334,333	13,646,454
22,583,471	22,766,588	21,260,567	18,228,842	17,684,558	16,371,349
4,394,874	4,195,061	4,051,118	3,697,391	3,217,201	3,249,771
8,511,539	8,497,420	8,441,512	6,850,065	7,490,093	5,170,576
62,307,031	58,361,848	56,040,563	48,471,602	45,620,735	41,989,803
194,565,477	203,727,711	206,753,917	212,338,159	173,469,603	160,049,291
854,335,088	811,139,819	807,017,610	783,209,245	694,767,943	641,804,237
(779,040,410)	(736,302,195)	(734,200,258)	(711,156,941)	(620,116,898)	(565,521,688)
775,392,664	759,063,519	690,929,011	686,101,655	715,160,213	685,167,303
12,040,338	6,413,959	3,551,729	1,220,156	597,015	328,666
1,676,986	1,855,372	1,849,413	1,956,596	1,841,467	1,843,453
(46,371,218)	(46,704,097)	(46,539,847)	(43,109,587)	(14,501,373)	(10,723,830)
3,344,132	2,988,122	3,349,776	2,585,147	8,841,043	2,643,857
72,704,334	65,175,440	82,009,861	77,117,133	40,230,897	64,927,095
(196,427,664)	(151,755,726)	(149,838,694)	(209,464,879)	(149,505,814)	(161,502,564)
–	–	–	–	–	(105,756,522)
(1,302,158)	(1,849,932)	(2,605,361)	(1,887,750)	(2,097,344)	(3,368,756)
876,612	(9,112)	(34,041)	(7,155,654)	(3,130,847)	755,594
1,778,236	(489,435)	(13,634,631)	–	–	–
623,712,262	634,688,110	569,037,216	507,362,817	597,435,257	474,314,296
(155,328,148)	(101,614,085)	(165,163,042)	(203,794,124)	(22,681,641)	(91,207,392)
38,715,405	8,061,354	30,664,324	28,330,693	56,584,181	108,344,176
(116,612,743)	(93,552,731)	(134,498,718)	(175,463,431)	33,902,540	17,136,784
1,297,178,548	1,390,731,279	1,807,630,18	1,983,093,620	1,949,191,080	2,109,833,843
$1,180,565,805	$1,297,178,548	$1,673,131,47	$1,807,630,189	$1,983,093,620	$2,126,970,627

Metropolitan Transit Authority
of Harris County, Texas
Current Fares
(Unaudited)

	Full Fare		Discounted Fare		
	Previous*	Since November 2008	Previous*		Since November 2008
			Student, Senior, Disabled	Youth Age 5 to 11	Student, Senior, Disabled
Local Bus/ Bus Rapid Transit (BRT)/ METRORail	$1.00	$1.25	$0.40	$0.25	$0.60
Park & Ride Zone 1	$1.50	$2.00	$0.60	$0.35	$1.00
Park & Ride Zone 2	$2.50	$3.25	$1.10	$0.65	$1.60
Park & Ride Zone 3	$3.00	$3.75	$1.25	$0.75	$1.85
Park & Ride Zone 4	$3.50	$4.50	$1.45	$0.85	$2.25
Park & Ride Zone 7**	N/A	$8.00	N/A	N/A	$4.00
Day Pass (Local Bus, BRT, & METRORail Only) ***	$2.00	$3.00			$1.50

* The previous Local fare was implemented in October 1994.
The previous Park & Ride fare was implemented in September 1996.

** Zone 7 is the Conroe Park & Ride, operated by METRO, which began service April 1, 2019.

*** The Day Pass was eliminated in February 2008 and reinstituted in October 2013.

Metropolitan Transit Authority of Harris County, Texas
Demographic Statistics For the Last Ten Fiscal Years
(Unaudited)

Year	Population PMSA* (000)	Per Capita Personal Income	Sales Taxes	Houston-The Woodlands-Sugar Land MSA Unemployment Rate (%)*
2023	7,509.2	$ 71,862	$1,027,963,765	3.8
2022	7,277.1	65,954	969,533,523	4.2
2021	7,226.2	63,328	843,425,291	6.4
2020	7,126.1	61,069	764,679,590	8.6
2019	7,051.3	58,003	775,392,664	3.6
2018	6,956.9	55,772	759,063,519	4.3
2017	6,866.7	53,730	690,929,011	4.1
2016	6,772.5	51,913	686,101,655	5.2
2015	6,647.5	53,859	715,160,213	4.6
2014	6,488.0	53,791	685,167,303	4.9

* Annual except 2023, which is through November

Sources:
Population and Per Capita Personal Income –University of Houston C.T Bauer College of Business Institute for Regional Forecasting
Total Sales & Use Tax – METRO’s Annual Comprehensive Financial Report, Trial Balance
Unemployment Rate – Texas Workforce Commission

Metropolitan Transit Authority
of Harris County, Texas
Principal Corporate Employers For the Last Ten Fiscal Years
Employer* (Listed Alphabetically)
(Unaudited)

2022	2021	2020
CHI St. Luke's Health	ExxonMobil	ExxonMobil
ExxonMobil	HEB	HEB
HCA Houston Healthcare	HCA Houston Healthcare	HCA Houston Healthcare
HEB	Houston Methodist	Houston Methodist
Houston Methodist	Kroger	Kroger
Kroger	Memorial Hermann Health System	Memorial Hermann Health System
Memorial Hermann Health System	Schlumberger	Shell Oil Company
Schlumberger	UT MD Anderson Cancer Center	UT MD Anderson Cancer Center
UT MD Andreson Cancer Center	United Airlines	United Airlines
Walmart	Walmart	Walmart

2019	2018	2017
HEB	ExxonMobil	HEB
Houston Methodist	HEB	Houston Methodist
Kroger	Houston Methodist	Kroger
McDonald's Corp	Kroger	McDonald's Corp
Memorial Hermann Health System	McDonald's Corp	Memorial Hermann Health System
Schlumberger	Memorial Hermann Health System	UT MD Anderson Cancer Center
Shell Oil Company	Texas Children Hospital	United Airlines
UT MD Andreson Cancer Center	UT MD Anderson Cancer Center	Schlumberger
United Airlines	United Airlines	Shell Oil Company
Walmart	Walmart	Walmart

2016	2015	2014
ExxonMobil	Cameron International	B.P. America, Inc.
Houston Methodist	ExxonMobil	ExxonMobil
Kroger	HEB	Houston Methodist
Memorial Hermann Health System	Houston Methodist	Kroger
National Oilwell Varco	Kroger	Memorial Hermann Health System
Schlumberger	Memorial Hermann Health System	National Oilwell Varco
Shell Oil Company	National Oilwell Varco	Schlumberger
UTMB Health	Shell Oil Company	Shell Oil Company
UT MD Anderson Cancer Center	UT MD Anderson Cancer Center	UT MD Anderson Cancer Center
United Airlines	United Airlines	United Airlines

2013
Baylor College of Medicine
B.P. America, Inc.
ExxonMobil
Kroger
Memorial Hermann Health System
National Oilwell Varco
Schlumberger
Shell Oil Company
The Methodist Hospital System
United Continental Holdings

Sources: City of Houston annual report based on GHP Research

* Starting fiscal year 2022, information such as the number of employees or the employers' percentage of total employment is not available for disclosure. Prior year information has been modified to the format consistent with fiscal year 2022 for presentation purposes.

Metropolitan Transit Authority of Harris County, Texas
Principal Payments (Including Debt Refunding) For Outstanding Debts For the Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Commercial Paper	Sales and Use Tax Bonds	Total
2023	$ 83,550,000	$ 59,535,000	$143,085,000
2022	25,950,000	132,195,000	158,145,000
2021	6,300,000	58,180,000	64,480,000
2020	300,000	340,255,000	340,555,000
2019	–	155,280,000	155,280,000
2018	300,000	158,930,000	159,230,000
2017	1,000,000	44,155,000	45,232,311
2016	3,900,000	192,500,000	261,786,781
2015	62,100,000	13,920,000	84,563,263
2014	3,600,000	13,365,000	25,094,906

Metropolitan Transit Authority of Harris County, Texas
Outstanding Debts by Type For the Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Commercial Paper	Sales and Use Tax Bonds (Including Unamortized Premium/Discount)	Total Outstanding Obligations
2023	$ –	$ 913,574,472	$ 913,574,472
2022	83,550,000	982,813,177	1,066,363,177
2021	109,500,000	1,057,512,854	1,167,012,854
2020	115,800,000	1,126,599,981	1,242,399,981
2019	116,100,000	1,197,541,217	1,313,641,217
2018	116,100,000	1,120,232,657	1,236,332,657
2017	116,400,000	1,119,226,499	1,235,626,499
2016	117,400,000	1,121,810,925	1,239,288,236
2015	121,300,000	1,086,987,615	1,274,853,520
2014	183,400,000	971,979,450	1,230,646,020

Additional information can be found in Note 6 to the basic financial statements.

Metropolitan Transit Authority
of Harris County, Texas
Debt-Revenue Coverage Sales and Use Tax Bonds and Contractual Obligation For the Last Ten Fiscal Years
(Unaudited)

						Payments for Sales and Use Tax Bonds and Contractual Obligations				
Fiscal Year	Net Sales Tax Revenue (1)	Operating Revenues	Operating Grants	Less Operating Expenses Net of Depreciation	Net Available Revenue	Principal (2)	Interest	Less IRS Interest Subsidy	Total	Coverage Ratio
2023	$813,837,641	$ 45,251,588	$221,319,361	$817,260,650	$263,147,940	$ 59,535,000	$ 34,267,833	$ –	$ 93,802,833	2.81
2022	762,650,573	38,906,973	4,602,766	715,148,467	91,011,845	98,750,000	37,815,147	–	136,565,147	0.67
2021	652,650,355	26,694,634	538,377,367	601,596,636	616,125,720	58,180,000	41,071,719	50,042	99,201,677	6.21
2020	583,814,793	42,790,171	305,648,022	657,710,761	274,542,225	52,250,000	43,159,649	–	95,409,649	2.88
2019	593,031,139	75,294,678	72,704,334	659,769,611	81,260,540	50,870,000	51,656,757	1,676,986	100,849,771	0.81
2018	578,602,628	74,837,624	65,175,440	607,412,108	111,203,584	54,570,000	50,143,996	1,855,372	102,858,624	1.10
2017	519,026,128	72,817,352	82,009,861	600,263,693	73,589,648	44,155,000	44,905,658	1,849,413	87,211,245	0.84
2016	514,576,241	72,052,304	77,117,133	570,871,086	92,874,592	28,155,000	44,806,347	1,956,596	71,004,751	1.31
2015	536,370,159	74,651,045	40,230,897	521,298,340	129,953,761	22,463,263	44,611,552	1,841,467	65,233,348	1.99
2014	513,875,477	76,282,549	64,927,095	481,754,946	173,330,175	13,365,000	39,148,956	1,843,453	50,670,503	3.42

Additional information regarding outstanding debt can be found in the Note 6 to the financial statements.

(1) Net Sales Tax Revenue is gross sales tax receipt reduced by the amount assigned to the General Mobility Program and Sales Tax Rebate Program.

(2) Principal payments exclude refunding activity.

Metropolitan Transit Authority
of Harris County, Texas
Operating Statistics For the Last Ten Fiscal Years
(Unaudited)

						Number of						Directional Route Miles			
Fiscal Year	HOV Ridership Cars, Vans and Non-METRO Buses	Transit Boarding *	Revenue Vehicle Miles *	Passenger Miles Transit *	Passenger-Miles Carpool/ METRO STAR Vanpool Non-METRO Buses on Transitways	Emp.	Available Transit Vehicles*	Rail Cars	BOF	TC	P&R	Rail	HOV Lanes	Service Area (sq. miles)	Total Actual Rail Passenger Car Revenue Miles
2023	16,210,904	68,575,783	62,459,216	394,716,905	167,134,420	3,992	2,209	90	6	21	27	45.4	192.5	1309	3,121,679
2022	11,072,328	57,264,262	57,805,954	351,775,071	114,155,702	3,974	1,558	76	6	21	27	45.4	192.5	1309	2,884,228
2021	9,571,876	44,914,325	52,321,096	254,476,548	98,686,042	3,848	1,552	75	6	21	27	45.4	192.5	1309	2,602,080
2020	14,945,315	66,069,965	62,819,753	389,111,481	154,086,198	4,087	1,444	75	6	21	27	45.4	192.5	1303	3,236,011
2019	24,538,932	89,977,667	75,338,222	581,575,901	252,996,389	4,106	1,412	75	6	21	27	45.4	185.1	1303	3,482,906
2018	26,494,184	90,156,382	73,994,676	563,145,935	273,155,037	4,042	1,409	75	6	21	27	45.4	182.3	1303	3,535,806
2017	25,972,856	88,129,126	72,077,150	566,131,888	267,316,195	3,956	1,393	76	6	21	27	45.4	182.3	1303	3,330,168
2016	25,829,582	89,970,895	72,975,913	584,215,802	266,302,990	3,916	1,394	54	6	21	26	43.4	139.1	1303	3,415,024
2015	26,723,748	86,089,171	71,162,933	573,489,760	275,521,842	3,777	1,373	37	6	21	26	43.4	139.1	1285	2,350,774
2014	25,386,535	85,389,587	69,134,726	605,100,948	261,735,176	3,560	1,432	37	6	20	28	25.4	139.1	1285	1,577,592

Source: Metropolitan Transit Authority Office of Management and Budgets

BOF = Bus Operating Facility
TC = Transit Centers
P&R = Park & Ride Lots

METRO operates 105.3 miles in the 192.5 miles regional HOV/HOT lane system.
*Start reporting Available Transit Vehicles in FY2023

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